

CAPITAL OPPORTUNITIES *FOR SMALL BUSINESSES*

**A Guide to Financial Resources
for Small Business in North Carolina**

sbt_{tdc}
Your business. Better.

Prepared by the Small Business & Technology Development Center



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Small Business and Technology Development Center (SBTDC)
5 West Hargett Street, Suite 600, Raleigh, NC 27601
phone: 919.715.7272
e-mail: info@sbtcd.org
website: www.sbtcd.org

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The SBTDC would like to thank the following for their valuable contributions to this guide:

Ashleigh Cates
Pete Donahue
Angela Farrior
Tim Janke
Eileen Joyce
Karen Hoskins
George McAllister
Bethany Sampson Morgan
David Morgan
Lisa Ruckdeschel

FEEDBACK

If you have any suggestions or questions about this guide, please call 919. 715-7272 or e-mail info@sbtcd.org.

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CHAPTER 1: INTRODUCTION

Small businesses continue to make important contributions to our national economy. Within the United States, small businesses, defined by the U.S. Small Business Administration (SBA) as independent firms having fewer than 500 employees, represent more than 99.7% of all employers, employ more than half of all private sector employees, and account for 45% of the total U.S. private sector payroll. In addition, small businesses are significant generators of new jobs, creating 60 to 80% of net new jobs annually. These figures from the SBA substantiate that small businesses are vital engines for our nation's economic growth.¹

The North Carolina Small Business and Technology Development Center (SBTDC) publishes this guide in an effort to support the growth of North Carolina's economy and to educate and serve the small business community. The SBTDC is a business and technology extension service of The University of North Carolina, administered by NC State University and operated in partnership with the U.S. Small Business Administration. Since 1984, we have provided management counseling and educational services to help make businesses better.

This guide provides information about financial resources available to small businesses. Ideally, it would include all sources of funding for small businesses, regardless of the location of the financing entity. Unfortunately, such an undertaking is beyond the scope of this publication. Therefore, this guide concentrates on sources of capital located in or actively serving North Carolina. Likewise, the Internet resources cited are illustrative and do not represent a complete list of all useful materials to be found online.

Purpose of this Guide

This guide is intended to serve as a resource for individuals seeking start-up financing, businesses on the hunt for expansion capital, and organizations that aid small businesses in obtaining financing. Each funding source is briefly identified and accompanied by a list of contacts. It is the responsibility of the user to further explore these resources and carefully review their submission criteria and guidelines. This guide also describes recent developments that may affect the availability of funding or the eligibility of small businesses to access capital.

The financing sources contained in this guide are grouped into five major categories:

- Financial institutions
- Federal government sources
- State government sources
- Equity capital sources (includes angel and venture capital)
- Private, not-for-profit, and local programs

Each program has certain guidelines, some strictly limiting the availability of funds. It is important to understand that none of these sources represents "free money." In fact, some of the programs are quite costly. The company or individual looking for start-up funding should have a well thought-out, detailed business plan, including financial projections. Existing businesses will need a plan with both historical and projected financial information. Only then can the needs of the applicant seeking capital be fully evaluated and met by the investor or lender. The company's stage of development, the background and reputation of the management team, the

¹ For further information concerning the role of small businesses in our national economy, consult the U.S. SBA's Advocacy Small Business Statistics and Research, *Frequently Asked Questions* www.sba.gov/advo/stats/sbfaq.pdf

nature of the product or services offered, and market potential will be key factors determining the firm's ability to raise capital.

CHAPTER 2: OVERVIEW OF FINANCING RESOURCES

Getting Started

As a company moves through its life cycle, the sources it uses for capital change. In the early formation phase, capital is generally raised through sources independent of the operations of the organization. Capital is acquired chiefly through the personal resources of the owner or his immediate relations, and investor-related debt. Any cash generated from operations is generally used for setup costs including purchases of inventory and equipment. This initial phase calls for the use of techniques that maximize- or “stretch” - current funds, such as seeking longer credit terms from suppliers, procuring advances from customers, subcontracting, and leasing equipment, among other methods.

As the company grows, it begins to generate capital through its operations, and as it establishes a track record of profitability, it will have more opportunities to obtain outside financing. Capital needed for expansion may be available from external sources, including a greater emphasis on debt financing through commercial lenders or equity financing through private investors and firms. As the company matures, operations generally provide cash. Mature companies are in a better position to be able to afford the costs of further expansion through combinations of debt and equity financing, such as private placements or initial public offerings (IPOs).

In all of these phases of business growth, companies must keep abreast of the latest tax credits and other government incentives as well as grant opportunities. Though it is far more likely that a business will be able to avoid a tax than obtain “free” grant money, an open mind must be kept toward all sources of potential funding.

The organizational form of a business is another factor that determines the financing sources that may be available. A sole proprietorship is often the form used by a small company -- operated by a single individual (e.g. restaurant, trucking firm, gift shop) with few capital needs that cannot be met from the owner's resources or conventional lenders. A start-up formed as a limited partnership (LP) may be attractive to investors who can only be held personally liable up to the amount of their investment made. Neither partnerships nor sole proprietorships, however, can raise equity financing through a private placement or an IPO. Corporations offer greater flexibility for raising capital through a mix of debt and equity than do either sole proprietorships or partnerships. Finally, the limited liability company (LLC) is a fairly new form of organization that combines the characteristics of both corporations and partnerships.²

Start-Up (or “Seed”) Stage

External sources of financing refer to those funds not generated by business operations. During the start-up phase, among the most important sources are personal assets accessible to the owner. The emphasis is on external sources since the business is not yet generating positive cash flow. In the search for early-stage capital, loan opportunities are usually limited by the need for collateral and personal guarantees, which serve as protection to the commercial lender. It is unlikely for most start-up companies to obtain equity investments, in part due to the high risk involved in this stage of investment. Factors such as a well-developed business plan, or

² For further information on forms of business organization within North Carolina (including forms, filing fees, and useful how-to guides), visit the N.C. Secretary of State's Corporations webpage: www.secretary.state.nc.us/corporations.

prior experience in the new business's industry, improve one's chances of acquiring start-up or early-stage funding.

Personal Assets

Obtaining financing for a start-up enterprise is difficult because there is no track record on which the business can be judged. Personal assets are thus the first source of capital that must be considered. A personal stake in the enterprise shows a commitment to the business and provides lenders with a potential source of collateral to secure a loan. Most banks require at least a 30 percent personal equity investment in a start-up business and 10 percent to 30 percent in a more established business. If an owner does not have access to sufficient personal resources to get through the lean times of the start-up phase, it may be wise to re-evaluate the decision of going into business at this time.

Sources of financing using personal assets (in the pre-seed stage, this is oftentimes referred to as "bootstrapping" or "bootstrap" funding) include:

- **Checking and savings accounts**
 - good source, if available
- **Credit cards**
 - disadvantage: a credit line can come with a high interest rate
 - advantage: only have to pay interest
- **Stocks, bonds and other investments**
 - disadvantage: may face capital gains tax on the sale of investments that have appreciated over the years
 - advantage: no payment
- **Retirement funds such as a 401K**
 - disadvantage: may face a penalty for early withdrawal

Family and Friends

Family and friends can provide direct investment funds, loans, or serve as guarantors on a bank loan if their credit history and resources are strong. Unlike commercial sources, this group is personally acquainted with the entrepreneur, and though they must still be objective in assessing the proposal, intangibles such as personal character are often given more weight by family and friends than by more traditional sources. If an outright loan is not possible, this group can still provide aid in procuring financing through credit enhancement. Credit enhancements are assets of recognized value that can be borrowed to support a loan or other debt obligation. This technique bolsters the asset base so that additional debt financing can be acquired. This can be accomplished through the pledge of personal assets such as a CD, stocks, or bonds as collateral.

Home Equity Loans or Credit Lines

Home equity loans (sometimes referred to as a "second mortgage", though it may in fact constitute a third or even fourth lien on the collateral property) and equity lines of credit can be a source of funding for a small business. The feasibility of this source will vary with the amount of equity that has been built up in the home. It can usually be obtained through a bank, a mortgage company, a finance company specializing in secondary funding, or a savings-and-loan (S&L) association. There are usually points or fees and closing costs (and sometimes other factors, such as *balloon payments*) to be considered when assessing the costs of this mode of

financing. The proceeds from the loan can either be used as a source of direct financing or as collateral to secure a credit line.

Growth Phase

Internal Financing

Cash Management Tools

Effective cash management of a business is one of the best ways to raise capital, and it also helps avoid paying interest on unnecessary external debt. Since short-term cash flow needs are vital to company operations, available cash flow management techniques must be maximized. Small business banking services are traditionally oriented around deposits and loans, with most services tied to checking accounts. However, specialized services once used primarily by larger companies are now available to smaller businesses. The following services can be used as part of an efficient cash management program:

- a. **Lockbox:** An integral part of a profitable business is a fast, efficient accounts receivable process. A lockbox is a post office box maintained by the bank to receive payments made to a business. The bank empties the lockbox frequently and immediately deposits checks into your account. The advantage is that funds become available much faster than if they are first sent to the place of business.
- b. **Controlled Disbursement Account:** This tool enables the business to make timely payments while maintaining the maximum earning power of funds. With a controlled disbursement account, the business receives daily notification of the checks that will clear the account that day. Only the amount needed to cover those checks is transferred to the checking account, ensuring that no idle cash remains in the account.
- c. **Sweep Account:** A sweep account is an automatic system to move excess money into an interest-bearing account every night. After all debits and credits are posted to the checking account at the end of the day, funds in that account are automatically swept into a money market or savings account.

Accounts Receivable Management

Effective short-term cash flow management is vital to a company's operations. Short-term financing needs are decreased when cash flow is maximized through matching accounts receivable with accounts payable. This is done by carefully negotiating and managing credit terms with customers and suppliers. Periods where payables exceed receivables must be handled through short-term financing such as a line of credit. If the business itself delays sending bills, the result is a longer period before payment is received. The use of that cash to cover payables or for investment is lost over that period. The same is true when the collection cycle is lengthened as a result of a failure of customers to pay according to the credit terms. Consider using discounts to encourage timely customer payment.

Inventory Control

The less excess inventory carried, the greater the availability of funds for interest-bearing accounts or working capital purposes. Excess inventory lowers a company's profitability due to the money spent to produce or purchase the idle goods that take up warehouse space and increase insurance costs. The goal of avoiding excess inventory must be balanced with a company's ability to consolidate inventory purchases to take

advantage of volume pricing. Implementing an inventory control system can help reduce excess inventory and its associated costs.

Electronic Commerce

Each of the preceding strategies for effective internal financing may be enhanced through the use of electronic commerce. Electronic commerce, mostly in the form of Electronic Data Interchange (EDI), has been around since the 1950s but until recently was primarily used by large companies doing business with the federal government over expensive private networks. Technological advancement and the increased accessibility of both personal computers and the Internet have made electronic commerce an increasingly popular and more affordable tool for small businesses. For many individuals and small businesses, some aspects of electronic commerce are a part of daily life—for example, direct deposit of payroll, credit card validations, and automatic bill paying.

Electronic commerce allows the computer-to-computer exchange of routine business information between a company and its suppliers, its customers, banks, and other trading partners. One aspect of such an exchange that offers an important financing opportunity to small businesses is the ability, through either EDI or the Internet, to establish a partner-like relationship with their suppliers. Suppliers are then able to manage their customers' material logistics, including a customer's on-hand inventory. The supplier's goods may be moved on consignment and/or the small business customer may not be expected to pay in full until the goods are used or, in the case of manufacturing components, until the final product has been sold. In this way, the supplier provides a portion of the working capital for the small business.

Procurement cards are another aspect of electronic commerce that offers significant cost-cutting potential to the small business. A procurement (or purchasing) card is a specialized corporate credit card that can be customized to limit dollar amounts and types of purchases that can be made by individual employees. Since banks replace the vendor in the task of customer billing and collection, for a small business the ability to handle procurement card transactions could mean both improved cash flow and significant cost savings.

Barter

Bartering is the trading of one item for another. Commercial trade exchanges serve as the mechanism for the transfer. Through the use of computers, exchanges can match the needs and wants of its clients. Barter is a good way to keep a business moving when cash is scarce. It is especially useful for a small business because it allows the business to trade unused or excess inventory in exchange for goods and services for which the business would otherwise have to pay. The resulting benefit to a business is that it cuts costs and eases cash flow. Trades are normally made at full retail value with a 10 percent commission paid to the exchange. The goods or services received are also considered as income for tax purposes. Among the larger exchanges operating in North Carolina are International Barter Group (IBG) (843.824.1435) and ITEX BarterWorks (www.itex.com) (919.870.9226). For more information on bartering please visit the International Reciprocal Trade Association at www.irta.com.

External Financing

As the business begins to grow, external financing sources should become more available, and debt or equity may be used to satisfy financing needs. The mix of financing sources varies depending on the growth stage of the business. During the start-up stage, entrepreneurs most often rely on "family and friends" and internal debt financing, but as the business becomes more established, it develops a credit history and outside debt financing

becomes more available. High-growth companies- those growing very quickly- are attractive to equity financiers. Equity financing providers may be companies, funds, or individuals, but they all seek to invest in private companies in which they can anticipate a substantial rate of return for their investment. Debt financing is more varied, both in the types of entities that provide such financing and in the types of financing available.

Short-term Financing

Short-term financing is used to address needs of one year or less in duration and is intended to take care of a mismatch in cash flow generated from receivables and expended as payables. It is used to satisfy a business's working capital needs and to support investments in short-lived assets such as inventory and accounts receivable. A working capital deficit indicates that a company has more short-term obligations (i.e., payables) than short-term assets (i.e., cash, accounts receivable, inventory). The gap can be bridged through accessing short-term financing (e.g., a revolving credit line).

The most common situation that challenges a company's ability to repay its debt on a timely basis is using short-term borrowing for long-term needs. This includes financing expenditures for fixed assets or intangibles with short-term credit. Though most banks may be reluctant, refinancing short-term borrowings into long-term debt typically resolves this problem. Balance sheet management is a key factor in determining the right type of borrowing to utilize at the current stage of development.

- a. **Trade Credit:** Accounts payable -- also called 'trade credit' - is a form of money management that is especially crucial for small firms. A business may finance itself by asking its vendors and suppliers to accept a comfortable payment schedule instead of insisting on full payment at the time of delivery. A flexible vendor can sometimes be a great solution to both the business and vendor. A business will seek to pay off its debts over many months (without the penalty of interest charges) while collecting payments from its customers in full and vendors will not be forced to take back its inventory and still ultimately get paid. This system also keeps the maximum amount of cash under the business's control, which can be very advantages for new smaller businesses.
- b. **Term Loan:** Commercial lenders are a key source of loans. A single loan obtained from a commercial lender by a business firm is not much different from a loan obtained by an individual. Commercial term loans are direct business loans with a maturity of five or fewer years. A major advantage of the term loan is that it assures the borrower of the use of the funds for an extended period. The interest rate on term loans varies with the level of prevailing rates, the size of the loan, and the quality of the borrower, and it may be fixed for the life of the loan or it may vary. Repayment of principal and interest is made in a lump sum at maturity or in installments throughout the life of the loan. Most term loans are installment loans repayable on an amortized basis, which allows the loan to be repaid gradually over its life rather than have it due in total at maturity.
- c. **Line of Credit:** A line of credit is a formal or informal understanding between the bank and the borrower concerning the maximum loan balance the bank will allow the borrower. This source is useful for short-term financing of working capital, seasonal needs, and unplanned expenses. The amount of the credit line is often linked to a percentage of a firm's short-term assets. In most cases, the line of credit must be paid off in full every 12 months.
- d. **Letter of Credit:** A letter of credit is a financial instrument issued by a bank to provide a credit guarantee to an outside supplier. The purpose is to guarantee that, if all terms and conditions of the letter of credit are met, the seller will receive payment from the bank even if the buyer defaults on payment. The risk of the

buyer defaulting on payments is, therefore, transferred from the supplier to the bank. These are often hard to obtain from a financial institute due to risk.

Long-term Financing

Long-term financing is general considered anything beyond twelve months and is generally used for investment in long-lived assets. Long-term needs can be met by debt or equity financing or a combination of the two.

Debt Financing

Debt obligates the business to repay its lenders the debt principal along with a specified rate of interest. The lender does not acquire an ownership interest in the organization, as would be common with equity financing. When a business becomes insolvent, creditors or debt holders are entitled to payment before equity shareholders. Interest payments on the debt by a corporation are tax deductible; dividend payments are not. The lender looks closely at the borrower's net worth, generally net worth is current assets minus liabilities, because that amount is the main source of repayment.

Debt financing entails borrowing either at a fixed or a variable rate. A fixed rate offers certainty, but variable rates are usually lower than fixed rates at the time the loan is extended and may decrease further if interest rates fall. In general, if interest rates rise, so will the variable rate and higher monthly payments will result. Some of the variable rate loans may be capped so as to guarantee not being raised above a certain rate.

Issues to consider regarding the use or pursuit of debt financing include:

- Businesses that cannot satisfy collateral requirements generally don't qualify
- Risk of high leveraging
- Increasing risk during business cycle downturns since debt payments remain fixed
- Only the interest portion of the debt is tax deductible.

Equity Financing

A business owner may choose equity financing by selling part of the business to individuals, firms, or the public. A corporation can issue shares of stock as a form of financing. Shareholders pay the corporation for their shares, and each share represents an ownership interest in the corporation. Shareholders then acquire rights to dividends and to a portion of the corporate assets on liquidation. There are two basic forms of equity financing: common and preferred stock. Common stock represents the corporation's residual ownership interest. This is what is left over after all other claims of creditors, debt holders, and preferred shareholders are satisfied. Preferred stock has characteristics of both debt and common stock. Like debt, preferred stock earns a fixed amount of income, in this case called dividends. Preferred stock shareholders have priority over common stock shareholders as to dividends. Like common stock, it ranks behind the claims of debt holders and creditors in the event of liquidation.

Issues to consider regarding the use of equity financing include:

- Owner must relinquish percentage of ownership for equity capital
- Equity investors fall behind debt holders in the event of liquidation
- Costs of preparing and placing private offerings can be relatively high
- Dividends may be subject to double taxation

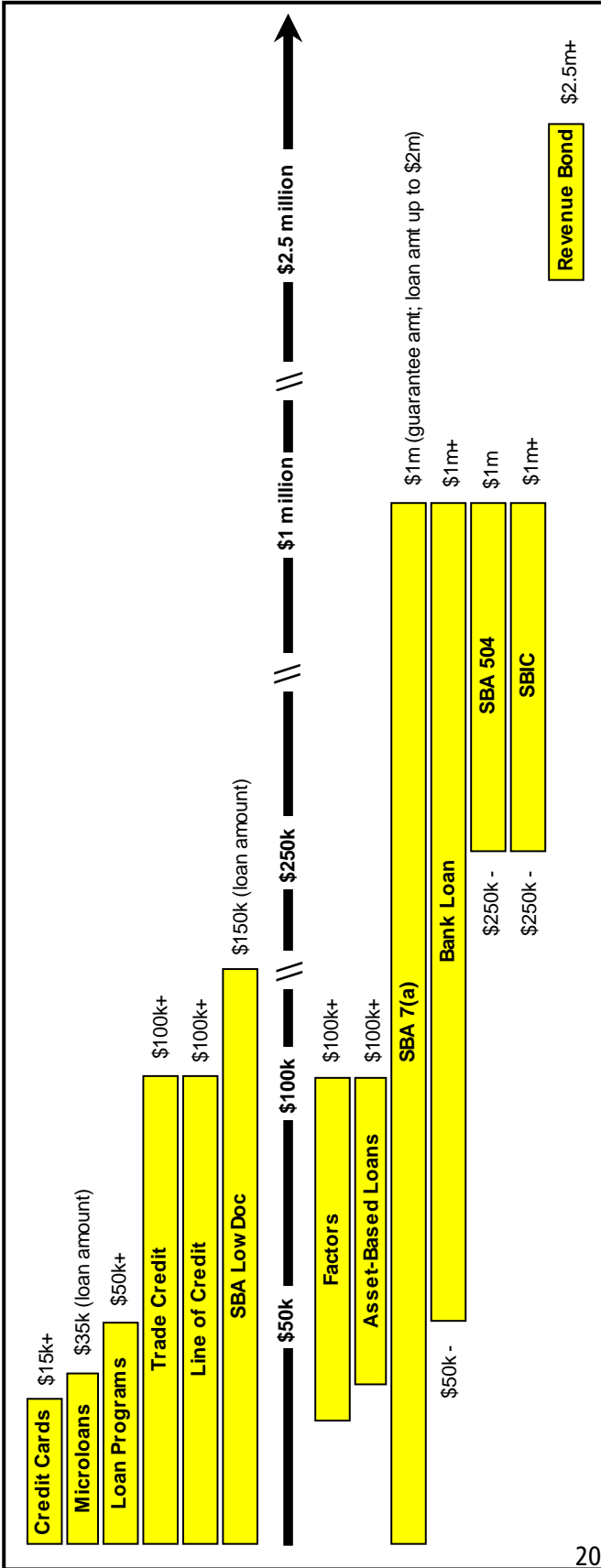
Debt Financing vs. Equity Financing

Consider the case of an entrepreneur who needs \$150,000 to start a new corporation. For the purposes of the illustration, assume this founder contributes \$50,000 and the remaining \$100,000 is financed with debt. At the end of the first year, suppose the company has a net income of \$100,000. Assume this \$100,000 is used to pay off the original debt. The founder is still the only equity holder, with \$150,000 of equity on the balance sheet, and the liability (debt) formerly held against the business has now been paid off. Since there are no additional liabilities, all additional earnings can go towards operating expenses and/or assets for the company. Conversely, if the business lost \$100,000 after the first year, this loss would decrease the equity portion of the balance sheet to negative \$50,000 and the loan must still be paid. The company will likely have difficulty making these payments and may be in danger of defaulting. As this illustrates, debt financing provides leverage to the business owner and amplifies the impact of earnings as well as losses. In a second case, assume the company obtains \$150,000 of *equity financing*, with no debt financing, and has the same first-year net income of \$100,000. Unlike the first case, the equity position will increase to \$250,000 and there is no debt to pay. Conversely, if the company suffers a loss of \$100,000 in the first year, this loss would decrease the equity portion of the balance sheet to \$50,000.

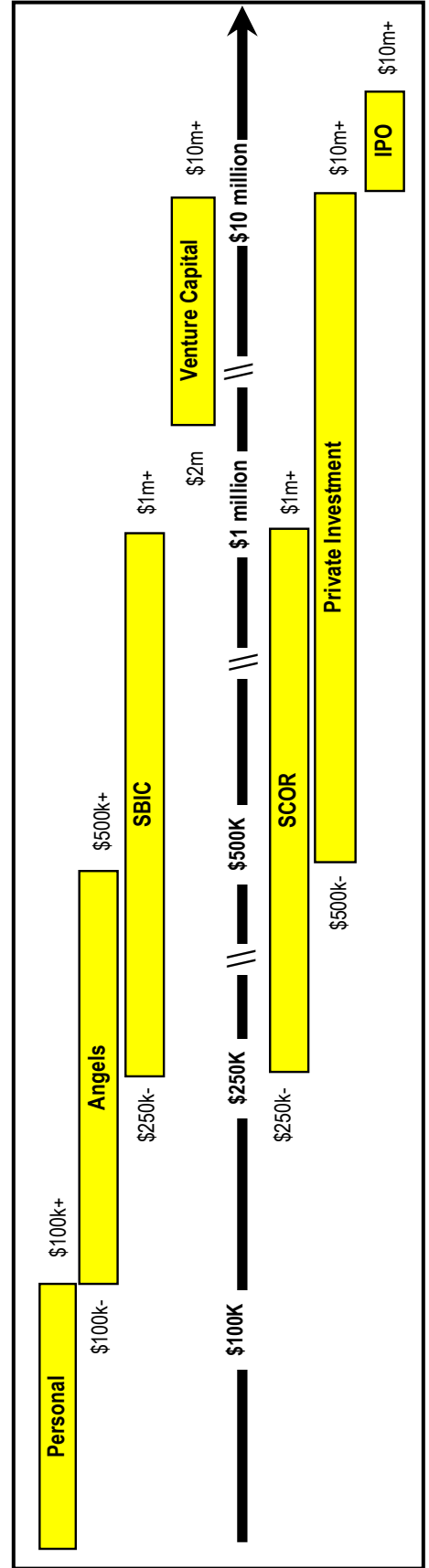
Debt-to-Equity Ratio

The analysis of the amount of debt financing used as compared to equity financing is referred to as the debt-to-equity ratio. The ratio of total debt to equity provides an indication of how strong a company's finances are by comparing what it owes to what it owns. Potential lenders or investors use this ratio to evaluate risk: the higher the equity in the firm's capital structure- compared to the debt- the less risk the company appears to present to a lender. For further information on debt, equity, and other financing basics visit the SBA's *Financing Your Business* webpage at www.sba.gov/financing/.

Debt Sources



Equity Sources



Obtaining a Loan

The most important aspect to realize in seeking a loan as a source of capital is that the lending institution derives its return solely based on the borrower's ability to repay the principal and interest. Since a lender's expected return on investment is limited to interest payments and service fees, it will be reluctant to accept as high a degree of risk as may be acceptable to an investor who provides financing in exchange for a claim on future earnings of the company.

The lender does not gain any additional return if the business does exceedingly well. One must also realize, however, that these institutions principally derive revenue from making loans. A loan applicant, therefore, must take the time to gain an understanding of what the lending institution looks for in a loan candidate and why the business opportunity is a solid proposition for the bank.

Before approaching a financial institution, the applicant needs to have the following documents:

- A business plan
- Federal tax returns for the previous three years
- Personal and business financial statements
- Cash flow statements.

A business plan is the first indication of how the business is going to be managed. A business plan is often one of the most important documents and can be seen as a sales tool directed at those people who are considering backing the entrepreneur. If it is thorough and well prepared, this is a predictor that the business will be managed the same way. The business plan should be sufficiently complete to prove the ability of management to understand the critical factors of the business such as product, market demand, competition, cost structure, pricing, and management.

Information needed to support a loan request includes:

- Size of the loan requested or needed
- Capital already on hand
- Experience of management
- What the loan proceeds will be used for
- How the loan will improve the business
- Evidence of ability to repay the loan.

Factors an applicant must consider in seeking a loan include types of loans offered, rates and fees, collateral requirements, personal guarantee requirements, lending limits, and loan processing time. While the institution will have a policy regarding these elements, its flexibility will depend on the strength of the applicant. From the institution's point of view, personal credit and payment history are some of the factors indicating the degree of risk involved in making the loan. The more accounts and services an individual has with the institution -- personal and business checking account, savings account, credit card, IRA -- the more valuable they are to the bank. This gives the individual more leverage in negotiating terms and conditions of the loan.

It is important for a small firm seeking loan capital to develop a relationship with the lender early in the process. Even before the loan is needed, it is important to take steps to solidify the foundation for a good

working relationship. Once the loan is made, it is important to remain in close contact with the bank. If problems arise, the bank will want to help the company in order to avoid having a bad loan in its portfolio.

Grants

Generally speaking, grants given to business start-ups are very rare. An exception may be for a high technology business or for businesses producing products that can be used by certain agencies or departments involved in our nation's defense. Also, non-profit businesses are sometimes eligible for grants. For the most part, these grants are very specialized. In addition, many Government grants are not available year-round. That is, you can't apply for most of them at any time you please -- in general, you can apply for them only when they are announced by a Government agency.

Grant information can be found at your local library in the business section or by visiting the following websites:

1. *Grants.gov*. the electronic storefront for Federal grants -- www.grants.gov
2. SBA Note on Grants – www.sba.gov/category/navigation-structure/loans-grants/grants

CHAPTER 3: FINANCIAL INSTITUTIONS

Commercial Banks

Commercial banks are usually one of the least expensive providers of loan capital and among the largest sources of credit to small businesses. This source of financing will be most helpful for a business that has demonstrated it can operate profitably. Banks are most interested in financing firms that can show an ability to repay the loan. This usually means a company must have a strong positive cash flow or assets as collateral that can be easily liquidated. The evaluation will consist of a detailed analysis of the company's income statement, balance sheet, and cash flow statement. Factors such as the content of the business plan and experience of the management are also considered. If a business has no consistent operating history or cannot demonstrate that funds will be available to repay the loan, it may be difficult to procure financing using this method.

Payment terms from commercial banks are usually up to five years until maturity but can then be renegotiated to ten or fifteen years. Most debt is secured, although some unsecured lines may be available. Personal guarantees are almost always required resulting in exposure of the borrower's personal assets in the event of a business failure. Even if the business is formed as a corporation, the limited liability feature is superseded by a personal guarantee.

The interest rate on a loan is typically expressed as a percentage in excess of the prime rate. Prime is the rate the nation's largest banks charge their best customers. The prime rate itself will vary according to economic conditions; it is primarily dependent on the rate the banks themselves are charged by the Federal Reserve to borrow money. The percentage over prime that a customer is charged is based on the banker's perception of the risk taken by granting the loan.

Prime rates can be found at wsj.com/mdc/public/page/2_3020-moneyrate.html.

Lending institutions have different policies towards risk. Some are inclined to follow relatively conservative lending practices; others engage in more creative banking practices. Banks borrow money elsewhere at a lower rate and lend it out at a higher rate; therefore, the commercial bank's primary concern is a borrower's ability to cover principal and interest repayments. Although bankers are interested in all financial aspects of a borrowing firm, hard assets provide their primary insurance if the business fails.

According to the SBA Office of Advocacy's 2013 report on small business lending activities, the total number of small business loans increased from 21.3 million in June 2011 to 23.5 million in June 2012. The full report is available at www.sba.gov/advocacy/7540/719311.

The North Carolina Banking Commission currently regulates 108 state-chartered, commercial banks and 24 Trust Companies (or Limited Purpose Banks). Since 1994, the SBA Office of Advocacy has ranked the small business lending behavior of every commercial bank in each state to help depositors and borrowers identify the small-business-friendly banks in their state. Four factors are used to rank the small business lending activities of each bank:

- Ratio of small business loans to total assets
- Ratio of small business loans to total business loans
- Dollar value of small business loans

- Number of small business loans.

The top North Carolina banks, ranked according to the above criteria and by total small business loans (<\$1 million) issued, is available at: [www.sba.gov/sites/default/files/files/bk_13nc\(1\).pdf](http://www.sba.gov/sites/default/files/files/bk_13nc(1).pdf). It is important to note that banks that participate in SBA loan programs and that extensively utilize secondary markets have received artificially low rankings in the first table. Therefore, borrowers should also consult the list of SBA Preferred or Certified Lenders provided in the next section of this guide.

Savings Institutions

Savings and loans (S&Ls) and savings banks primarily focus on the area of home mortgage lending. Savings institutions have not traditionally been aggressive in pursuing non-real-estate commercial loans such as lines of credit and unsecured loans. While state-regulated institutions can invest up to 15 percent of their total assets in commercial loans without making a special application to the Administrator of the NC Savings Institutions, the portfolios of most do not approach this limit. Savings institutions may be more aggressive in the area of commercial real estate loans, which are not included in this limit. These institutions can also provide indirect sources of business financing, such as home equity loans or second mortgages.

For the most current list of savings institutions in North Carolina, contact:

NC Commissioner of Banks

316 W. Edenton St., Raleigh, NC 27603

4309 Mail Service Center

Raleigh, NC 27699-4309

(919)-733-6918 www.nccob.org/public/

- To view a list of state-chartered banks (both commercial banks and trust companies) visit www.nccob.org/Online/btrts/BanksAndTrusts.aspx
- To view a list of commercial, savings banks and thrifts ranked by assets visit www.nccob.org/NR/rdonlyres/3E6C17A2-5607-4145-8157-9692479FA6A8/0/07Q1asst_dep.pdf

Non-Bank Lenders

Finance companies offer a growing alternative for the financing needs of small businesses. Finance companies usually assume higher risk and therefore charge higher interest rates than commercial banks.

The major differences between banks and finance companies are the criteria used to evaluate borrowers and the level of risk the institutions are willing to assume

Asset-Based Lenders

Over the past several decades, business lending by finance companies has increased at a faster rate than business lending by commercial banks. Increasingly, finance companies are providing asset-based lending services. Instead of focusing on a firm's historical operating record and cash flow, finance companies will lend money based on the value of the company's equipment, inventory, or accounts receivable. Asset-based lending is secured lending in which money is loaned using the borrower's assets as collateral. The lender's risk is mitigated by closely monitoring the quality and performance of the asset.

Asset-based lending is especially useful when the company confronts issues such as high growth or seasonal variations in business. In these environments, traditional unsecured lending is unlikely to satisfy all financing needs, and asset-based lending becomes a viable alternative. This method of lending is generally focused on providing secured working capital loans (with the amount that can be borrowed determined by established percentages of the advance against accounts receivable or inventory). By borrowing against its accounts receivable, a company can accelerate its cash collection cycle and improve its ability to purchase additional inventory to build sales. The resulting improvement in cash flow can be accomplished without giving up any ownership control.

In a traditional arrangement, the asset-based lender extends credit usually against 80 percent of eligible receivables and 20 percent serving as a reserve, but percentages may vary. Eligibility is generally determined by the quality of the receivable. As the invoices are paid, the amounts received are applied against the borrower's loan.

Purchase order financing is another example of asset-based lending. This may be attractive to a company that has stretched its credit relations with vendors and has reached its lending capacity at the bank. The inability to finance raw materials to fill all orders would leave a company operating under capacity. The asset-based lender finances the purchase of the raw material, and the purchase orders are then assigned to the lender. After the orders are filled, payment is made to the lender, and the lender then deducts its costs and fees and remits the balance to the company.

The interest cost of this source of financing can be relatively expensive. Terms can be as low as prime plus three percent, but can also be as high as prime plus ten percent. Asset-based lenders usually require first liens on assets and almost always require personal guarantees. Lenders may also move quickly to liquidate collateral where necessary. The advantage of this type of financing is that it is available to companies with a strong asset base but with insufficient cash flow to qualify for a traditional loan.

Asset-Based Lender Members of the Carolinas Chapter of the Commercial Finance Association

Bank of America Commercial Finance
Business Credit Division
101 South Tryon St., NC1-002-30-23
Charlotte, NC 28255
704.386.8956
www.bankofamerica.com

Branch Banking & Trust Co. (BB&T)
200 W. 2nd St., POB 1245
Winston-Salem, NC 27101
336.733.2724
www.bbandt.com

Business Alliance Capital Corp.

214 Carnegie Center, Suite 302
Princeton, NJ 08540
609.897.8940 or 800.246.1089
www.BACCORP.com

CIT Commercial Credit
2 Wachovia Center
301 South Tryon St.
Charlotte, NC 28202
704. 339.2928
www.cit.com

The Commercial Finance Group
230 Pond View Lane
Fort Mill, SC 29715

704.226.2455 / E-mail - mpierce@cfgroup.net
www.CFGroup.net
GE Capital Solutions
gecapsol.com

GMAC Commercial Finance
8801 J.M. Keynes Dr., Suite 360
Charlotte, NC 28262
704.510.2300
www.gmaccf.com

HSBC Business Credit (USA), Inc.
227 West Trade St., Suite 2050
Charlotte, NC 28202
704.358.2015
www.us.hsbc.com

Lighthouse Financial Corp.
POB 3545, 925 West Market St.
Greensboro, NC 27402
336.272.9766
www.lighthousefinancialabl.com

Mellon First Business Bank
1 Bunker Hill Building, 601 West Fifth St.
Los Angeles, CA 90071
213.489.1000
www.mellon.com/mfbb

National City Commercial Finance
35 Technology Pkwy. South, Suite 170
Norcross, GA 30092
770.613.5350 or 877.465.3439
national-city.com

PNC Business Credit
4720 Piedmont Row Dr., Suite 300
Charlotte, NC 28210
704.551.8509
www.pnc.com

Presidential Financial Corporation
1979 Lakeside Parkway, Suite 400
Tucker, GA 30084
800.563.6065
www.presidentialfinancial.com

RBC Centura
804 Green Valley Rd., Suite 104
Greensboro, NC 27408
336.443.6870
www.rbccentura.com

Wachovia Capital Finance
301 South College St., NC0479
Charlotte, NC 28202-6000
704.383.1351
www.wachovia.com

Specialized Asset-Based Lenders

A number of asset-based financing sources restrict their operations to various areas. For example some smaller and flexible asset-based lenders may choose to finance produce from a foreign country while others may focus on an industry such as frozen fish. This is often because the lenders feel comfortable in this industry, whether because of past success or other reasons. These lenders can sometimes fill a gap for funding necessary for businesses that need much smaller loans.

Factors or Factoring Companies

A factor is a person or company who assists businesses that are expanding and experiencing a cash shortage by purchasing the business's accounts receivables. In factoring, the receivable is purchased at a discounted rate and the factor pays the business immediately. This is beneficial to all parties because the business needs cash now and is willing to pay a fee to get it. There are two types of accounts receivable sales: recourse and non-recourse factoring. In a *recourse* transaction, the business retains part of the risk of customer default and is

ultimately responsible for any shortfall. In a *non-recourse* situation, the factor takes on all the rights and obligations of the receivable, including the risk of default by the customer.

Factors charge a fee that is usually 2 to 6 percent of the receivable. The calculation of this fee depends on the following variables: volume, size, and number of invoices; customers' credit; location of the customers; and length of time of payment. Some companies charge an additional fee if the customer is late on payment, while others have one flat rate. Upon payment by the customer, the remaining value (10 to 30 percent), minus the fee, is sent to the business.

There are two methods of factoring, called traditional and spot. With *traditional* factoring, the finance company obtains the rights to an entire stream of receivables. This is best for companies with at least \$1 million in annual sales. *Spot* factoring is the buying and selling of a single or small number of businesses accounts. Businesses that only use factoring for a limited time or purpose, such as seasonal employers, often prefer the spot factoring method.

In addition to traditional factoring companies, The Receivables Exchange (www.receivablesexchange.com) allows companies to post and sell their invoices online, where buyers compete by bidding for invoices. While a business can receive cash quickly, it may be expensive, and typically works best for larger most established businesses.

It is important to keep in mind that, unlike banking, there are no regulatory agencies overseeing the business practices of factoring companies. Most factors will provide prospective clients with a list of former and current clients as well as references from local lending institutions.

Factor Members of the Carolinas Chapter of the Commercial Finance Association

Accord Financial, Inc.

POB 6704
Greenville, SC 29606.6704
864.271.4384 or 800.231.2757
accord@accordfinancialus.com
www.accordfinancialus.com

BB&T

Commercial Loan
200 S College St, 2nd Floor
Charlotte, NC 28202-2005
704-954-1000
www.bbt.com/bbt/business/products/commercialfinance/factoring.html

CIT Group

2 Wachovia Center / 301 South Tryon St.
Charlotte, NC 28202
704-339-2200
www.cit.com

Capital Factors (Capital Business Credit LLC)

One Brixham Green
15800 John J. Delaney Dr., Suite 300
Charlotte, NC 28277
704.248.5714
www.capitalfactors.com

GE - Capital Solutions

Business Financing Solutions
44 Old Ridgebury Rd.
Danbury, CT 06810
203.796.1000

Riviera Finance

8307 University Executive Park Dr., Suite 228
Charlotte, NC 28262
704.510.0112 or 800.693.7157
www.rivierafinance.com

Leasing Companies

A typical lease involves three parties: the seller of equipment (vendor), the one who will use the equipment (lessee), and the leasing company (lessor). The leasing company buys the equipment from the vendor and leases it for a specified period of time to the business owner. Leases are best used by businesses that cannot afford the initial capital cost to buy the equipment. Usually nearly 100 percent of the cost of the equipment can be financed; therefore no down payment is required.

There are also certain tax benefits to leasing that are dependent on the structure of the lease. There are two types of leasing arrangements: capital and operating. In a **capital lease**, the lessee (person taking possession of the property) assumes the obligation to purchase the equipment under the lease. This is generally regarded as a form of medium-term debt financing. Both the value of the asset and the related debt are recorded on the lessee's financial statements. Under an **operating lease**, the lessee pays a fixed monthly payment for a specified period of time, after which there exists no further

obligation, and the lessor retains ownership of the equipment. Neither the asset nor the debt is recorded on the lessee's financials.

Usually the leasing company will require small business owners to personally guarantee the lease. Typically a leasing company requires that a business be in existence for two years and have a strong cash flow history. There are leasing companies that work with new businesses if the owner has strong personal resources and good personal credit. Terms range from short-term to long-term depending on the underlying asset. For more information please refer to the Equipment Leasing and Finance Association's (ELFA) website at www.ELFAonline.org.

NC Members of ELFA Dealing in Small Market Transactions

BB&T Leasing Corporation

POB 31273
Charlotte, NC 28231
704.954.1774 or 800.532.0354
www.bbandt.com/leasing/

Bank of America Leasing and Capital Group

121 West Trade St. / NC1-005-15-01
Charlotte, NC 28255
704.388.1999
www.bankofamerica.com/small_business/business_financing

ePlus, Inc.

13595 Dulles Technical Dr.
Herndon, VA 20171
703.984.8400
800.677.5677
www.eplus.com/web/BaseRenderer.aspx?id=1

First Citizens Bank and Trust Commercial Leasing

3127 Smoketree Ct.
Raleigh, NC 27604
Mailing: POB 29519, Raleigh, NC 27626
888.323.4732
www.firstcitizens.com
Specialty: Commercial Vehicles & Equipment

RBC Bank

3400 Croasdaile Dr., Suite 304
Durham, NC 27705
919.687.3750

www.rcbankusa.com

Salem Group

209 Mercantile Dr.
Winston-Salem, NC 27105
336.744.5999
www.salemgroup.com

Springs Leasing Corporation

POB 667817
Charlotte, NC 28266-7817
704.357.3020 or 800.622.1633
www.springsleasing.com

Vendor Capital Group

4191 Fayetteville Rd.
Raleigh, NC 27603
800.765.8644
www.vendorcap.com

Volvo Financial Services - North America

POB 26131
Greensboro, NC 27402-6131
336.931.4000 or 877.865.8623
www.volvo.com/commercialfinance/na/en-us/
Specialty: Truck Construction Equipment & Buses

Wachovia Leasing Corp.

101 North Cherry St.
Winston-Salem, NC 27102
336.735.6058

Non-Members with Special Purposes

Alliance Capital Ventures (ACV)

8623 Tullamore Park Circle
Charlotte, NC 28226-2680
704.491.6248

www.alliancecapitalventures.com

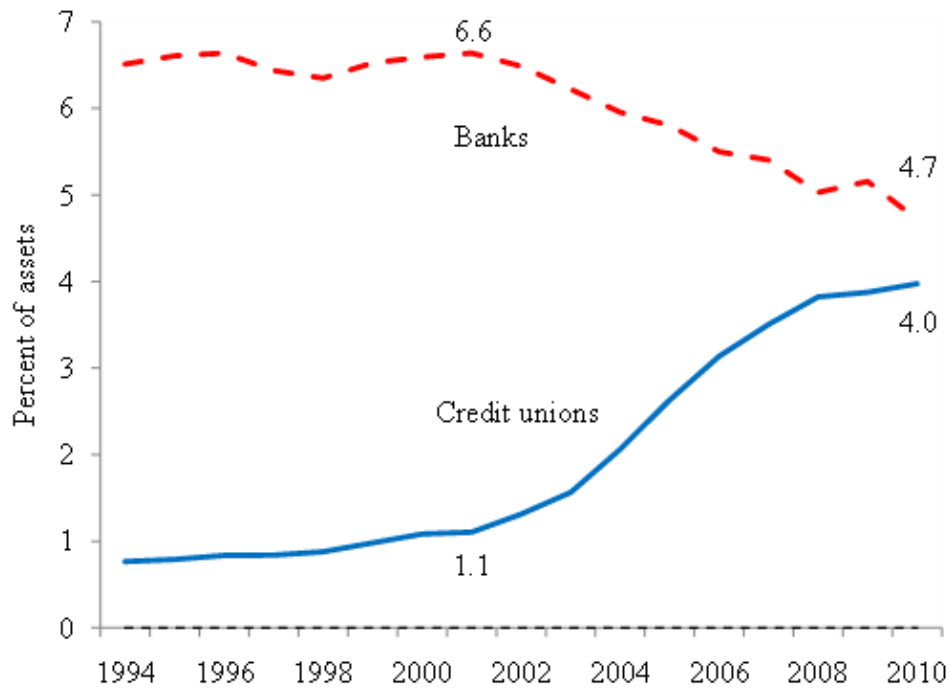
Special Purpose: Venture capital leasing -- assisting companies who recently received venture capital to establish equipment lines.

Credit Unions

A credit union is a member-owned, non-profit institution formed to encourage saving and offer low-interest loans to its members. Members are usually people working for the same employer, belonging to the same association, or living in the same community.

A study by the [Small Business Administration](#) looked at the role of small business lending at credit unions, banks, and small banks between 1986 and 2010. In this case, a small business loan was defined as under \$1 million. The study found that over time and across regions, bank lending fluctuated quite a bit. But while small business lending at banks decreased over time, lending by credit unions increased dramatically. More credit unions were engaging in small business lending, and at the same time, credit unions were expanding their membership bases.

Between 1986 and 2010, the number of credit unions doing small business lending went up from 5 percent of credit unions to 30 percent. Small business lending at credit unions grew much faster than at banks from 1995 to 2010, at an average annual rate of 16 percent at credit unions, compared to 3 percent at banks. After the 2001 recession, small business lending growth at credit unions kept growing at a rate of more than 20 percent, and even after the most recent recession— though lending declined all around— small business lending at credit unions was still stronger than at banks.

Figure 1: Small Business Loans per Assets at Credit Unions and at Banks, 1994-2010

Sources: Federal Reserve Bank of Chicago, NCUA.

From: www.sba.gov/sites/default/files/files/rs387tot.pdf

For a list of credit unions in North Carolina, please refer to the NC Department of Commerce's Credit Union Division Annual Report at www.nccud.org/credit-union-directory

North Carolina Credit Union Division

205 W. Millbank Rd., Suite 105
 Raleigh, NC 27609
 919.571.4888
www.nccud.com

North Carolina Credit Union League

323 West Jones Street, Suite 200
 Raleigh, NC 27603
 919.457.9053
 800.525.7087
www.nccreditunions.org

Community Development Credit Unions (CDCUs) or Community Development Corporations (CDCs)

CDCUs are member-controlled financial cooperatives that can effectively finance community-based entrepreneurs in low-wealth and/or minority communities. CDCUs are relatively easy to charter at the state or federal levels and can provide a full range of lending services with assets of \$5 million.

North Carolina has one of the highest concentrations of minority, community-based credit unions in the country. Fifteen active community development credit unions are located throughout the state, serving more than 33,000 members combined. For a complete list, consult www.thesupportcenter-nc.org. CDCUs are designed to stimulate economic growth in low-income areas by offering business and consumer loans at reasonable rates of interest. Since 1991, over \$140 million in loans have been made to members across the state.

The North Carolina Minority Support Center was formed in 1990 to support the work of CDCUs throughout the state by offering technical assistance and providing capital support. The Center is the only statewide CDCU intermediary of its kind in the country.

Veteran Direct Loan Program

The Support Center offers a Veteran Direct Loan Program to further its commitment to providing small business loans to underserved businesses in North Carolina. The Veteran Loan Program is a “no-equity” requirement small business loan program targeting existing and new Service-Disabled-Veteran and Veteran-owned businesses across the state.

Eligible Veteran Borrowers must meet the following criteria:

- Veteran (other than dishonorable discharge)
- Service-Disabled-Veterans
- Reservist & National Guard Active and Retired
- Active Duty Military
- Current spouse of above or spouse of service member or veteran who died of a service-oriented disability

Loan purposes may include the purchase of commercial real estate, equipment, expansion / improvements and working capital. The minimum loan amount is \$5,000 and the maximum is \$200,000. Loan terms range from 12 months to a maximum of 60 months (longer term amortizations may be offered on real estate transactions). Interest rates may range between 6% -9%; rates may vary depending on the borrower’s financial condition and prime lending rate. For more information, contact: Roberta McCullough (rmccullough@TheSupportCenter-nc.org)

North Carolina Minority Support Center

3120 Highwoods Blvd., Suite 350

Raleigh, NC 27604

919.803.1437

www.thesupportcenter-nc.org

CHAPTER 4: FEDERAL GOVERNMENT SOURCES

U.S. Small Business Administration (SBA)

The Small Business Administration was established in 1953 to protect the interests of the nation's small business community. The SBA accomplishes this, in part, by working with intermediaries, banks, and other lending institutions to promote both loans and venture capital financing for small businesses. SBA makes small business loans available through its disaster loan assistance and 504 Certified Development Company (CDC) programs, and venture capital through its Small Business Investment Company Program (SBIC). SBA 7(a) guaranty loans are made to small businesses through banks and non-bank lenders. In FY 2012, the Small Business Administration's North Carolina district office processed 839 loans for \$432 million.

U.S. Small Business Administration -- District Office

6302 Fairview Road, Suite 300
Charlotte, NC 28210-2227
704.344.6563
www.sba.gov/nc

The Top 30 SBA Lenders currently operating in North Carolina, ranked by number of loan approvals over the selected period, appear below.

Top 30 SBA Lenders in NC, OCTOBER 1, 2012 THROUGH JUNE 30, 2013

Active 7(a) Lenders	7(a) Approvals	Gross \$	504 Approvals	Gross \$
Wells Fargo	91	\$29,803,200		
BB&T	87	\$15,728,600	12	\$11,354,561
Surry Bank & Trust	54	\$23,013,000		
VantageSouth Bank	30	\$28,838,700		
Live Oak Banking Co.	26	\$22,810,000		
Southern Bank & Trust Co.	22	\$2,799,500		
SunTrust Bank	21	\$10,725,100	1	\$1,027,500
Yadkin Bank	19	\$5,435,000	1	\$1,475,000
Celtic Bank Corp.	17	\$10,421,000		
First Financial Bank	14	\$9,327,100		
Superior Financial Group	14	\$202,500		
Cornerstone Bank	11	\$8,220,800		
PNC Bank	9	\$3,104,400	2	\$700,250
CertusBank	8	\$12,745,100		
Bank of America	8	\$1,816,000	3	\$1,672,431
Sound Banking Co.	8	\$758,200		
Fifth Third Bank	7	\$8,287,900	2	\$1,358,977
TD Bank	7	\$4,247,000	1	\$634,650
New Dominion Bank	7	\$3,837,300	3	\$1,780,735

Select Bank & Trust	7	\$731,000		
Capital Bank NA	7	\$448,000	3	\$1,850,655
Sterling Savings Bank	6	\$265,000		
Truliant FCU	5	\$5,045,500	2	\$1,086,500
Bank of North Carolina	5	\$2,856,300	5	\$3,972,909
Four Oaks Bank & Trust	5	\$2,120,900	1	\$485,250
Square 1 Bank	4	\$6,156,000		
Macon Bank	4	\$2,129,500		
Home Loan Investment Bank FSB	4	\$840,000		
Hanmi Bank	3	\$7,198,000		
Community Reinvestment Small bus.	3	\$3,868,500		
Total of All 7(a) Loans	581	\$287,660,500		

Source: SBA

7(a) Loan Guaranty Program

The 7(a) Loan Guaranty Program is the SBA's primary lending program. Section 7(a) of the Small Business Act authorizes the SBA to provide loan guaranties to small businesses that cannot obtain financing on reasonable terms through normal lending channels. The program operates through commercial lenders and some non-banker lenders who elect to participate in the 7(a) program.

7(a) loans are only available on a guaranty basis. They are provided by lenders who choose to structure their own loans by SBA's requirements and who apply and receive a guaranty from SBA on a portion of the loan. The SBA does not provide a guaranty for the entire loan amount. The lender and SBA share the risk that a borrower will not be able to repay the loan in full. The guaranty is for payment default. It does not cover imprudent decisions by the lender or misrepresentation by the borrower.

Under the guaranty concept, commercial lenders make and administer the loans. **The business applies to a lender for financing, not the SBA.** The lender decides if they will make the loan internally or if the application has some weaknesses which, in their opinion, will require an SBA guaranty if the loan is to be made. The guaranty that SBA provides is only available to the lender. It assures the lender that in the event the borrower does not repay their obligation and a payment default occurs, the SBA will reimburse the lender for its loss, up to the percentage of SBA's guaranty. Under this program, the borrower remains obligated for the full amount due.

Loans are available for many business purposes, such as real estate, expansion, equipment, working capital, or inventory. The SBA provides guarantees up to 85 percent of loans for \$150,000 or less, and up to 75 percent for loans above \$150,000 up to \$5 million. The maximum guaranty to a lender on a \$5 million loan is \$3.75 million, or 75%. The total SBA guaranty portion of a loan or the aggregate total of multiple loans, for any one borrower cannot exceed \$3.75 million. However, there are some exceptions as presented below in the discussion of specialized loan programs.

The repayment ability from the business's cash flow is a primary consideration in the SBA loan decision process. Good character, management capability, collateral, and owner's equity contribution are also

important considerations. All owners having 20 percent or more ownership in the company are required to personally guarantee SBA loans.

Restrictions on Eligibility of Businesses

The vast majority of businesses are eligible for financial assistance from the SBA. However, applicant businesses must operate for profit, have reasonable owner equity to invest, and use alternative financial resources (including personal assets). Also, the business must be engaged in, or propose to do business in, the United States or its possessions.

Specific types of businesses not eligible include:

- Real estate investment and other speculative activities
- Lending activities
- Pyramid sales plans
- Illegal activities
- Gambling activities
- Charitable, religious, or certain other non-profit institutions
- Life insurance companies
- Businesses located in a foreign country
- Businesses primarily engaged in political or lobbying activities
- Speculative business (such as oil exploration)

The Small Business Act defines an eligible small business as one that is independently owned and operated and not dominant in its field of operation. The SBA has developed size standards that define the maximum size of an eligible small business. These, however, represent general industry guidelines and depend on NAICS classification applicable to the business.

	<u>Industry Size Limitations:</u>	<u>Not to Exceed:</u>
Retail		\$7.0 to \$35.5 million in revenues
Service		\$2 to \$35.5 million in revenues
Construction		\$7.0 to \$33.5 million in revenues
Agriculture		\$0.75 to \$17.5 million in revenues
Wholesale		fewer than 100 employees
Manufacturing		500 to 1,500 employees

7(a) loans have a maximum loan amount of \$5 million. SBA does not set a minimum loan amount. The proceeds of SBA loans can be used for most business purposes. These may include the purchase of real estate to house the business operations; construction, renovation, or leasehold improvements; acquisition of furniture, fixtures, machinery, and equipment; purchase of inventory; and working capital.

The proceeds of SBA loans cannot go towards the following: refinancing existing debt where the lender is in a position to sustain a loss and the SBA would take over that loss through refinancing; providing

funding that will enable a change of business ownership or a change that will not benefit the business; reimbursement of funds owed to any owner; repayment of delinquent state or federal withholding taxes or other funds that should be held in trust or escrow.

Loan Maturities

SBA loan programs are generally intended to encourage longer-term small business financing, but actual loan maturities are based on the ability to repay, the purpose of the loan proceeds, and the useful life of the assets financed. The maximum term depends on the purpose of the loan.

<u>Purpose of Loan</u>	<u>Maximum Term</u>
Real estate	25 years
Working capital	10 years
Fixed assets (<i>other than real estate</i>)	Economic life of asset (<i>not to exceed 10 years</i>)

Interest Rates and Fees

Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are generally pegged to the prime rate as published in the *Wall Street Journal*. Interest rates may be fixed or variable, but fixed-rate loans must not exceed the rate set by the SBA on the first business day of each month. Refer to www.colsonservices.com for current rates.

SBA 7(a) Programs

The Preferred Lenders Program (PLP)

The Preferred Lenders Program (PLP) is part of SBA's effort to streamline the procedures necessary to provide financial assistance to the small business community. Under this program, SBA delegates the final credit decision and most servicing and liquidation authority and responsibility to carefully selected PLP lenders. SBA, however, will continue to check loan eligibility criteria.

SBA loan requests processed by preferred lenders offer logistical advantages over those processed through other lenders. Preferred lenders are among the SBA's best lenders and have full delegation of lending authority. This kind of lending authority and the lender's portfolio is periodically reviewed and renewed by the SBA. Applicants should contact their local branch for more information.

Lenders are considered for PLP status based on their record with SBA, and must have demonstrated a proficiency in processing and servicing SBA-guaranteed loans. In the event of payment default by the borrower and the need for enforced collections, the PLP lender agrees to liquidate all business assets before asking SBA to honor its guaranty.

You may obtain a current list of preferred lenders by accessing the SBA's North Carolina District Office website at www.sba.gov/about-offices-content/2/3127/news/16341# or by calling 800.827.5722.

In addition to commercial banks, there are also several non-bank lenders operating in North Carolina that serve the small business community by processing and servicing loans under the SBA (7a) Loan Guaranty Program.

SBA Express Program

The SBA Express Program is a program designed to increase the capital available to businesses seeking loans of up to \$350,000. Under this pilot program, qualified lenders are authorized to use their existing documentation and loan decision criteria to make and service an SBA 7(a) guaranty loan. There are no additional forms and no waiting for SBA loans approval, since the SBA is not part of the approval process. The SBA guaranty is up to 50 percent of the total loan amount. The lender can charge the borrower up to 6.5 percent over prime for loans of \$50,000 or less and up to 4.5% over prime for loans over \$50,000. SBA Express loans can take the form of a term loan or a revolving line of credit.

SBA Patriot Express Loan

The Patriot Express loan is offered by SBA's network of participating lenders nationwide and features fast turnaround time for loan approvals. Loans are available up to \$500,000 and qualify for SBA's maximum guaranty of up to 85 percent for loans of \$150,000 or less and up to 75 percent for loans over \$150,000 up to \$500,000. The Patriot Express loan can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, inventory or business-occupied real estate purchases. Patriot Express loans can take the form of a term loan or a revolving line of credit.

The Patriot Express Pilot Loan Initiative allows lenders with Patriot Express authority to make offers similar to lenders with SBA Express authority, but the business owner is more limited. To be eligible to receive a Patriot Express Loan, the business must be owned and controlled (51 percent or more) by eligible veterans and members of the military community who want to establish or expand a small business.

Eligible military community members include:

- Veterans
- Service-disabled veterans
- Active-duty service members eligible for the military's Transition Assistance Program
- Reservists and National Guard members
- Current spouses of any of the above, including any service member
- Widowed spouses of service members or veterans who died during service or of a service-connected disability

SBA Military Reservists Economic Injury Loans

The Military Reservist Economic Injury Disaster Loan (MREIDL) provides funds to help an eligible small business meet its ordinary and necessary operating expenses that it could have met, but is unable to, because an essential employee was called-up to active duty in his or her role as a military reservist. The purpose of MREIDL loans is not to cover lost income or lost profits. MREIDL funds cannot be used in lieu of regular commercial debt, to refinance long-term debt, or to expand the business.

You can apply online for an SBA MREIDL. You must submit the completed loan application and a signed and dated IRS form 8821 giving permission for the IRS to provide SBA your tax return information. For additional information, please contact the SBA disaster assistance customer service center. Call 1-800-659-2955 (TTY: 1-800-877-8339) or email disastercustomerservice@sba.gov.

EXPORT FINANCING

Export Express Loan Program

SBA Export Express offers financing up to \$500,000. It is the simplest export loan product offered by the SBA and allows participating lenders to use their own forms and procedures. The SBA determines eligibility and provides a loan approval in 36 hours or less.

Any business that has been in operation, although not necessarily in exporting, for at least 12 full months and can demonstrate that the loan proceeds will support its export activity is eligible for Export Express. The 12-month in business requirement can be waived if the borrower's key personnel can demonstrate export expertise and successful previous business experience and the lender uses conventional commercial loan underwriting procedures and does not rely solely on credit scoring. Loan proceeds may be used for business purposes that will enhance a company's export development. Export Express can take the form of a term loan or a revolving line of credit.

The Export Working Capital Guarantee Program

The SBA's Export Working Capital Program (EWCP) was developed in response to the needs of exporters seeking short-term working capital. The EWCP uses a simplified application form and streamlined documentation with turnaround usually within ten days. A letter of pre-qualification is also available from the SBA. All exporters who need transaction-specific financing and have been in operation for at least 12 months are eligible.

The EWCP guarantee is given to banks for revolving lines of credit that are extended to creditworthy exporters. The Lender receives a maximum 90% guarantee on loans up to \$5,000,000. Borrowers may also have other current SBA guarantees, as long as the SBA's exposure does not exceed \$4,500,000. Loan maturities are generally 12 months, and interest rates are negotiated with the lender. Personal guarantees are usually required, and collateral is tied to the specific transaction being financed, such as the export inventory, foreign receivables, or letter-of-credit proceeds.

EWCP guarantees can be extended for pre-shipment working capital, post-shipment exposure, or a combination of the two. A pre-shipment guarantee is used to finance the production or acquisition of goods and services for export. A post-shipment guarantee can be used to finance the resulting receivables.

The International Trade Loan Program

This SBA program is designed for a business presently engaged or preparing to engage in international trade or that is adversely affected by competition from imports. The SBA can guarantee up to 90% of an International Trade Loan up to a maximum of \$4.5 million, less the amount of the guaranteed portion of other SBA loans outstanding to the borrower.

Proceeds may be used for working capital, facilities, or equipment. Specific uses include purchasing land and buildings, constructing new facilities, expanding existing facilities, purchasing equipment, and making other improvements that will be used within the United States for producing goods or services for export. Proceeds may not be used to repay existing debt.

Contact information for both the Working Capital & International Trade Loan Programs:

U.S. Small Business Administration

c/o Carolinas U.S. Export Assistance Center

521 East Morehead St., Suite 435

Charlotte, NC 28202

704.333.4886

Contact: Dan Holt, Regional Manager, International Trade Programs dan.holt@mail.doc.gov

www.sba.gov/oit

The NC Small Business and Technology Development Center (SBTDC) is operated in partnership with the SBA and is another contact for information about SBA export financing programs:

NC SBTDC

5 West Hargett Street, Suite 600

Raleigh, NC 27601-1348

919.715.7373 x627

Contact: Mike Seibert- mseibert@sbtcd.org

www.sbtcd.org

SBA Community Advantage Program

Community Advantage is a pilot initiative aimed at increasing the number of SBA 7(a) lenders who reach underserved communities, targeting community-based, mission-focused financial institutions which were previously not able to offer SBA loans.

Maximum Loan Size: \$250,000. Guarantee: 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000. Approval Times: Most Community Advantage loans will be approved within 5 to 10 days. Paperwork: Community Advantage features streamlined paperwork, with a two-page application for borrowers.

Mountain BizCapital

153 South Lexington Ave.

Asheville, NC 28801

P: 828-253-2834

F: 828-255-7953

Area: Western North Carolina

www.mountainbizworks.org

Brian Griffin, Chief Credit Officer

828-253-2834 ext. 16

brian@mountainbizworks.org

The Support Center

3120 Highwoods Blvd., Suite 350

Raleigh, NC 27604

919-803-1437

www.thesupportcenter-nc.org

Vicki Lee Parker

vparker@thesupportcenter-nc.org

Short-term Loans and Revolving Lines of Credit (CAPLines)

CAPLines is an umbrella program under which the SBA helps small businesses meet their short-term and cyclical working capital needs. The program is a revolving line of credit that gives small businesses access to short-term credit for up to ten years (except for Builders CAPLine which is 5 years). There are four short-term working-capital loan programs for small businesses under the CAPLines umbrella. These programs are Seasonal, Contract, Builders, and Working Capital Line of Credit Program.

www.sba.gov/content/caplines

Community Adjustment & Investment Program (CAIP)

The Community Adjustment & Investment Program (CAIP) was created to help communities suffering job losses due to changing trade patterns following the North American Free Trade Agreement (NAFTA). The North American Development Bank (NADBANK) has partnered with the SBA and the U.S. Department of Agriculture to make credit available to businesses in eligible communities to create or retain jobs. To be eligible, business applicants must be located in a CAIP-eligible community and must be able to demonstrate that the loan will be used to create or preserve at least one job for every \$70,000 in federally guaranteed loans they receive over a 24-month period. NADBANK pays the SBA guaranty fee for approved loans.

Businesses located or being established in the following North Carolina counties are eligible for the program as of 5-2013: Edgecombe, Halifax, Mitchell, Richmond, Robeson, Rutherford, Scotland and Wilson

For more information, please see

www.sba.gov/services/financialassistance/sbaloantopics/SpecialPurposeLoans/caip/index.html

Pollution Control Loan

The Pollution Control Loan is a 7(a) program with a special purpose of pollution control. The program is designed to provide financing to eligible small businesses for the planning, design, or installation of a pollution control facility. This facility must prevent, reduce, abate, or control any form of pollution, including recycling. This program follows the 7(a) guidelines; however the proceeds must be for fixed-assets.

Defense Loan and Technical Assistance Program (DELTA)

The DELTA Program is a joint effort of the SBA and the Department of Defense to provide financial and technical assistance to defense-dependent small firms affected by defense reductions. The goal is to help affected small firms diversify into the commercial market while remaining a part of the defense industrial base. Reductions affecting businesses may be the result of any number of actions, such as cuts in defense spending, termination of defense contracts, or the closure or realignment of military installations. SBA guaranties are the same as for the 7(a) and 504 programs. Technical assistance, including help in preparation of a business plan and loan application package, is available through Small Business and Technology Development Centers across the state.

SBA Micro Loans and Other Lending Programs

SBA Microloan Program

The Microloan program provides small loans ranging from under \$500 to \$50,000. Under this program, the SBA makes funds available to nonprofit intermediaries that, in turn, make the small loans directly to entrepreneurs, including veterans. Proceeds can be used for typical business purposes such as working capital, or the purchase of furniture, fixtures, machinery, supplies, equipment, and inventory. Microloans may not be used for the purchase of real estate. Interest rates are negotiated between the borrower and the intermediary. The maximum term for a microloan is 6 years. For more information, go to www.sba.gov/microloans.

W.A.M.Y. Community Action Inc.
225 Birch St., Ste. 2
Boone, NC 28607
P: 828-264-2421 / F: 828-264-0952
Area: Avery, Mitchell, Watauga and Yancey counties
wamyloan@charter.net

Self-Help Credit Union

301 W. Main St.
Durham, NC 27701
F:800-476-7428
F: 919-956-4600
Area: Statewide
www.self-help.org

Mountain BizCapital

153 South Lexington Ave.
Asheville, NC 28801
P: 828-253-2834
F: 828-255-7953
Area: Western North Carolina
www.mountainbizworks.org

SBA Intermediary Lending Pilot in North Carolina - The Support Center and NCEED

The Small Business Jobs Act of 2010 established a three year pilot program to provide direct loans to eligible non-profit intermediaries for the purpose of making small business loans of up to \$200,000. These experienced intermediaries assist small business concerns in areas suffering from a lack of credit due to poor economic conditions or changes in the financial market. SBA's Intermediary Lending Pilot (ILP) Program aims to help business owners start and grow successful enterprises.

The Support Center

3120 Highwoods Blvd., Suite 350
Raleigh, NC 27604
919-803-1437
Vicki Lee Parker
vparker@thesupportcenter-nc.org

Center for Economic Empowerment and Development (NCEED)

230 Hay Street
Fayetteville, NC 27604
910-323-3377
Rayshonia Manuel
rmanuel@nceed.org

SBA Small Loan Advantage Program

This initiative allows lenders to get a pre-qualification indication from SBA that the applicant business has sufficient creditworthiness to warrant giving the applicant full consideration for financing.

- The small business applicant applies for financial assistance from an SBA approved lender.
- The lender decides if the request will require an SBA guaranty.
- To help the lender decide creditworthiness for lower-dollar loans, the lender can obtain certain data from the applicant and then get a pre-qualification indication from SBA as to the acceptability of the applicant for a loan guaranty.
- If the pre-qualification comes back positive, the lender may complete a streamlined credit memo and make a formal request to SBA for guaranty.
- Small Loan Advantage is structured to encourage existing SBA lenders to make lower-dollar loans, which often benefit businesses in underserved markets.
- **Maximum Loan Size:** \$350,000
- **Guarantee:** 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000.
- www.sba.gov/about-offices-content/2/3127/news/1634

504 Certified Development Company Program

While the SBA is generally a vehicle for investment in disadvantaged businesses and for start-up ventures, mature businesses with proven cash flow and well-capitalized start-up businesses are more often the recipients of the 504 loan program. The 504 Certified Development Company Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company (CDC) is a non-profit corporation established to contribute to the economic development of the country. CDCs work with the SBA and private sector lenders to provide financing to small businesses. The 504 Certified Development Company is a channel that allows private funds, guaranteed by SBA, to flow into community businesses.

Typically, a 504 project includes a loan secured with a senior lien in favor of a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (a 100 percent, SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped. The maximum SBA debenture generally is \$5 million (or \$5.5 for small manufacturing or when meeting the public policy goals of energy reduction or alternative fuels). The program is designed to enable small businesses to create and retain jobs. The CDC generally must create one job for every \$65,000 provided by the SBA on each loan. There are some exceptions available for certain projects that meet specific public policy goals.

Proceeds from 504 loans must be used for fixed-asset projects. Applicable projects include purchasing or improving land; constructing new facilities; modernizing, converting, or renovating existing facilities; or purchasing long-term machinery and equipment. The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt or speculation or investment in rental real estate.

The American Recovery and Investment Act of 2009 (ARRA) authorized a permanent change to the 504 loan program which allows small businesses to refinance existing loans if there is a business expansion and the debt refinanced does not exceed 50 percent of the projected cost of the expansion. To be eligible, the borrower must be current on all payments of existing debt for one year prior to the date of refinancing, and the new financing must provide a substantial benefit to the borrower when any penalties, fees and other financing costs are taken into account.

Interest rates on 504 loans are pegged to an increment above the current market rate of intermediate term U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately 3 percent of the debenture and may be financed with the loan. Generally, the project assets being financed are used as collateral. Personal guarantees of the principal owners are also required. Under the 504 Program, the business qualifies as small if it does not have a tangible net worth in excess of \$15 million and does not have an average net income in excess of \$5 million after taxes for each of the preceding two years. In addition to SBA lending, some CDCs may have their own microloan and revolving loan programs.

You may obtain a current list of Certified Development Companies by visiting the SBA's North Carolina District Office website at www.sba.gov/about-offices-content/2/3127/news/16341.

Certified Development Companies (CDCs)**AVISTA Business Development**

POB 7032
Asheville, NC 28802
828.645.0439
www.avistabdc.com

Business Expansion Funding Corp. (BEFCOR)

5970 Fairview Road, Suite 218
Charlotte, NC 28211
704.414-3000
Raleigh office: 919. 366-6441
www.befcor.com
efairman@befcor.com

Centralina Development Corporation, Inc.

1307 W. Morehead St. Suite 201
Charlotte, NC 28208
POB 34218
Charlotte, NC 28235
704.373.1233
www.cdccapital.com
smistry@CDCcapital.com

Neuse River Development Authority

233 Middle St., Suite 206 / POB 1111
New Bern, NC 28563
252.638.6724
www.nrda.org
info@nrda.org

Piedmont Triad Regional Development Corp.

400 West Fourth St., Suite 400
Winston-Salem, NC 27101-2805
336.761.2111 x3158
www.ptrc.org/ptrdc
cmalone@ptrc.org

Region D Development Corporation

468 New Market Blvd
Boone, NC 28607
828.265.5434 x121
www.regiond.org/ecodev.html

Region E Development Corporation

1880 Second Ave NW
Hickory, NC 28602
828.322.9191
www.wpcog.org
anthony.starr@wpcog.org

Self-Help Ventures Fund

301 West Main Street
Durham, NC 27701
POB 3619
Durham, NC 27702
919.956.4400
www.self-help.org
Other locations:
Asheville 828.676.2196
Charlotte 800.394.7428
Greenville 800.893.9669
Fayetteville 910.354.1014

Smoky Mountain Development Corp.

144 Industrial Park Drive
Waynesville, NC 28786
828.452.1967
smdcnc.org
arsteinberg@msn.com

Wilmington Business Development

1739 Hewlett Drive
Wilmington, NC 28405
POB 1698
Wilmington, NC 28402
910.763.8414
www.wilmingtonbusinessdevelopment.com

SBA Surety Bond Program

Prime contractors to the federal government must post surety bonds on federal construction projects valued at \$25,000 or more. Many state, county, city, and private-sector projects require bonding as well. The SBA can guarantee bid, performance, and payment bonds for contracts up to \$5 million for small businesses with annual receipts of less than \$6 million that cannot obtain bonds through regular commercial channels. Bonds may be obtained either by prior approval through a surety bonding agent or through a preferred surety authorized by the SBA to issue and service bonds without prior SBA approval.

The Recovery Act contains an additional provision that will allow SBA to guarantee a bond on a federal contract up to \$10 million following certification by the contracting officer that the bond guarantee is required.

For more information on the SBA's Surety Bond Guarantee Program, see www.sba.gov/osg/.

Small Business Investment Company (SBIC) Program

Small Business Investment Companies (SBICs) are privately owned investment firms that make capital investments in small businesses. They are for-profit firms whose incentive is to share in the success of a small business. The SBIC invests its own funds, which are leveraged by additional capital furnished by the SBA in the form of loans and investments. SBICs target their investments toward small, growth-oriented businesses. A business must meet the SBA's definition of "small" to be eligible for SBIC financing. Size qualifications are listed at www.sba.gov/size/

SBICs are essentially venture capital corporations licensed by the SBA to work with entrepreneurs. The SBA licenses, regulates, and provides financial assistance to the privately owned and operated SBICs. SBICs then finance small firms either by extending unsecured or not fully collateralized loans, or by equity investments that give the SBIC actual or potential ownership of a portion of the company's stock. Most SBIC investments require some type of path to equity ownership that allows for an open-ended return rather than a predetermined fixed return. A current return, as well as a potential ownership stake, is often achieved through the use of subordinated debt that is convertible to equity.

The Recovery Act expanded SBA's venture capital program to increase the pool of investment funding available to the SBICs licensed by SBA. The permanent changes made as part of the Recovery Act are:

- The Recovery Act makes SBICs eligible for greater SBA guaranteed funding and requires SBICs to invest 25 percent of their investment dollars into "smaller" businesses. Also, the amount of funding an SBIC may invest in a single small business is set at 10 percent of an SBIC's total capital rather than the previous limit of 20 percent of an SBIC's private capital only. This translates to an effective 50 percent increase in funding available to a single business by an SBIC.
- Maximum SBA funding levels to SBICs will increase up to three times the private capital raised by the SBIC, up to a maximum of \$150 million for single SBICs, or up to \$225 million for multiple SBICs that are under common control. The cap for all licensees was set at \$137.1 million before the Recovery Act.

- These limits are even higher for SBICs that are licensed after October 1, 2009 that certify that at least 50 percent of their investments will be made in small businesses located in low-income areas, up to \$175 million for single licensees and up to \$250 million for jointly controlled multiple licensees.

The SBA publishes a regularly updated directory of all current SBIC licensees. The amount of each SBIC's private capital and amount of government leverage it has received are listed, as well as information on each SBIC's type of ownership and investment policy. The SBA does not require SBICs to make investments in the state where they are licensed. A current list of SBICs operating in NC may be found through the SBA's North Carolina District Office website at [www.sba.gov/content/sbic-directory#North Carolina](http://www.sba.gov/content/sbic-directory#North%20Carolina), or by calling 800.827.5722. SBIC Standards and guidelines may be found at: www.sba.gov/aboutsba/sbaprograms/inv/forsbic/index.html.

SBIC Licensees Located in North Carolina on May 14, 2013

BB&T Capital Partners II, LLC

David Townsend, Managing Partner
101 N. Cherry Street, Suite 700
Winston-Salem, NC 27101-4019
Phone: (336)733-0355
Email: dgtownsend@bbandt.com

BB&T Capital Partners Mezzanine Fund II, L.P.**BB&T Capital Partners, LLC****BB&T Capital Partners/Windsor Mezzanine Fund, LLC**

David Townsend, Contact
101 N. Cherry Street, Suite 700
Winston-Salem, NC 27101-4010
Phone: (336)733-0355
Email: dgtownsend@bbandt.com

Frontier Fund I, L.P.

Lori Shell, Contact
1111 Metropolitan Avenue
Suite 1050
Charlotte, NC 28204
Phone: (704)414-2880
Email: lori@frontiercapital.com

Hatteras Venture Partners IV SBIC, LP

Douglas Reed, M.D.
280 South Mangum Street, Suite 350
Durham, NC 27001
Phone: (919)484-0730

CapitalSouth Partners Fund I, L.P.

Jack McGlenn
2530 Meridian Parkway, Suite 200
Research Triangle Park
Durham, NC 27713
Phone: (919)806-4590

CapitalSouth Partners Fund I, L.P.**CapitalSouth Partners Fund II, L.P.****CapitalSouth Partners SBIC Fund III, L.P.****CapitalSouth SBIC Fund IV, L.P.**

Joseph B. Alala, Contact
The Rotunda Building
4201 Congress Street - Suite 360
Charlotte, NC 28209
Phone: (704)376-5502
Email: jalala@capitalsouthpartners.com
Email: doug@hatterasvp.com

North Carolina Economic Opportunities Fund, L.P.

H. Dabney Smith, Contact
c/o Dogwood Equity
101 Lake Boone Trail, Suite 120
Raleigh, NC 27607-
Phone: (919)256-5007
Email: dsmith@dogwoodequity.com

Plexus Fund I, L.P.
Plexus Fund II, L.P.
4601 Six Forks Road, Suite 528
Raleigh, NC 27609
Phone: (919)256-6341

Plexus Fund I, L.P.
Plexus Fund II, L.P.
Rhonda Penn. CFO, Contact
200 Providence Road, Suite 210
Charlotte, NC 28207
Phone: (919)256-6355
Email: banders@plexuscap.com

**Salem Investment Partners III,
Limited Partnership**
Philip W. Martin
1348 Westgate Center Drive, Suite 100
P.O. Box 25684

Winston-Salem, NC 27114
Phone: (336)245-4725
Email: pmartin@salemip.com

SJF Ventures III, LP
David A. Kirkpatrick
200 N. Mangum Street, Suite 203
Durham, NC 27701
Phone: (919)530-1177
Email: dkirk@sjfventures.com

Triangle Mezzanine Fund II, LP
Triangle Mezzanine Fund LLLP
Brent Burgess, Contact
3700 Glenwood Avenue, Suite 530
Raleigh, NC 27612
Phone: (919)719-4788
Email: bburgess@tcap.com

Small Business Innovation Research (SBIR) / Small Business Technology Transfer (STTR) Programs

The SBA Office of Technology administers the Small Business Innovation Research (SBIR) Program, and the Small Business Technology Transfer (STTR) Program.

Small Business Innovation Research (SBIR)

Facts about SBIR

The Small Business Innovation Research (SBIR) program is a highly competitive three-phase award system which provides qualified small businesses with opportunities to propose innovative ideas that meet specific research and research and development needs of the Federal government. Enacted in 1982 as part of the Small Business Innovation Development Act Federal agencies with more than \$100 million in extramural R&D were required to allocate a percentage of their budgets exclusively for small businesses. This set-aside began in 1983 at 0.2% and is currently 2.5% resulting in the availability of approximately \$2.6 billion in fiscal year 2008 to R&D small businesses.

Objectives of SBIR

- Stimulate technological innovation
- Strengthen the role of small businesses in meeting Federal research and development needs
- Increase private sector commercialization of innovations derived from Federal research and development.

Participating Federal Agencies

- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Homeland Security
- Department of Transportation
- Environmental Protection Agency
- National Aeronautics and Space Administration
- National Science Foundation

Small Business Eligibility

- 500 or fewer employees
- American-owned and independently operated
- For profit

Three Phases

SBIR is a three-phase program of which two are federally funded. Phase I is a feasibility study to evaluate the proposed project's technical merit for which an awardee may receive a maximum of \$150,000 for approximately six months. Phase II is the principal R&D effort which expands on the Phase I results. This two-year project may receive up to \$1,000,000 in funding. Only Phase I awardees are eligible to compete for Phase II funds. Phase III is the commercialization of the Phase II results and moves the innovation from the laboratory to the marketplace. This requires use of private sector or other non-SBIR funding. Some agencies do provide follow-up "Phase IIB" and/or matching funds to assist with commercialization activities.

Evaluation Criteria

- Scientific and technical quality and innovativeness of the idea and the significance of the scientific or technical challenge
- Ability to carry out the project, i.e. qualifications of the principal investigator and other key personnel, adequacy of facilities and equipment, soundness of work plan
- The impact as evidenced by technical and/or economic benefits, the likelihood that the work would lead to a marketable product, or the likelihood the project could attract further funding.

Small Business Technology Transfer (STTR)

Facts About STTR

The Small Business Technology Transfer (STTR) program was established by Title II of the Small Business Research and Development Enhancement Act of 1992, Public Law 102-564, to foster innovation necessary to meet the nation's scientific and technological challenges of the future. Subsequently, Congress has passed numerous extensions, the most recent of which extends the STTR program through 2017. This three-phased program provides the opportunity for qualified small businesses to collaboratively work with non-profit research institutions on research or research and development (R&D) projects. Federal agencies with more than \$1 billion of extramural R&D must reserve 0.3% of their budgets for R&D small businesses and their partners. This set-aside currently results in the availability of approximately \$250 million for fiscal year 2010.

STTR is much like that of the Small Business Innovation Research (SBIR) program. Its unique feature is its requirement that the small business work jointly with a non-profit research institution. A minimum of 40% of the work must be performed by the small business and a minimum of 30% by the non-profit research institution. Such institutions include Federally-funded research and development centers (FFRDCs), universities, university affiliated hospitals, and other non-profits.

Objectives of STTR

- Stimulate technological innovation
- Strengthen the role of small businesses in meeting Federal Research and development needs
- Increase private sector commercialization of innovations derived from Federal research and development.

Participating Federal Agencies

- Department of Defense
- Department of Energy
- Department of Health and Human Services
- National Aeronautics and Space Administration
- National Science Foundation

Small Business Eligibility

- 500 or less employees
- American-owned and independently operated
- For profit

Research Institution Eligibility

- Located in US
- Must be one of the following non-profit organizations:
 - University/college
 - Domestic research organization
 - University-affiliated hospital
 - FFRDC (Federally Funded Research and Development Centers)

Phases and Evaluation Criteria

Same as SBIR. See above for information.

Differences between SBIR and STTR

	SBIR	STTR
Phase I Level of Effort	Minimum of 2/3 of the effort must be performed by small business	Minimum of 40% of the effort must be performed by small business
	Maximum of 1/3 of the effort may be performed by consultants and/or subcontractors	Minimum of 30% of the effort must be performed by a non-profit research institution.
Phase II Level of Effort	Minimum of 50% of the effort must be performed by small business	(Same as Phase I)
	Maximum of 50% of the effort may be performed by consultants and/or subcontractors	(Same as Phase I)
Subcontractors	May have subcontractors involved	Must have non-profit research institute involved as subcontractor
Project Duration	Phase I--Approximately 6 months	Phase I--Approximately 1 year
	Phase II--2 years	Phase II--2 years
Maximum Award Amount	Phase I--\$150,000	Phase I--\$150,000
	Phase II--\$1,000,000	Phase II--\$750,000
Number of Agencies Participating	11	5
Principal Investigator	Must be employed with small business	May be employed with either small business or non-profit research institution. (This requirement varies among agencies.)

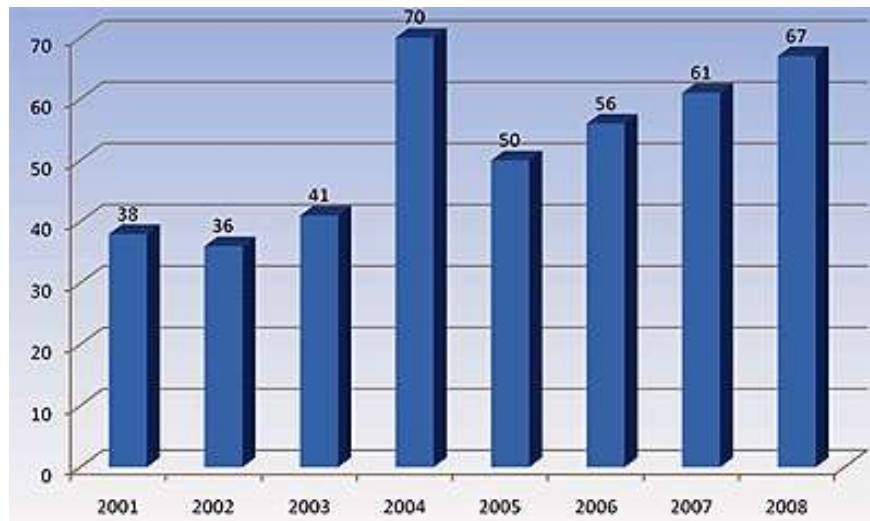
2002 – 2009 Comparison of SBIR/STTR Awards and Proposals Submitted for NC

2008 SBIR/STTR award data shows that approximately \$41 was awarded to North Carolina small businesses. The table below shows that of the 361 phase 1 proposals that were submitted, 67 were funded equating to an 18.6% win rate, 2 percentage points above the national win-rate.

\$47.9 million dollars in SBIR/STTR funding in 2010

Year	Awards	Proposals	Award Rate
2009	94	418	22.50%
2008	67	361	18.60%
2007	61	347	17.60%
2006	56	394	14.20%
2005	50	356	14.00%
2004	70	336	20.80%
2003	41	269	15.20%
2002	36	266	13.50%

The number of phase 1 awards made to NC companies has risen fairly consistently since 2001. The number of phase 1 awards has almost doubled during that 7 year period.



The 10 states with the most awards in FY 2008 were California (688), Massachusetts (476), Virginia (224), New York (195), Colorado (182), Maryland (156), Texas (140), Pennsylvania (129), Ohio (120) and Florida (102).

In North Carolina, the NC Small Business & Technology Development Center (SBTDC) is the State's designated assistance resource for SBIR/STTR:

NC SBTDC

5 West Hargett Street, Suite 600, Raleigh, NC 27601-1348
919.715.7272 / info@sbtdc.org / www.sbtddc.org/sbir

8(a) Program

The 8(a) Business Development Program is a business development and contracting program whereby the SBA has the power to obtain Federal Government contracts, and subcontracts these contracts to eligible Section 8(a) certified businesses.

To qualify for the program, a small business must be owned and controlled by a socially or economically disadvantaged individual. Under the Small Business Act, certain presumed groups include African Americans, Hispanic Americans, Asian Pacific Americans, Native Americans, and Subcontinent Asian Americans. Other individuals can be admitted to the program if they show through a "preponderance of the evidence" that they are disadvantaged because of race, ethnicity, gender, physical handicap, or residence in an environment isolated from the mainstream of American society. In order to meet the economic disadvantage test, all individuals must have a net worth of less than \$250,000, excluding the value of the business and personal residence.

Successful applicants must also meet applicable size standards for small business concerns; be in business for at least two years; display reasonable success potential; and display good character. Although the two-year requirement may be waived, firms must continue to comply with various requirements while in the program.

SBA assists these firms in the growth and development of their businesses, and helps them in gaining equal access, improving their ability to compete on an equal basis in the mainstream of the American economy. Participation in the program is for a maximum of 9 years.

U.S. Department of Commerce

Economic Development Administration (EDA)

Source: EDA annual reports 2011

Revolving Loan Fund (RLF)

As part of the Economic Adjustment Assistance Program, EDA's regional offices award competitive grants to establish Revolving Loan Funds (RLFs). EDA's RLF recipients, in turn, disburse money from the RLFs to make loans at interest rates that are at or below market rate to small businesses or to businesses that cannot otherwise borrow capital. As the loans are repaid, the grantees use a portion of the interest earned to pay administrative expenses and add principal and interest repayments to the RLF's capital base to make new loans. A well-managed RLF award actively makes loans to eligible

businesses, continues to revolve loaned funds (interest and principal), and does not have a termination date.

As of April 2011, the RLF program encompassed 575 RLFs, with a combined capital base of \$862 million, which represents a 4% increase in the capital base over September 2010. The majority of these RLFs reported concentrating on making loans in the range of \$25,000 to \$175,000, although a number of RLF operators made much smaller (as little as \$1,000) or much larger (\$1 million+) loans.

Public Works and Economic Development Assistance

EDA's Public Works and Economic Development Program help distressed communities revitalize, expand, and upgrade their physical infrastructure. This program enables communities to attract new industry; encourage business expansion; diversify local economies; and generate or retain long-term, private sector jobs and investment through the acquisition or development of land and infrastructure improvements needed for the successful establishment or expansion of industrial or commercial enterprises.

Public Works investments help facilitate the transition of communities from being distressed to becoming competitive in the worldwide economy by developing key public infrastructure, such as technology-based facilities that utilize distance learning networks, smart rooms, and smart buildings; multi-tenant manufacturing and other facilities; business and industrial parks with fiber optic cable; and telecommunications and development facilities. EDA continues to invest in its traditional Public Works projects, including water and sewer systems improvements, industrial parks, business incubator facilities, expansion of port and harbor facilities, skill-training facilities, and brownfields redevelopment

Economic Adjustment Assistance

The Economic Adjustment Assistance (EAA) program uses a flexible set of tools to respond to the wide range of economic development challenges in communities and regions across the nation, including globalization, natural resource depletion, corporate restructuring, and natural disasters. EAA is the most effective single program in EDA's arsenal to address areas impacted by globalization, especially manufacturing dependent communities that need to develop and implement regional strategies that will transform and diversify their economies and position them competitively in the global marketplace. EAA funds can be used to design the transition strategy, construct or upgrade public infrastructure, and capitalize locally or regionally administered Revolving Loan Funds that directly assist innovative entrepreneurs in growing 21st century businesses. Additionally, the EAA program, with its forward-looking imminent threat authority, allows EDA to initiate interventions before a community's economy bottoms out, when economic trends may clearly indicate the need for intervention but the trailing economic eligibility indicators employed in other programs may not provide adequate access to other assistance.

Economic Development Planning Assistance

The Economic Development Planning Assistance program provides essential investment support to District Organizations, Native American organizations, states, sub-state planning regions, urban counties, cities and other eligible recipient to assist in planning. The two categories of the Planning Assistance program are: (a) Planning investments for District Organizations, Indian Tribes and other eligible entities; and (b) Short-Term Planning investments to states, sub-state planning regions and

urban areas. Eligible activities under this program include developing, maintaining and implementing a Comprehensive Economic Development Strategy (CEDS) and related short-term planning activities.

University Center Economic Development

Institutions of higher education have extensive resources, including specialized research, outreach and technology transfer and commercialization capabilities, as well as recognized faculty expertise and sophisticated laboratories. The EDA-supported University Center (UC) program is specifically designed to marshal the resources located within colleges and universities to support regional economic development strategies in regions of chronic and acute economic distress. The UCs, which EDA considers long-term partners in economic development, are required to devote the majority of their funding to respond to technical assistance requests originating from organizations located in the economically distressed portions of their service regions.

The UCs have a long history of promoting and facilitating economic development in their service regions. They have been among the first to recognize emerging technical assistance needs. For example, as early as FY 1980, EDA-funded UCs recognized and responded to the needs of small-and medium-sized manufacturers and processors for technology transfer and commercialization assistance.

Research and Development

Through the Research and Evaluation program, EDA builds the knowledge base for sound market-driven regional and local economic development. This work is critical to ensure that EDA's initiatives and investments are consistent with current best practices in economic development. Program evaluations ascertain EDA's impact on measures such as return on taxpayer investment, private capital investment leveraged and the creation of higher-skill, higher-wage jobs. Projects under the Research and Evaluation program may be carried out through grants or cooperative agreements, as well as through studies conducted in-house, to maximize the impact of this modestly funded program.

Trade Adjustment Assistance for Firms (TAAF) Program

The goal of the TAAF program is to help economically distressed U.S. businesses develop strategies to compete in the global economy. Administered by EDA through a nationwide network of eleven EDA-funded Trade Adjustment Assistance Centers (TAACs), the program provides assistance to eligible firms in the development and implementation of customized business recovery plans.

The TAACs, which are either non-profits or university-affiliated, provide cost-sharing technical assistance to eligible businesses to create targeted business recovery plans called Adjustment Proposals (APs). Firms contribute a matching share to create the APs and implement the strategic projects using consultants or industry-specific experts. In FY 2011, the TAAF program certified 317 petitions for certification of eligibility, and approved 183 adjustment proposals. Through Both the in-depth analysis of each firm and the execution of AP projects, distressed firms are given the opportunity to adjust to import pressures and become more competitive.

Eastern NC Regional Office
U.S. Dept. of Commerce - EDA
POB 1707, Lugoff, SC 29078
803.408.2513 | www.eda.gov

Western NC Regional Office
U.S. Dept. of Commerce - EDA
771 Corp Dr, Ste 200, Lexington, KY 40503
859.224.7426 / www.eda.gov

EDA Revolving Loan Fund Administrators in NC

Albemarle Commission

512 South Church Street / POB 646
Hertford, NC 27944
252.426.5753
Counties: Camden, Chowan, Currituck, Dare,
Gates, Hyde, Pasquotank, Perquimans, Tyrell,
and Washington
Loan Range: up to \$100,000

Kerr-Tar Regional Council of Governments

1724 Graham Avenue / POB 709
Henderson, NC 27536
252.436.2040 | www.kerrtar.org
Counties: Franklin, Granville, Person, Vance,
Warren
Loan Range: \$25,000 to \$200,000
Loan Program details:
www.kerrtar.org/economicdevelopment/revolvingloans.php

Mid-East Commission

1385 John Small Avenue / POB 1787
Washington, NC 27889
252.946.8043 | www.mideastcom.org
Counties: Beaufort, Bertie, Hertford, Martin,
Pitt
Loan Range: \$20,000 to \$100,000

Neuse River Development Authority

233 Middle Street, Suite 206 / POB 1111
New Bern, NC 28563-1111
252.638.6724 | www.nrda.org
Counties: Carteret, Craven, Duplin, Greene,
Jones, Johnston, Lenoir, Onslow, Pamlico,
Wayne
Loan Range: \$35,000 to \$150,000
Loan Program details:
www.nrda.org/html/loan_programs.htm

Southwestern Commission

Post Office Drawer 850
125 Bonnie Lane
Sylva, North Carolina 28779
828.586.1962 | www.regiona.org

vicki@regiona.org

Counties: Cherokee, Clay, Graham, Haywood,
Jackson, Macon, and Swain
Loan Range: \$25,000 to \$200,000
Loan Program details:
www.regiona.org/econdev/revolving-loan-fund.htm

United Durham, Inc. Community Development Corp. (UDI/CDC)

POB 1349
Durham, NC 27702
919.544.4597
kenturner@mindspring.com
County: N/A- 12 specific census tracks from
Durham City
Loan Range: up to \$60,000

Upper Coastal Plain Council of Governments

1309 South Wesleyan Boulevard
P.O. Drawer 2748
Rocky Mount, NC 27802-2748
252.446.0411 | www.ucpcog.org
ggodard@ucpcog.org
Counties: Edgecombe, Halifax, Nash,
Northampton, and Wilson
Loan Range: \$25,000 to \$150,000
Loan Program details:
www.ucpcog.org/index.php?page=381

U.S. Department of Agriculture (USDA)

Farm Service Agency

Farm Ownership Loans

The Farm Service Agency (FSA) makes direct loans and guarantees farm ownership loans for operators of family-sized farms. The maximum amount available for direct loans is \$200,000. The FSA guarantee is up to 95% of the loan amount. Under the loan guarantee program, the total combination of guaranteed farm ownership and operating loans cannot exceed \$782,000.

The agency also sets aside funds for farm ownership loans to eligible members of socially disadvantaged groups and beginning farmers who will operate family-sized farms. Targeted farm ownership loan funds are set aside based on the percentage of socially disadvantaged persons in the rural population of each state.

Farm Operating Loans

Farm operating loan funds may be used to pay for items needed for farm operations such as livestock, equipment, and fertilizer. Certain debts may also be refinanced. Funds advanced for operating expenses are usually repaid when crops, livestock, or other products are sold. Terms on funds advanced for other purposes range from one to seven years. The limit on farm operating direct loans is \$200,000. The FSA guarantee is up to 95% of the loan amount. Under the loan guarantee program, the total combination of guaranteed farm ownership and operating loans cannot exceed \$782,000. Security usually consists of a first lien on crops yet to be produced and on livestock and equipment purchased or refinanced with loan funds.

Farm Service Agency

4407 Bland Road, Suite 175

Raleigh, NC 27609

919.875.4800

keith.weatherly@nc.usda.gov

www.fsa.usda.gov

U.S. Department of Transportation (DOT)

US Department of Transportation Short-Term Lending Program

The DOT Short Term Lending Program (STLP) is a national program designed to lend short term working capital to disadvantaged business enterprises (DBEs) in order to increase the number of DBEs that enter into transportation related contracts and to strengthen the competitive and productive capabilities of the DBEs that currently do business with the U.S. Department of Transportation, its grantees, recipients, their contractors and subcontractors.

- Funds available for transportation-related contracts funded by US Dept. of Transportation
- Open to qualifying businesses in North Carolina, South Carolina, and Virginia
- For Small Disadvantaged Businesses, Service Disabled Veteran-Owned Businesses, HUBZone Empowerment Contracting Program participants, or businesses with DOT DBE or SBA 8(a) certification
- One year line of credit for up to \$250,000, renewable for up to five years
- Variable interest rate tied to the prime rate published in the Wall St. Journal

NC Contact:

The NC Support Center

www.thesupportcenter-nc.org

(919) 803-1437

Rural Development Programs

Business and Industrial Loan Program

Assistance from Rural Development is provided in the form of a loan guarantee whereby the agency contracts to reimburse the lender for losses up to a maximum of 80 percent of the loan. The maximum loan amount that can be guaranteed is \$25 million. A minimum tangible balance sheet equity of 10 percent is required for established businesses. Equity of at least 20 percent is required for new businesses.

Rural Development makes the determination as to what constitutes a rural area and gives priority to applications in towns of 50,000 and fewer people. The program focuses on projects in areas of high unemployment, projects requiring a low amount of investment per job created or saved, and projects that will employ members of displaced farm families. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. The primary purpose is to create and maintain employment and improve the economic climate in rural communities.

Intermediary Re-lending Program (IRP)

The purpose of the program is to finance business facilities and community development projects in rural areas with population of 50,000 or fewer. Under the IRP program, loans are provided to local organizations (intermediaries) for the establishment of revolving loan funds. These revolving loan funds are used to assist with financing business and economic development activity to create or retain jobs in disadvantaged and remote communities.

An intermediary may borrow up to \$2 million under its first financing and up to \$1 million at a time thereafter. Total aggregate debt is capped at \$15 million. The maximum loan request that an intermediary may borrow is \$750,000. An ultimate recipient borrower may borrow up to \$250,000. All of the IRP funds received by an intermediary must then be loaned to ultimate recipients with the term of loans set by the intermediary. The interest rate is negotiated between the intermediary and the ultimate recipient.

Rural Business Investment Program (RBIP)

The Rural Business Investment Program (RBIP) promotes economic development in mostly rural areas by helping to meet the equity capital investment needs of smaller enterprises located in such areas. The program is similar to SBA venture capital programs – the Small Business Investment Company (SBIC) and New Markets Venture Capital (NMVC) programs. USDA licenses newly formed for-profit venture capital companies as Rural Business Investment Company's (RBICs) to make equity, and equity-like, investments mostly in smaller enterprises located primarily in rural areas.

An applicant may be eligible to apply for an RBIC license if the applicant:

- Is a newly formed for-profit entity or a newly formed for-profit subsidiary of such an entity;
- Has a qualified management team with experience in relevant venture capital financing or community development financing; and
- Will invest in enterprises that will create wealth and job opportunities in rural areas, with an emphasis on smaller enterprises.

Rural Lender Advantage

The Small/Rural Lender Advantage (S/RLA) initiative is designed to accommodate the unique loan processing needs of small community/rural-based lenders by simplifying and streamlining loan application process and procedures, particularly for smaller SBA loans. It is part of a broader SBA initiative to promote the economic development of local communities, particularly those facing the challenges of population loss, economic dislocation, and high unemployment.

Key Features of the Initiative:

- A streamlined, simpler, and more user friendly 7(a) process for small loans (\$350,000 or less)
- One page application (two sided) for very small loans with key, but limited additional information required for loans above \$50,000
- SBA guarantees 85 percent of loans of \$150,000 or less and 75 percent of loans greater than \$150,000
- Loans centrally processed through SBA's Standard 7(a) Loan Processing Center
- Expedited SBA processing with routine loans processed within 3-5 days
- Lenders can transmit applications via fax and eventually online
- Simplified SBA loan eligibility questionnaire to help small or occasional lenders meet SBA's eligibility requirements
- Training on SBA program requirements from local SBA offices

B&I Guaranteed Loan Program

If your business is located in a rural community, you may qualify for special financing. The U.S. Department of Agriculture (USDA) currently maintains a [Business and Industry \(B&I\) Guaranteed Loan Program](#). The USDA provides guarantees of up to 80 percent of a loan made by a commercial lender.

Proceeds from such a loan may be used for:

- Working capital
- Machinery and equipment
- Buildings and real estate
- Certain types of debt refinancing.

For more information go to www.sba.gov/content/rural-business-loans

USDA Rural Development

Rural Business and Cooperative Services Division

Randall Gore, Director

4405 Bland Road, Suite 260, Raleigh, NC 27609

919.873.2000

www.rurdev.usda.gov/nc

List of Intermediaries Operating in North Carolina

Advancement, Inc.

902 North Pine Street

Lumberton, NC 28358

Contact: Robert Herring (910) 738-4851

Service Area: Counties of Robeson, Hoke, Bladen, and Columbus

Dunn Area Committee of 100, Inc.

600 Magnolia Avenue

Dunn, NC 28334

Contact: Nancy Blackman (910) 892-2884

Service Area: Counties of Harnett, Johnston, Lee, Cumberland, Moore, Wayne, and Sampson

Ease Carolina Development Company, Inc.

1136 Highway 258 North, Suite 103

Kinston, NC 28504

Contact: Jerry Hannah (252) 527-3399

Service Area: Counties of Craven, Carteret, Pitt, Lenoir, Edgecombe, Wilson, Johnston, Onslow, Wayne, and Greene

East Carolina Community Development

108 Professional Park Drive

Beaufort, NC 28516

Contact: Noreen Walker (252) 504-3996

Service Area: Craven Carteret, Duplin, Onslow, Pamlico, and Lenoir

Lumbee River Electric Membership Corporation

605 East Fourth Avenue, PO Box 830

Red Springs, NC 28377

Contact: Hampton Oxendine (910) 843-4131

Service Area: Counties of Hoke, Robeson, Scotland, and Cumberland

MAY Coalition, Inc.

P.O. Box 704

167 Locust Street

Spruce Pine, NC 28777

Contact: William Weeks (828) 765-8880

Service Area: Counties of Mitchell, Avery, Yancy

Neuse River Development Authority, Inc.

223 Middle Street

New Bern, NC 28563

Contact Barbara Brown (252) 638-6724

Service Area: Counties of Beaufort, Bertie, Bladen, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Duplin, Edgecombe, Gates, Greene, Halifax, Hertford, Hyde, Johnston, Jones, Lenoir, Martin, Nash, New Hanover, Northhampton, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Pitt, Sampson, Tyrrell, Washington, Wayne, and Wilson

Area Offices

Asheville Area Office

(Serving Buncombe, Cherokee, Clay, Cleveland, Gaston, Graham, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania and Yancey counties.)

84 Coxe Avenue, Suite 1E

Asheville, NC 28801

828.254.0916, Ext. 7

linda.whitmire@nc.usda.gov

Jefferson Area Office

(Serving Alleghany, Alexander, Ashe, Avery, Burke, Caldwell, Catawba, Forsyth, Iredell, Stokes, Surry, Watauga, Wilkes, and Yadkin counties.)

134 Government Circle, Suite 201

Jefferson, NC 28640

336.246.2885

debbie.sexton@nc.usda.gov

Lumberton Area Office

(Serving Bladen, Brunswick, Columbus, Cumberland, Hoke, New Hanover, Pender, Robeson, and Scotland counties.)

440-C Caton Road

Lumberton, NC 28359

910.739.3349

judy.hunt@nc.usda.gov

Albemarle Area Office

(Serving Anson, Cabarrus, Davidson, Davie, Guilford, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Rockingham, Rowan, Stanley and Union counties.)

26032-F Newt Road

POB 10

Albemarle, NC 28001

704.982.5114

lynn.whittington@nc.usda.gov

Henderson Area Office

(Serving Alamance, Caswell, Durham, Franklin, Granville, Halifax, Orange, Person, Vance, and Warren counties.)

945-B W. Andrews Avenue

Henderson, NC 27536

252.438.3141

jeanette.currin@nc.usda.gov

Williamston Area Office

(Serving Beaufort, Bertie, Camden, Chowan, Currituck, Dare, Gates, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Pitt, Tyrell, and Washington counties.)

104 Kehukee Park Road

Williamston, NC 27892

252.792.7197

leyta.hollis@nc.usda.gov

Smithfield Area Office

(Serving Chatham, Edgecombe, Harnett, Johnston, Lee, Nash, Wake and Wilson counties.)

2736 NC 210 HWY

Smithfield, NC 27577

919.934.6089

garland.burnette@nc.usda.gov

Kinston Area Office

(Serving Carteret, Craven, Duplin, Greene, Jones, Lenoir, Onslow, Pamlico, Sampson and Wayne counties.)

2044-C Hwy 11/55 South

POB 6189

Kinston, NC 28501

252.526.9799

connie.miller@nc.usda.gov

Rural Business Enterprise Grants

The Rural Business-Cooperative Service makes grants under the Rural Business Enterprise Grants (RBEG) Program to public bodies, nonprofit corporations, and federally recognized Native American tribal groups to finance and facilitate development of small and emerging private business enterprises located in rural areas. To assist with business development, RBEGs may fund a broad array of activities. There is no maximum level of grant funding. However, smaller projects are given higher priority. Generally grants range \$10,000 up to \$100,000. Average grants awarded up to \$75,000. Grant funds do not go directly to businesses.

For more information please see www.rurdev.usda.gov/nc/rbeg.htm or contact:

USDA Rural Development Business and Utilities Division

Rural Business and Cooperative Services Division

Bill Hobbs, Director

4405 Bland Road, Suite 260

Raleigh, NC 27609

919.873.2063

www.rurdev.usda.gov/nc

U.S. Department of Energy

Financial Opportunities for Inventors

Inventors may seek U.S. Department of Energy (DOE) funding for energy efficiency or renewable energy technologies through three routes: the Small Business Innovation Research program (SBIR) and Small Business Technology Transfer program (STTR), the Advance Research Projects Agency-Energy (ARPA-E), or through an unsolicited proposal.

The SBIR/STTR programs are operated by federal agencies that have substantial R&D budgets, through a set-aside mechanism tailored for competitions among small businesses only. For more information, see the Small Business Innovation Research website at [Small Business Innovation Research](#).

ARPA-E was established within DOE under the 2007 America Competes Act. ARPA-E's mission is to fund projects that will develop transformational technologies that reduce America's dependence on foreign energy imports; reduce U.S. energy-related emissions (including greenhouse gasses); improve energy efficiency across all sectors of the U.S. economy and ensure that the United States maintains its leadership in developing and deploying advanced energy technologies. For more information see the ARPA-E website at [Advanced Research Projects Agency – Energy \(ARPA-E\)](#).

Inventors may also seek funding by submitting an unsolicited proposal to EERE. For more information, see the [unsolicited proposals](#) page on this website.

Basic Energy Sciences

Basic Energy Sciences (BES) supports fundamental research to understand, predict, and ultimately control matter and energy at the electronic, atomic, and molecular levels in order to provide the foundations for new energy technologies and to support DOE missions in energy, environment, and national security. The BES program also plans, constructs, and operates major scientific user facilities to serve researchers from universities, national laboratories, and private institutions. The BES program funds work at more than 160 research institutions through the following three Divisions:

- Materials Sciences and Engineering Division
- Chemical Sciences, Geosciences, and Biosciences Division
- Scientific User Facilities Division

The research disciplines that the BES program supports—condensed matter and materials physics, chemistry, geosciences, and aspects of physical biosciences—are those that discover new materials and design new chemical processes. These disciplines touch virtually every aspect of energy resources, production, conversion, transmission, storage, efficiency, and waste mitigation. BES research provides a knowledge base to help understand, predict, and ultimately control the natural world and serves as an agent of change in achieving the vision of a secure and sustainable energy future.

U.S. Department of Energy

Inventions and Innovation
1000 Independence Ave., SW
Washington, DC 20585
202.586.9488

APPENDIX A: QUICK REFERENCE TO SBA LOAN PROGRAMS

Page 1 of 3 Effective 05/16/13

PROGRAM	AMOUNT	% GUARANTEE (MAX)	USE OF PROCEEDS	MATURITY	MAXIMUM INTEREST RATES	GUARANTEE & OTHER FEES	ELIGIBILITY
<p>7(a) Loan Guarantee Program (SBA's primary loan program)</p>	<p>Total loan cannot exceed \$5 mil SBA's maximum exposure amount is \$3,750,000. Thus, if a business receives an SBA-guaranteed loan for \$5 million, the maximum guarantee to the lender will be \$3,750,000 or 75%.</p>	<p>90% of loan amount (up to max. guaranty amount) Ex.: A loan of \$1.8 mil gets a guaranty of 83.33% (rounded down to 2nd decimal)</p>	<p>Expansion or renovation; construction of new facility; purchase land or buildings; purchase equipment, fixtures, leasehold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit; inventory acquisition.</p>	<p>Depends on ability to repay; Generally, working capital 5-10 yrs; machinery, equipment, real estate, construction up to 25 yrs (not to exceed life of equipment).</p>	<p>Negotiable with Lender; Loans under 7 yrs, maximum prime 2.25%; 7 yrs or more, maximum prime + 2.75%; Under \$50,000, rates may be slightly higher.</p>	<p>Guaranty fee waived, except for short-term loans up to 12 months – fee is still 0.25%. Lender's Annual Servicing Fee – still applies, at 0.55% of outstanding balance of SBA guaranteed portion.</p>	<p>Must be operated for profit; meet SBA size standards; show good character, management expertise, & commitment & show ability to repay; may not be involved in speculation or investment</p>
<p>CAPLines (Short-term, Revolving Lines of Credit) - Seasonal, - Contract, - Builders, - Standard Asset Based - Small Asset Based</p>	<p>\$5 mil (Total loan amount)</p>	<p>See 7(a)</p>	<p>Finance seasonal working capital needs, costs to perform, construction costs, advances against existing inventory & receivables; consolidation of short-term debt.</p>	<p>5 year maximum</p>	<p>prime + 2.25</p>	<p>See 7(A) For loans of 12 months or less guarantee fee .25%. Under standard asset-based, no restrictions on servicing fees.</p>	<p>Existing businesses See 7(a)</p>

PROGRAM	AMOUNT	% GUARANTEE (MAX)	USE OF PROCEEDS	MATURITY	MAXIMUM INTEREST RATES	GUARANTEE & OTHER FEES	ELIGIBILITY
MicroLoan Program	\$50,000 (Max. Loan Amount)	N/A	Purchase equipment, machinery, fixtures, leasehold improvements, finance increased receivables, working capital. May not be used to repay existing debt.	Shortest term possible. Not to exceed 6 years.	Negotiable with Intermediary.	No guarantee fee.	Same as 7(a)
International Trade Loans	Same as 7(a)	See 7(a)	Working capital improvements in U.S. for producing goods or services. May not be used to repay existing debt.	25 year maximum	See 7(a)	See 7(a)	Small business engaged or preparing to engage in intr'l trade or business which has been adversely affected by competition from imports.
Export Working Capital Program	Fast turn-around, may apply for pre-qualification letter. Max Loan \$2 mil.	90%	Short-term working capital loans to finance export transactions.	Matches simple transaction cycle or generally 1 year for line of credit.	No Cap	See 7(a) Guarantee fee .25%. No restrictions on servicing fee.	Small business exporters who need short-term working capital. See 7(a) for other qualifications.
504 Certified Development Corp Program	The max amount of CDC/504 participation in a single project is \$5 mil. or \$5.5 mil for projects which meet certain Public Policy Goals. & \$4 mil for small manufacturers.	40% of project but not over \$1.5 mil.	Purchase of major fixed assets such as land, buildings, improvements, long-term equipment, construction, renovation, limited re-financing.	10 or 20 years only	Based on current market rate for 5 and 10 year treasury issues, plus an increment above Treasury rate.	Fees total approximately 3 percent of the debenture and may be financed with the loan.	For profit businesses that do not exceed \$7 mil in tangible net worth and did not have avg net income over \$2.5 mil for past 2 years .

PROGRAM	AMOUNT	% GUARANTEE (MAX)	USE OF PROCEEDS	MATURITY	MAXIMUM INTEREST RATES	GUARANTEE & OTHER FEES	ELIGIBILITY
SBA Express	Lender approves loan, no additional paperwork \$350,000. (Max. Loan Amount)	Remains at 50%	Same as 7(a); limitations on real estate and construction. May be used for term loans or revolving credit. Term loan same as 7(a)	No more than 7 years on revolving line of credit.	Lenders will be allowed to charge up to 6.5% over prime for loans of \$50,000 or less and up to 4.5% over prime for loans over \$50,000.	See 7(a)	See 7(a)
Patriot Express	\$500,000 (Max. Loan Amount)	90%	See 7(a)	See 7(a)	Range from 2.25% to 4.75% over Prime.	See 7(a)	Veterans, Active Duty, In the Transition Assistance Program, Reservists, National Guard Current Spouses of above, Qualified Widowed Spouses
Small Loan Advantage	SBA-guaranteed 7(a) loans up to \$350,000. These loans will come with the regular 7(a) government guarantee	85% for loans up to \$150,000 and 75% for those greater than \$150,000	variety of general business purposes, including working capital and purchases of equipment and real estate	See 7(a)	N/A	See 7(a)	all financial institutions with an executed loan guaranty agreement with the SBA (currently over 7,500 lenders)
Community Advantage	\$250,000 maximum	Same as above	aimed at increasing the number of SBA 7(a) lenders who reach underserved communities, targeting community-based, mission-focused financial institutions which were previously not able to offer SBA loans	See 7(a)	N/A	See 7(a)	mission-focused lenders, including Community Development Financial Institutions, SBA's Certified Development Companies and SBA's nonprofit microlending intermediaries

CHAPTER 5: STATE GOVERNMENT SOURCES

NC Department of Commerce

Commerce Finance Center

Community Development Block Grant (CDBG) Program

Federal funds are made available annually through the US Department of Housing and Urban Development (HUD) to the state of North Carolina for the Small Cities Community Development Block Grant (CDBG) program. This indirect source of funds to small businesses is administered by the North Carolina Department of Commerce and is available in 98 counties. Twenty-three entitlement communities, however, receive CDBG program funds directly from HUD rather than through the North Carolina Department of Commerce. These CDBG funds can only be accessed by a local government applicant—in conjunction with a specific business—for projects expected to create new jobs. Proposed projects must include specific CDBG eligible activities that result in the creation or retention of permanent, full-time jobs, at least 60% of which will directly benefit persons determined to have earned 80% or less of the area's median income during the most recent 12-month period.

Recent legislation (July 2013) reduced the CDBG funding categories in NC from five to two. The eliminated categories were Low Income Housing, Small Business and Entrepreneurship, and General Community Revitalization ("NC Catalyst"). The remaining categories are Economic Development and Infrastructure. The NC Department of Commerce continues to administer the Economic Development funds. All CDBG funds designated for Infrastructure (defined as "limited to critical public water and wastewater projects") have been transferred to the NC Department of Environment and Natural Resources (DENR).

NC Department of Commerce, Community Assistance
4318 Mail Service Center
Raleigh, NC 27699-4318
919.733.5297

Overview: www.nccommerce.com/cd/investment-assistance

Economic Development: www.nccommerce.com/communitydevelopment/investment-assistance/grant-categories/economic-development

Industrial Development Fund (IDF)

The Basic Industrial Development Fund (IDF) assists town, city or county governments with incentive industrial financing for those industries eligible through Article 3J in the 80 most distressed counties. As an incentive for job creation by new or expanding industry, local units of government offer assistance for improved infrastructure. The fund may not be used for acquiring land or buildings or for constructing new buildings. For a grant, the amount funded depends on the number of new, full-time jobs created and cannot exceed \$10,000 per job created or \$500,000 per project, as determined by legislature.

Public facility projects requires a minimum local government match of 25%; however, there is no local match requirement if the project is located in one of the 25 most economically distressed counties.

Project Expenditures for Basic IDF may include:

Grant funds for construction of, or improvements to water, sewer, gas or electrical utility systems, distribution lines, or required storage facilities, or a rail spur when either is publicly owned and operated.

NC Department of Commerce, Commerce Finance Center

4318 Mail Service Center

Raleigh, NC 27699-4318

919.733.5297

www.nccommerce.com/research-publications/incentive-reports/industrial-development-fund

Job Development Investment Grants

The Job Development Investment Grant (JDIG) is a discretionary incentive that provides sustained annual grants to new and expanding businesses measured against a percentage of withholding taxes paid by new employees. The program stimulates economic activity and creates new jobs by promoting the expansion of existing business and industry and by recruiting and attracting new business and industry.

Overseeing the program is the Economic Investment Committee, comprised of five members, the Secretary of Commerce, the Secretary of Revenue, the Director of the Office of State Budget and Management, and two private sector members appointed by the N.C. General Assembly.

Program Requirements: A proposed project must meet **a rigorous set of criteria**. The Economic Investment Committee must find:

- The project will result in a net increase in employment.
- The project will increase opportunities for employment and strengthen the state's economy.
- The project will be consistent with the economic development goals of the state and of the area in which it is located.
- The project will be competitive with another state(s) or country.
- The grant is necessary for the completion of the project in the state.

The company must meet certain state health insurance and workplace safety requirements. The proposed project's benefits must outweigh its costs, thus rendering the grant appropriate. A cost benefit analysis is done for each project, and the committee identifies and selects projects that are most beneficial, after considering a number of different evaluation factors.

Statute requires that the business maintain operations at the project location, or at another approved site, for at least 150% of the term of the grant. Also, the agreement must include a claw-back provision to recapture all or part of the grant, at the committee's discretion, if the business fails to remain at the

site for the required years. The final Community Economic Development agreement must be reviewed and signed by the state Attorney General.

Maximum Amounts: The committee is authorized to award up to 25 grants in a single grant year. These grants can result in payments to a business for up to 12 years. The total amount paid out in any one of those years cannot exceed \$15 million, giving the committee up to \$180 million to allocate in benefits to the 25 businesses over a 12-year period.

The statute authorizes awards from 10% to 75% of withholdings for eligible positions. Similarly, the term of the grant may not exceed 12 years. Even with statutory requirements, the committee has discretion in weighing factors to award projects and fix the amounts, terms and time periods of grants.

For more detailed information, contact:

NC Department of Commerce, Commerce Finance Center

4318 Mail Service Center

Raleigh, NC 27699-4318

919.733.5297

www.thrivenc.com/incentives/financial/discretionary-programs/job-development-investment-grant

Shell Building Program

The Shell Building Program is an adjunct to the Industrial Development Fund grant program, and was originally founded with funds from the Economic Development Administration (EDA). Loans for publicly owned industrial shell buildings are available from the CDBG Revolving Loan Fund (RLF) based on the projected number of jobs to be created. These loans will be at a 2% interest rate with a maximum term of 5 years. A dollar for dollar match is required by the local government applicant. Up to \$500,000 from the RLF is available for industrial site certification. Loans to eligible communities can assist with the costs associated with certifying industrial sites.

NC Department of Commerce, Commerce Finance Center

4318 Mail Service Center

Raleigh, NC 27699-4318

919.733.5297

www.thrivenc.com/incentives/financial/commerce-finance-center

Industrial Revenue Bond (IRB) Program

This is the largest financing tool, measured by dollar amount per project, available to the North Carolina Department of Commerce. IRBs are a source of long-term, low-interest financing that can be used only by a company engaged in some manner of manufacturing. The proceeds may be used only for fixed assets, land, building, new equipment, existing equipment (in place and installed as part of an integrated production line), architectural and engineering fees, and issuance costs. Counties make IRB financing available for qualifying projects. Such projects include new or expanding manufacturing facilities, distribution centers, and research and development facilities necessary to the manufacturing process. The state supervises and approves bond applications, but the bond authority in the county in which the plant is located issues the bonds. The rules governing bond issuance are a combination of

federal regulations and North Carolina statutes. Interest rates are negotiated between the firm's agent and the bond buyer.

The company must agree to pay its employees a wage greater than or equal to 10 percent above the average weekly manufacturing wage of the county or state. Certain high-unemployment counties, however, may waive this wage requirement. Applications normally are approved in eight to ten weeks. Although there is no set minimum, a bond issue generally needs to be for about \$1.5 million to be cost effective. Bonds can be taxable or tax exempt. The maximum tax-exempt bond amount is \$10 million in any given jurisdiction. Taxable bonds are not subject to this limit. Approximately \$89 million of the state's bond allowance of \$382 million for the year was approved through mid-2000.

SIGNIFICANT REQUIREMENTS (Manufacturing IRBs)

- **Manufacturing** – Must be at least 75% manufacturing.
- **Letter of Credit** – Since all bond issues must be supported by a letter of credit, it is important to secure an early commitment from a bank which is rated investment grade or better. Most often, the bank that issues the letter of credit will place the bonds and may purchase them.
- **Environmental Approval** – No IRB project may be approved without environmental certification by the North Carolina Department of Environment and Natural Resources (DENR). If the company must obtain required permits, the process could take 60 to 90 days. DENR representatives will guide the company through the process.
- **Abandonment** – Company must certify that in building the facility, it is not abandoning another facility (or, if it is, that it is impossible for the company to remain at its present location because of limitation on land use, etc.).
- **Jobs Test** – Must create or retain number of jobs with the size of financing (currently one job for every \$250,000 in financing).
- **IRB Proceeds** -- May be used only for land, building and equipment (fixed assets).

NC Department of Commerce, Commerce Finance Center

4318 Mail Service Center
Raleigh, NC 27699-4318
919.733.5297

www.nccommerce.com/en/BusinessServices/SupportYourBusiness/FinancingBusinessGrowth/IndustrialRevenueBondsProgram/

NC Board of Science and Technology

One N.C. Small Business Program

The One North Carolina Small Business Program is comprised of two programs: the North Carolina *SBIR/STTR Phase I Incentive Funds Program* and the *SBIR/STTR Phase I Matching Funds Program*. The purpose of the Phase I Incentive Funds Program is to reimburse qualified North Carolina businesses for a portion of the costs incurred in preparing and submitting Phase I Proposals to the Federal Small Business Innovation Research (SBIR) Program and Small Business Technology Transfer (STTR)

Program. The Phase I Matching Funds Program is designed to award matching funds to North Carolina businesses who have been awarded a SBIR or STTR Phase I award.

Currently, the One NC Small Business Matching Program and the One NC Small Business Incentive Program have fully awarded all available funds. No further funds have been allocated toward the program, and no further solicitations are anticipated during this fiscal year. Additional Solicitations may be available in future years

Energy R&D Cost-Sharing Program

This Program is designed to help North Carolina research institutions win federally-funded Energy R&D projects that require cost-sharing, expand the volume and range of Energy R&D in North Carolina, and generate intellectual property that can lead to energy-related jobs in the long term. Research organizations compete for funding by submitting proposals in response to solicitations issued for the DOE Programs.

This Program is open to any university or other I.R.S. Section 501(c)(3) non-profit organization chartered in North Carolina that intends to apply for U.S. Department of Energy ("DOE") R&D funds under DOE programs that have a statutory requirement for cost-sharing.

Green Business Fund

The North Carolina Green Business Fund provides competitive grants to help NC small businesses develop commercial innovations and applications in the biofuels industry and the green building industry, as well as attract and leverage private sector investments and entrepreneurial growth in environmentally conscious technologies and renewable energy products and businesses.

Currently, all available NC Green Business Fund monies have been awarded. No further funds have been allocated for the program and no future solicitations are anticipated.

NC Board of Science and Technology

North Carolina Department of Commerce
301 North Wilmington St.
4301 Mail Service Center
Raleigh, NC 27699-1326
919.715.0303
www.ncscitech.com

NC Qualified Investment Tax Credit

The NC Qualified Investment Tax Credit offers investors in certain types of businesses a credit against state tax liability. Up to \$6 million of credits are available annually for investments in "Qualified Businesses Ventures" (QBV) or "Qualified Grantee Businesses."

A Qualified Business Venture is a business organized to engage primarily in manufacturing, processing, warehousing, wholesaling, R&D, or a service-related industry. To be eligible for registration as a qualified business venture, the business cannot have generated more than \$5 million in gross revenues as of its last fiscal year. It also cannot be engaged to a substantial degree in providing professional services, contracting or construction, selling or leasing at retail, investing, entertainment, or managing real estate. The business no longer needs to have its headquarters or principal business operations in North Carolina. A Qualified Grantee Business is one that received funding or grants from certain specified sources during the preceding three years.

An individual who directly purchases the equity securities or subordinated debt of a Qualified Business Venture or Qualified Grantee Business is allowed a credit equal to as much as 25 percent of the amount invested, with an annual cap of \$50,000 per individual investor. Unused credits can be carried forward for five years before they expire. No credit is allowed for a purchase of securities if a broker's fee or commission is paid. A pass-through entity with less than \$5 million of capital under management that purchases the securities of a Qualified Business Venture or a Qualified Grantee Business is also eligible for a tax credit of up to 25 percent of the amount invested. The aggregate amount of the tax credit allowed a pass-through in a single tax year is \$750,000.

The QBV tax credit has been repealed for tax years after CY 2013.

North Carolina Department of the Secretary of State

POB 29622

Raleigh, NC 27626-0622

919.733.3924

www.secretary.state.nc.us/bustax/Overview.aspx

Tax Credits for Growing Businesses (Article 3J tax credits)

The William S. Lee Act was the cornerstone of North Carolina's economic development legislation. Ratified by the General Assembly in 1996 to increase North Carolina's global competitiveness, the Act had been amended numerous times. However, the law expired at the end of 2006 and was replaced by Article 3J (Tax Credits for Growing Businesses).

Under the new Tax Credits for Growing Businesses (commonly referred to as Article 3J tax credits) approved by the General Assembly in the summer of 2007, the five-tier system of the William S. Lee Act has been replaced by a three-tier system. Using a statutory formula outlined in the new law, the Department of Commerce assembles the required statistics for each of North Carolina's 100 counties, applies the formula and assigns a tier designation ranking from one to three with Tier 1 being the most economically distressed and Tier 3 being the least.³

The rankings are based on an assessment of each county's unemployment rate, median household income, population growth and assessed property value per capita. In addition, any county with a population of less than 12,000 or a county with a population of fewer than 50,000 residents with 19

percent or more of those people living below the federal poverty level automatically are designated as one of the 40 most distressed counties.

The law calls for the 40 most distressed counties to become Tier 1 counties, the middle 40 counties to be designated as Tier 2 and the 20 most prosperous counties to become Tier 3 counties.

The new law also increases the number of businesses eligible to receive tax credits. Qualifying companies under the Article 3J law include those involved in manufacturing, motorsports, aircraft maintenance and repair, air courier services, warehousing, customer service call centers, research and development, electronic shopping and mail order houses, wholesale trade and information technology. All eligible companies are required to offer employees health insurance and pay at least 50 percent of the premiums, cannot owe back taxes and cannot have received a significant environmental violation notice from the state Department of Environment and Natural Resources. In Tier 2 and Tier 3 counties, with a few exceptions, companies also must meet a wage test.

Tier designations determine the available amount of tax credits for job creation and business property investment. Businesses locating or expanding in counties that are more economically distressed receive greater tax credits than those that locate in more prosperous areas. Potential benefits to companies under each tier designation include:

- Tier 1 - \$12,500 tax credit per new job with a requirement to create at least five jobs, and a 7 percent tax credit for eligible business property expenditures.
- Tier 2 - \$5,000 tax credit per new job with a requirement to create at least 10 jobs, and a 5 percent tax credit for eligible business property expenditures of more than \$1 million.
- Tier 3 - \$750 tax credit per new job with a requirement to create at least 15 jobs, and a 3.5 percent tax credit for eligible business property expenditures of more than \$2 million.

For more information on County Tier Designations for past or present, visit:

www.ncommerce.com/research-publications/incentive-reports/county-tier-designations

The image below shows which counties classify as Tier 1, Tier 2, or Tier 3

2013 Article 3J County Tier Designations



Technology Development (R&D) Tax Credit

This credit is based on a percentage of qualified research expenses, with the highest amounts for research performed by North Carolina universities.

Businesses with qualified North Carolina research expenses are allowed a credit equal to a percentage of those expenses. The allowable credits are determined by:

- **Small business (annual receipts less than \$1 million):** Qualified businesses on the last day of the taxable year are allowed a credit of 3.25%.
- **Low-tier research:** For expenses for research performed in a Tier 1 county, any size business is permitted a credit of 3.25%.
- **Other research:** For expenses not covered above, refer to the table below for qualified research expenses during a taxable year:

Qualified Expenses	Rate
\$0-\$50 million	1%
\$50 - \$200 million	2%
More than \$200 million	3%

A business with **North Carolina university research expenses** for the taxable year is allowed a credit equal to 20% of those expenses.

This credit is available through December 31, 2015.

One North Carolina Fund

The One North Carolina Fund (formerly the Governor's Industrial Recruitment Competitiveness Fund) helps **recruit and expand quality jobs in high value-added, knowledge-driven industries**. It also provides financial assistance to those businesses or industries deemed vital to a healthy economy that are making significant efforts to expand in North Carolina. The fund currently consists of nonrecurring appropriations made by the N.C. General Assembly for companies seeking to undertake new expansion or locate new operations in the state. The fund is competitive and the location or expansion must be in competition with another location outside the state.

Program Requirements: Companies can receive money for:

- Installation or purchase of equipment.
- Structural repairs, improvements, or renovations of existing buildings to be used for expansion.
- Construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines, or equipment for existing buildings.

For a company to be considered:

- The company must agree to meet the weighted hourly average wage test as required for Article 3J (House Bill 2170 § 105-129.83).
- Local units of government (city or county) must agree to match financial assistance to the company.

Credit for Worker Training

A taxpayer who provides worker training for five or more of its eligible employees during the taxable year is allowed a credit equal to the wages paid to the eligible employees during the training. Wages paid to an employee performing his or her job while being trained are not eligible for the credit. For positions located in tier one, the credit may not exceed \$1,000 per employee trained during the taxable year. For positions located in other tiers, the credit may not exceed \$500 per employee trained during the taxable year.

An employee is eligible if the employee is in a full-time position not classified as exempt under the Fair Labor Standards Act and meets one of the following conditions: the employee occupies a job for which

the taxpayer is eligible to claim an installment of the credit for creating jobs; or the employee is being trained to operate machinery and equipment for which the taxpayer is eligible to claim an installment of the credit for investing in machinery and equipment. The credit is taken for the taxable year in which the machinery and equipment are placed in service. The credit is not taken in installments.

Credit for Investing in Central Office or Aircraft Facility Property

If a taxpayer who has purchased or leased real property in the State begins to use the property as a central office or aircraft facility during the taxable year, the taxpayer is allowed a credit equal to 7 percent of the eligible investment amount. A central office must have the role of administering, overseeing, and managing branches of the same company or enterprise. To be eligible, the taxpayer must create a minimum of 40 new jobs at the office either in the year the taxpayer first uses the property as a central office or aircraft facility, or in the preceding 24 months while using temporary space for central office functions. If the taxpayer uses only part of the property as a central office or aircraft facility, the amount of credit is reduced in proportion to the percentage of the property put to other use. If during the seven years in which this installment credit accrues, either the property is no longer used as a central office or the total number of the taxpayer's central office employees in the State drops below 40, the credit expires. The maximum credit allowed a taxpayer under this section for property used as a central office or aircraft facility is \$500,000. The credit is taken in seven equal installments beginning the year after the taxpayer qualifies for the credit.

Credit for Substantial Investment in other Property

A taxpayer who purchases or leases real property in an enterprise tier one or two area and begins to use the property in an eligible business during the taxable year is allowed a credit equal to 30 percent of the eligible investment amount. To be eligible for this credit, the taxpayer must receive a written determination from the Secretary of Commerce that the taxpayer is expected to purchase or lease and use in an eligible business at that location within a three-year period at least \$10 million of real property and that the location that is the subject of the credit will create at least 200 new jobs within two years of the time the property is first used in an eligible business. The credit is taken in seven equal installments beginning the year after the taxpayer qualifies for the credit. The credit expires if the total number of employees at the property with respect to which the credit is claimed drops below 200.

NC Department of Commerce, Commerce Finance Center

4310 Mail Service Center

Raleigh, NC 27699-4318

919.733.4151

www.nccommerce.com/finance/

Other Tax Credits and Incentives for Businesses

North Carolina offers a number of opportunities to businesses in the form of tax credits and incentives.

North Carolina Ports Tax Credit

Importers and exporters who use the North Carolina ports at Morehead City and Wilmington can qualify for a tax credit. This tax credit can be earned on cargo wharfage and handling fees exceeding the company's average for the last three years inclusive of the current tax year. The excess of those fees for wharfage and handling paid directly or indirectly to the North Carolina State Ports Authority can be credited against the taxes due the state, up to 50 percent of the total tax liability for each tax year. Any unused credit may be carried forward for five years for a total credit of up to \$2 million. This NC Ports Tax Credit has been repealed effective 1/1/2014.

North Carolina State Ports Authority

POB 9002

Wilmington, NC 28402

800.334.0682

www.ncports.com

NC Agricultural Finance Authority

Farm Ownership Loan Program

The program offers farm ownership loans up to \$300,000 for those unable to obtain credit from other sources. The loans are restricted to owners or prospective owners of family-sized farms. Loans may be used to buy, improve, or enlarge farms and are made at the prime rate plus 1.75 percent. The terms for repayment are 15 years. These loans are offered in conjunction with Farm Service Agency loan guarantees of up to 90 percent of the principal.

Agribusiness Loan Program

The North Carolina Agricultural Finance Authority (NCAFA) makes agribusiness loans to firms involved in processing and marketing activities, which provide "value added" products that increase the profitability to North Carolinians. The loans are made available through the USDA's Rural Development Business and Industrial Loan Program and are guaranteed by the USDA.

Agricultural Development Bonds

Agricultural Development Bonds (ADB) are tax-exempt bonds issued by the North Carolina Agricultural Finance Authority, which has authority under the North Carolina General Statutes (Chapter 122D) to issue bonds for many purposes. ADBs can be used to finance a wide range of agricultural projects that involve the processing or manufacturing of agricultural products as long as the projects qualify for federal tax exemption under the Internal Revenue Code.

North Carolina Agricultural Finance Authority

POB 27908

Raleigh, NC 27611-7908

919.790.3949

www.stateagfinance.org/types.html

Renewable Energy Property Tax Credits

North Carolina's various renewable-energy tax credits are unified into a statute that addresses nearly all renewables. The statute provides a tax credit of 35% of the cost of renewable energy property constructed, purchased or leased by a taxpayer and placed into service in North Carolina during the taxable year. A maximum of \$2,500,000 is applicable for all solar, wind, hydro and biomass applications on commercial and industrial facilities, including photovoltaic (PV), daylighting, solar water-heating and space-heating technologies.

Expenditures eligible for the tax credit include:

- Cost of the equipment and associated design
- Construction costs
- Installation costs less any discounts
- Rebates
- Advertising
- Installation-assistance credits
- Name-referral allowances or other similar reductions.

Maximum Amounts: The credit is taken in five equal installments beginning with the year in which the property is placed in service. If the credit is not used entirely during these five years, the remaining amount may be carried over for the next five years. The credit can be taken against franchise tax, income tax or, if the taxpayer is an insurance company, against the gross premiums tax.

Taxpayers will be eligible for this credit through CY 2015. The Renewable Energy Property Tax Credit has been repealed effective 1/1/2016.

North Carolina Solar Center

1575 Varsity Drive

North Carolina State University

Raleigh, NC 27606

919.515.3480

www.dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=NC19F&state=NC&CurrentPageID=1&RE=1&EE=0

NC Community College System

Economic & Workforce Development Services – Industry Training Program

Funds are available through the North Carolina Community College system for training workers in any new or expanding industry creating a minimum of 12 new jobs in North Carolina. The program provides for instructors' wages and travel expenses, for classroom materials, and for a suitable training facility.

NC Community College System
Economic & Workforce Development Division
5003 Mail Service Center
Raleigh, NC 27699-5003
919.807.7150
www.ncccs.cc.nc.us/Business_and_Industry/index.html

CHAPTER 6: EQUITY CAPITAL SOURCES

Equity Funding “Food Chain”

You may have heard of something called the funding “food chain”. This occurs when bigger fish are participating in each subsequent round of equity investment in a company. Ideally, deals are structured, milestones met, and value created in such a way that the bigger fish takes a nourishing bite in return for larger and larger amounts of capital as opposed to swallowing all the smaller fish.

For “food chain” funding to be successful for everyone, the entrepreneurs and investors should make sure that there is room for everyone to profit from a successful company. To accomplish this, the valuation of the company has to continue to be attractive at each stage, including late in the funding cycle. Thus, even later stage investors need to have an opportunity for an attractive return commensurate with the risk they are taking. Of course, the early investors want to be rewarded for their significant risk.

All investors typically have an interest in the entrepreneur/founders/management team having sufficient equity or an option pool that will provide incentives and reward them for their successful contributions. The idea is to grow the pie so that the shrinking pieces of ownership are actually worth a lot more when some form of exit is achieved. It is critical that each participant figures out how everyone can win.

Having said this, “food chain” funding rarely occurs in a linear fashion and should not be counted on as the sure way to grow. In fact, very few companies will actually fit this model through to its conclusion. For companies that don’t fit the high growth and exit mode, other types of approaches may be appropriate to satisfy the investors and entrepreneurs. Nevertheless, the “food chain” idea provides a framework to consider when looking at funding strategies and options. Be prepared for funding efforts to take incredible amounts of physical and creative energy.

Here is how it can work. As a founder, an entrepreneur often starts with her own funds in combination with or followed by funding from family and friends. Or a company may be formed out of a university with some start-up help and, on occasion some funding help, prior to or concurrent with its emergence. Although the following terms may vary in meaning from person to person, here is one way to look at them. The term, pre-seed funding, is being used more frequently. These are funds invested to help develop the idea. Next comes seed funding, which is often used to get the business plan together and develop the initial work on the technology, market/industry research or business model. These funds can come from within or outside the founder or founding team.

The first outside money may come from private equity investors, often called “angel” investors. They are sometimes called angels because they are not always as tough on valuation as other sources, sometimes to their own detriment, and they are often or should be looked upon to pass on added value from their industry knowledge, experience and contacts to the entrepreneur. As angels and entrepreneurs learn more about the funding process and become more sophisticated in structuring deals, the understanding will be greater and the expectations more realistic and clear. This should lead

to the reduction of unwelcome surprises that are sure to come. To help navigate a successful future, entrepreneurs need to look as carefully at their investors as the investors look at them.

To assist with capital formation in North Carolina and enhance the equity investment process among entrepreneurs and accredited investors, the SBTDC offers the “Becoming an Investor-Ready Entrepreneur” workshop in partnership with universities, angel funds and other private sector resources. For more information, see www.sbtcd.org/investorready.

Angels invest in a variety of ways: as individuals; informally with others to invest as individuals; through formal networks as individuals; through funds with existing pools of capital accompanied by additional funds from their personal accounts; or some combination of any or all of these options. Sometimes they invest alongside seed or early stage venture capital funds.

Venture capital funds differ from angel funds in that they typically have a professional management team responsible for decisions and have attracted capital from institutions. Many of the seed and early stage venture funds include a number of angel investors who, it is hoped, will be available to assist with portfolio companies.

In recent years, we have seen the venture capital fund industry abandoning the seed and early-stage markets. This has further eroded the existing funding gap with special impact on companies who want to raise funds somewhere in the \$2 to \$5 million range. Even several angel funds banding together with super angels who invest extraordinary amounts of capital are not able to fill this gap. So-called “boutique” venture funds may resurface in greater numbers to capture this opportunity.

Entrepreneurs can ask for too little or too much money. To do so can affect (1) the likelihood of success in obtaining the capital sought and (2) the success of that stage in the company’s life once the capital is in the bank. Entrepreneurs need to be careful to not deploy capital faster than the markets for their products and services are prepared to respond.

Raising capital from investors, selling your equity for their cash, is not unlike approaching customers for your products or services. It is important for entrepreneurs to understand the needs and issues facing these types of equity “customers” and to recognize that certain venture capital needs are unique to the fund or funds in question.

As companies show more than just great promise, in the form of concrete results in products, services and revenues, even if they are only license fees, the later stage VC funds play a valuable role in providing larger amounts of capital to drive forward a company (e.g. a technology platform with strong evidence of its potential or a business model that shows it has growing power).

Throughout the above process, competitive grants to advance the science can be won and partnerships for product development or marketing outcomes developed. Other funding resources include private equity funds, including mezzanine funds, which may provide bridge funding to support an initial public offering (IPO) or may provide debt funding with warrants for management buyouts or as an alternative to bank financing which may not be available. Venture banks (or venture arms of depository banks) are another source for loans, possible equity features against certain assets, and may provide such capital alongside a venture funded round. Another important source of capital is the investment banking

community which serves as a vehicle for obtaining funding from a wide range of sources through private placements or public offerings.

Having an understanding of and keeping a focus on exit strategy alternatives is one key to a company's ultimate success. On occasion, an exit is through an IPO. Far more likely, it is an acquisition by or merger with another -- hopefully well-funded -- company.

In short, no matter what happens you can't depend on the "food chain". Companies rarely turn out the way they are initially envisioned. The world changes and so must companies. Every entrepreneur must be prepared to adapt and survive through thick and thin.

Like an aircraft pilot, an entrepreneur must always be looking for ways to soar while searching for a safe landing site should he temporarily run out of fuel. Sometimes this means cutting salaries and other overhead before you are ready and hunkering down in order to take off another day. This, again, is another form of "funding".

Individual Investors (Angel Capital)

The increasing role of wealthy private investors called "angels" provides an alternative to traditional venture capital. In fact, according to Kauffman Foundation research, angel investors provide about 90% of the seed and start-up equity capital for entrepreneurs. To put a spotlight on this void and the manner in which angels and other informal investors are filling it, consider that in 2012, \$26.5 billion in venture capital was invested in 3,698 deals nationally, only 274 of which were seed deals (7.4%) (*Source: National Venture Capital Association*).

For the most part, angel capitalists are relatively wealthy individuals who may not be professional investors but have an interest in participating in the growth or start-up of a new company. Angels, however, are a difficult source to locate since most prefer anonymity and tend to invest "quietly" in companies they have had an opportunity to observe or have heard about from associates. They are most often found through networking with other entrepreneurs or through members of the professional community, such as accountants and lawyers.

Angels are often successful entrepreneurs who have sold their businesses, or retired executives with significant industry experience. In attempting to locate angels the key is to start your search early. It will take time to identify the right angel(s), and considerable time for the potential investor to investigate your company. These individuals tend to invest in ventures close to home and in industries in which they have some expertise. Although angels will often want to be active in managerial decisions, such financing generally does not require giving up the sizable ownership position and control that turning to venture capitalists may involve at that stage or during a later stage in the company's development.⁴

⁴ For an entertaining, fictional look at the manner in which venture capitalists can micromanage a firm, consider reading R.J. Pineiro's novel *Breakthrough*, an action-packed account of a revolutionary biotech start-up, its stolen biochip, and intrusive financiers.

Angel Funds and Networks

There are both angel “networks” and committed angel “funds” operating in North Carolina. Angel networks are groups of angel investors who screen potential deals (business investment opportunities) and then make investment decisions individually.

An angel fund is a committed pool of capital, most often professionally-managed. The fund members screen potential deals, participate in due diligence, and decide as a group which investments to make from the fund.

For a full and current perspective on the angel investor market nationally, consult “The Angel Investor Market in 2012: A Moderating Recovery Continues”

paulcollege.unh.edu/sites/default/files/2012_analysis_report.pdf

The Center for Venture Research at the University of New Hampshire regularly offers this and other publications examining the angel investment and venture capital markets.

Additional online resources for information on angel capital including:

Angel Capital Association (ACA): www.angelcapitalassociation.org

Angel Resource Institute: www.angelresourceinstitute.org

Angel Funds & Networks active in NC

The following angel funds and networks are categorized as “active”, as they have invested funds in a company (made a deal) in the last 12 months.

Inception Micro Angel Fund (IMAF) Family of Funds

www.inceptionmicroangelfund.com

IMAF Triad II

1959 N. Peacehaven Rd., Suite 111
Winston-Salem, NC 27106
336.403.1088
www.imaftriad.com

IMAF- Cape Fear

1908 Eastwood Road, Suite 224
Wilmington, NC 28405
910.681.1420
www.imafcapefear.com

IMAF West

PO Box 168
Fletcher, NC
828.651.9815
www.imafwestern.com

IMAF Charlotte

imafcharlotte.com

IMAF RTP

6516 Wakefalls Drive
Wake Forest, NC 27587
919.570.1023
www.imaf RTP.com

IMAF East

3802 Highway 58 N
Kinston, NC 28504
252.533.2400
imafeast.com

IMAF- Coastal Plains (New)

www.imafcapefear.com

IMAF- Sandhills (New)

Fayetteville, NC

www.imaf-sandhills.com**Piedmont Angel Network (PAN 3) [Fund]**

2007 Yanceyville St., Box 69

Greensboro, NC 27405

336.749.1012

www.piedmontangelnetwork.com**RTP Capital [Network]**

68 TW Alexander Drive, PO Box 13628

Research Triangle Park, NC 27709-3628

www.rtpcapital.org**Triangle Angel Partners (TAP) [Network]**

PO Box 110062

Research Triangle Park, NC 27709

(919) 904-4565

info@triangleangelpartners.com**Wilmington Investor Network (WIN)**

1802 South Churchill Dr.

Wilmington, NC 28403

910.538.6641

www.wilmingtoninvestor.com**Additionally the following angel funds or networks are operating in NC****Angels for Moore [Network]**

POB 5885

Pinehurst, NC 28374

910.246.0311

www.angelsformoore.org**The Atlantis Group, LLC [Fund]**2530 Meridian Parkway, 3rd Floor

Durham, NC 27713

919.806.4340

info@TheAtlanticGroup.netwww.TheAtlanticGroup.net**Blue Ridge Angel Investors Network (BRAIN)
[Network]**

c/o Advantage West

3 General Aviation Dr.

Fletcher, NC 28732

828.687.7234

www.brainnc.com**Eastern NC Investor Network (ENC-IN)
[Network]**

ECU's Entrepreneurial Initiative

300 East First St., Willis Building

Greenville, NC 27858

252.737.1345

www.ecu.edu/cs-acad/rds/ei/index.cfm**WED3, Inc. [Network]**

1523 Elizabeth Ave, Suite 210

Charlotte, NC 28204

www.wed3.org

Venture Capital

Professional venture capital is defined by the National Venture Capital Association as “money provided by professionals who invest alongside management in young, rapidly growing companies that have the potential to develop into significant economic contributors.” Venture capital is, however, a viable alternative for only a limited number of small, growing companies.

Venture capitalists are professional managers of investment funds whose primary aim is to purchase equity in growing companies and then sell that investment at a profit within a designated period. The primary institutional source of venture capital is a venture capital firm. Venture capitalists take higher risks by investing in an early-stage company with little or no history, and they expect a higher return for their high-risk equity investment.

Most venture capitalists prefer to purchase equity in ongoing businesses as opposed to start-ups and generally specialize in high-tech companies. Venture capitalists search for high-growth firms possessing a new technology or product innovation. Because of the risk associated with the typical investment, the investor will require a 30 to 40 percent (or higher) realized annual rate of return. The most heavily negotiated issue in any venture capital investment is valuation. This will determine what percentage of the company the investor will receive in return for his cash outlay. Valuations are determined not only by the quality of the company but also by the supply of available funds.⁵

The traditional venture capital investment is typically equity-based and may take the form of common stock, preferred stock, or convertible debt. The investment will not be structured to require a current payout in the form of interest or dividends; instead, the venture capitalist expects to achieve the return upon liquidation of the investment. At the time of the initial investment an exit strategy is usually devised to sell or bring the company public within three to five years. Therefore venture capital is not the answer for a company desiring to remain private.

The advantages of acquiring venture capital financing are the minimal current costs and its availability to companies with promising future but limited current profits. It may also reduce interest costs for debt financing since a lower debt-to-equity ratio may result in more favorable borrowing rates. Finally, since many venture capitalists were once budding entrepreneurs, they can be invaluable sources for advice. The basic disadvantage of this type of financing is the dilution of ownership interest and the difficulty in making a match between business and investor.

It is important to note that not all monies a venture capital fund has under management are available for current investments. In fact, some firms may have substantial assets under management but not be active in terms of seeking new investments. The firm may have already invested in venture deals or may have the funds designated for the expansion of companies already in their portfolio. Venture capital firms, however, will often

⁵ *Capital.com* provides a free online valuation tool whereby the user can value their company, background on valuation methodologies, as well as an online submission form whereby the applicant can request between \$1 million and \$100 million from competing capital sources. *Capital.com*'s Financial Provider network includes Wachovia, GMAC Commercial Finance, Oxford Capital, and other smaller and larger banks and institutions nationwide. *Capital.com* also contains a lengthy section on how to raise financing and the various types & forms of financing available. Visit: www.capital.com. [This website is included here for informative purposes only; this is not an express endorsement of this site. The user must investigate fully any funding opportunities arising from use of the site.]

operate more than one fund. Although one fund may be closed to new investments, the firm may be in the process of raising capital for another fund. It is at this point that the venture capital firm will be most active in reviewing new investment opportunities.

While some firms are generalists and invest in a large variety of companies, most venture capital firms limit the businesses they will invest in by determining their preference regarding geographic location, industry, and stage of funding. Regardless of these preferences, virtually all firms have a specified dollar value range they are willing to extend for investment.

Many firms consider how closely they will be able to monitor a given investment before agreeing to extend venture capital to a business. Some venture capital firms are now advertising themselves as more than financial resources for their investments and are offering experienced advice to help lead the company to success. In such a case, proximity to funds can be a great asset for a business seeking venture capital.

While all venture capitalists seek high-growth companies for investment, some concentrate their investments in specific industries. Current leading industries in attracting venture capital, in order of total dollars invested, include software, biotechnology (some use the broader term "life sciences"), telecommunications, networking & related equipment, and medical devices & related equipment. Despite a movement to invest in complementary businesses, there are still numerous venture capital firms with diversified interests, meaning they take on companies in a variety of industries.

Stages of VC Financing

Venture capital firms generally prefer a certain stage of investment; some specialize in seed capital or early expansion, while others focus on expansion or exit financing.

Early-stage financing is defined as the first capital that an entrepreneurial company receives. It usually refers to seed capital or first-stage financing. At the seed stage, a small amount of capital is provided to prove a concept or qualify for start-up capital. First-stage deals provide financing to companies who have expended their initial capital and require funds to initiate full-scale manufacturing and sales. Financing is usually in the form of private equity as most of these companies do not have assets, cash flow, or profits to support bank loans or public stock offerings. Many entrepreneurial companies, particularly those that are technology-intensive, are seriously compromised in their early development by the shortage of seed-stage capital. Due to the high risk involved, new companies have the greatest difficulty raising the initial \$1 to \$2 million of start-up funding. However, once a company is able to prove that the idea is transitioning into a very good business, significantly more capital should become available.

Later-round financing is used to satisfy a growing company's expansion needs. These stages include companies that are already profitable. Early or second-stage financing provides working capital for the expansion of a company that has growing receivables and inventories. Third-stage or mezzanine financing provides for major expansion of a company with increasing sales that is breaking even or becoming profitable. Fourth stage or bridge financing funds companies going public within six months and is generally repaid with IPO proceeds. Venture capital is much easier to procure at these later stages, as the risk has diminished significantly.

For more information on venture capital activity in early stage businesses versus growth stage visit:
<https://www.pwcmoneytree.com/MTPublic/ns/nav.jsp?page=stage>

For a recent look at total venture capital activity in the Southeast versus elsewhere in the nation, consult the Money Tree Report View at <https://www.pwcmoneytree.com/MTPublic/ns/nav.jsp?page=region®ion=1800>.

Raising Venture Capital

Recent indicators show that the percentage of business plans examined by venture capitalists has diminished. A small business can substantially increase its chances of a more thorough review if it can get a direct introduction or referral to a venture capitalist by way of a professional advisor, such as a lawyer or accountant. The approval and backing of a well-respected source will often cause the venture capital firm to consider a company's business plan. Companies submitting business plans absent such support are rarely successful in securing VC funding.

Venture capital seekers can greatly improve their chances of receiving venture capital by presenting a well-organized and detailed business plan with realistic, yet impressive, financial projections. Entrepreneurs should emphasize their managerial capability, the market size and evidence of demand, as well as the potential to exit the business with a hefty profit. The business plan, however, will only typically generate a meeting. At this initial meeting (sometimes called a "whiteboard session" or "first pitch" meeting), the company must be prepared to make a formal, persuasive presentation that will give the venture capitalist a positive impression of the product and management team. The business plan notwithstanding, a concise executive summary, expense budget for the first two (*or more*) years, the revenue model, and a PowerPoint presentation is generally the materials laid before any prospective investors.

Companies seeking to raise venture capital should allot a substantial amount of time to identifying potential suitors. While there are a number of venture capital firms operating within North Carolina, there are many sources available outside the state. Although these sources have traditionally been difficult to access, the company seeking venture capital financing should, in the initial stages, entertain all possibilities. The prospects for procuring funding from out-of-state financiers are actually becoming more favorable due to the growing national awareness of attractive opportunities in the region, as well as use of the Internet to connect North Carolina's entrepreneurs with outside venture capitalists.

Most venture capital funds operate as 'blind pools' in which investors' monies are combined and then invested by the venture capital fund managers. Some offer an added twist in which investors have varying degrees of discretion in picking and choosing among the deals in which the funds invest.

Those VC funds currently active or investing in North Carolina appear below. A detailed profile of each fund is included in a table following this list.

Venture Capital Funds Active in North Carolina

Note: Funds marked with a * may also be found in the Private Equity Section of the Report. North Carolina based firms are *bold italicized*.

Advanced Technology Ventures

Bay Colony Corporate Center
1000 Winter St., Suite 3700
Waltham, MA 02451
781.290.0707

info@atvcapital.com

www.atvcapital.com

Alliance Technology Ventures

1990 Main Street, Suite 750
Sarasota, FL 34236
678.336.2000

www.alliancetechventures.com

ARCH Venture Partners

8725 West Higgins Rd., Suite 290
Chicago, IL 60631
773.380.6600

info@archventure.com

www.archventure.com

The Aurora Funds, Inc.

2525 Meridian Pkwy., Suite 220
Durham, NC 27713
919.484.0400

www.aurorafunds.com

Axiom Venture Partners, LP

CityPlace II – 17th Floor, 185 Asylum St.
Hartford, CT 06103

860.548.7799 | Info@axiomventures.com

www.axiomventures.com

Banc of America Capital Investors

100 N. Tryon St., 25th Floor
Charlotte, NC 28255
704.386.8436

www.bacapitalinvestors.com

Blue Pointe Capital Management

400 S. El Camino Real, Suite 760
San Mateo, CA 94402
650.293.4545

www.bluepointecapital.com/index.html

Bull City Venture Partners

7780 Brier Creek Parkway
Suite 410
Raleigh, NC 27617
919-886-4082

Burrill & Company

One Embarcadero Center, Suite 2700
San Francisco, CA 94111
415.591.5400

burrill@b-c.com

www.burrillandco.com

Note: *Invests exclusively in life sciences.*

CW Group, Inc.

1629 K. Street, NW Suite 300
Washington, DC 20006
202.508.1040

cweast@cwventures.com

www.cwgroupinc.net

Note: *Exclusively deals in medical venture capital funds.*

Canaan Partners

285 Riverside Ave., Suite 250
Westport, CT 06880
203 855 0400

www.canaan.com

Carolina Financial Group

185 West Main St.
Brevard, NC 28712
828.883.4400

www.carofin.com

Carousel Capital

201 North Tryon Street, Suite 2450
Charlotte, NC 28202
704.372.2040

www.carouselcapital.com

**Catalysta Seed Fund, Catalysta Cooper Seed Fund
c/o Catalysta Partners**

620 Winnmark Drive
Roswell, GA 30076

404.352.7158
info@catalysta.com
www.catalysta.com/home.html

Cato BioVentures (CBV)
4364 South Alston Avenue
Durham, NC 27713
919.361.2286
www.catobioventures.com

Charles River Ventures (CRV)
1000 Winter St.
Waltham, MA 02451
781.768.6000
www.crv.com

Note: *Recommends, but does not require, that business plans be referred from existing portfolio company executives or contacts within industry.*

Cherokee Investment Partners
111 East Hargett Street, Suite 300
Raleigh, NC 27601
919.743.2500
www.cherokeefund.com

Chrysalis Ventures, LLC
101 South Fifth St., Suite 1650
Louisville, KY 40202
502.583.7644
info@chrysalisventures.com
www.chrysalisventures.com

Cogene Ventures
Five Post Oak Park
4400 Post Oak Parkway, Suite 1400
Houston, TX 77027
713.336.7858
www.cogeneventures.com

Columbia Capital
201 North Union St., Suite 300
Alexandria, Virginia 22314
703.519.2000 | info@colcap.com
www.colcap.com

Cordova Ventures
Three NorthWinds Center
4080 McGinnis Ferry Road, Suite 1201
Alpharetta, GA 30004
678.942.0300
www.cordovaventures.com

Crosspoint Venture Partners
The Pioneer Hotel Building
2925 Woodside Rd.
Woodside, CA 94062
650.851.7600
partners@cpvp.com
www.cpvp.com

Cutlass Capital, LLC
229 Marlborough Street
Boston, MA 02116
617.624.0159
jonosgood@cutlasscapital.com
www.cutlasscapital.com
Note: *Exclusively invests in health care.*

Delphi Ventures
3000 Sand Hill Rd., Building 1, Suite 135
Menlo Park, CA 94025
650.854.9650
www.delphiventures.com
Note: Primarily invests in Western U.S.-based enterprises; will consider opportunities elsewhere. Recently invested in North Carolina.

Dow Venture Capital
(a subsidiary of The Dow Chemical Co.)
The Dow Chemical Company, 2030 Dow Center
Midland, MI 48674
989.636.1000
www.dow.com/venture

Easton Capital Investment Group*
767 Third Ave., 7th Floor
New York, NY 10017
212.702.0950
www.eastoncapital.com

Emerging Technology Partners, LLC (ETP)

1901 Research Blvd., Suite 350
Rockville, MD 20850
301.222.2200
lcarter@etpvc.com
www.etpvc.com

Envest Ventures

c/o Envest Holdings, LLC
2101 Parks Ave., Suite 401
Virginia Beach, VA 23451
757.437.3000
information@investventures.com
www.investventures.com

EuclidSR Partners II, LP

c/o EuclidSR Partners
45 Rockefeller Plaza, Suite 3240
New York, NY 10111
212.218.6880
www.euclidpartners.com

Frontier Capital LP

1111 Metropolitan Ave., Suite 1050
Charlotte, NC 28204
704.414.2880
www.frontiercapital.com

Gabriel Venture Partners

350 Marine Parkway, Suite 200
Redwood Shores, CA 94065
650.551.5000 | Info@GabrielVP.com
www.gabrielvp.com

Golden Pine Ventures

2530 Meridian Parkway, Suite 200
Durham, NC 27713
919.806.4480
goldenpineventures.com

Granite Ventures, LLC

One Bush St., Suite 1350
San Francisco, CA 94104
415.591.7700
www.hqva.com

The Halifax Group

3605 Glenwood Avenue, Suite 490
Raleigh, NC 27612
919.786.4420
www.thehalifaxgroup.com

Harbert Management Corporation *

HMC-Virginia, Inc.
1210 East Cary St., Suite 400
Richmond, VA 23219
804.782.3800
www.harbert.net

Harbinger Venture USA

2880 Lakeside Dr., Suite 237
Santa Clara, CA 95054
408.450.8000
USContact@harbingervc.com
www.harbingervc.com

Hatteras BioCapital, LLC

(formerly BioVista Capital, LLC)
1822 East NC 54, Suite 250
Durham, NC 27713
919.484.0730
www.hattbio.com

Hatteras Venture Partners

280 S. Mangum Street, Suite 350
Durham, NC 27701
919.484.0730
www.hatterasvp.com/

H.I.G. Ventures *

Two Buckhead Plaza
3050 Peachtree Rd. NW, Suite 360
Atlanta, GA 30305
404.504.9333
info@higventures.com
www.higventures.com

Idea Fund Partners

334 Blackwell Street, Suite B015
Durham, NC 27701
919.941.5600
www.ideafundpartners.com/

Intel Capital

2200 Mission College Blvd.
RN6-37
Santa Clara, CA 95052-8119
408.765.8080
intel.capital.proposals@intel.com
www.intel.com/capital

Intersouth Partners

406 Blackwell St., Suite 200
Durham, NC 27701
919.493.6640
info@intersouth.com
www.intersouth.com

JAFCO Ventures

505 Hamilton Ave., Suite 310
Palo Alto, CA 94301
650.463.8800
www.jafco.com

Note: Typically invests in syndication with others in NC firms.

KBL Healthcare Ventures

52 East 72nd Street - PH
New York, NY 10021
212.319.5555
www.kblvc.com/

Kleiner Perkins Caufield & Byers

2750 Sand Hill Rd.
Menlo Park, CA 94025
650.233.2750
www.kpcb.com

Kodiak Venture Partners

Bay Colony Corporate Center
1000 Winter St., Suite 3800
Waltham, MA 02451
781.672.2500
contact@kodiakvp.com
www.kodiakvp.com

Lilly Ventures

(a subsidiary of Eli Lilly and Company)
115 W. Washington Street
Suite 1680 - South
Indianapolis, IN 46204
317.651.3050
Lilly_Ventures@LILLY.com
www.lillybioventures.com

Lovett Miller & Co., Inc.*

W. Radford Lovett II
One Independent Dr., Suite 1600
Jacksonville, FL 32202
904.634.0077
Rad@lovettmiller.com

W. Scott Miller

100 North Tampa St., Suite 2675
Tampa, FL 33602
813.222.1477
Scott@lovettmiller.com
www.lovettmiller.com

**MCNC-RDI Seed Fund, MCNC Enterprise Fund c/o
MCNC Ventures, LLC**

3021 Cornwallis Rd.
POB 12889
Research Triangle Park, NC 27709
919.248.1900
info@mcnc-rdi.org
www.mcnc.org

MPM Capital - BioVentures Funds

The John Hancock Tower
200 Clarendon St., 54th Floor
Boston, MA 02116
617.425.9200
info@mpmcapital.com
www.mpmcapital.com

Massey Burch Capital Corp.

4007 Hillsboro Road, Suite A
Nashville, Tennessee, 37215
615.665.3240

tcore@masseyburch.com

www.masseyburch.com

Mediphase Venture Partners

3 Newton Executive Park
2223 Washington St., Ste 104
Newton, MA 02462
617.332.3408

info@mediphaseventure.com

www.mediphaseventure.com

Meritus Ventures, L.P.

1020 Commerce Park Dr.
Oak Ridge, Tennessee 37830
865.220.1715

questions@meritusventures.com

www.meritusventures.com

Mitsui & Co. Venture Partners, Inc. (MCVP)

200 Park Ave.
New York, NY 10166
212.878.4066

www.mitsui-global.com/en/

Morgan Stanley Venture Partners

1585 Broadway, 30th Floor
New York, NY 10036
212.761.8753

www.morganstanley.com/institutional/venture-partners

Morgenthaler Ventures

2710 Sand Hill Rd., Suite 100
Menlo Park, CA 94025
650.388.7600

www.morgenthaler.com

NC Bioscience Investment Fund (NCBIF)

c/o Eno River Capital, LLC

Brightleaf Square
905 West Main Street, Suite 25-B, PO Box 44
Durham, NC, 27701
919.680.4511

New Enterprise Associates (NEA)

1954 Greenspring Drive, Suite 600
Timonium, MD 21093

410.842.4000

www.nea.com

New Atlantic Ventures

11911 Freedom Drive, Suite 1080

Reston, VA 20191

703.5634100

info@draperatlantic.com

www.navfund.com

Newlight Associates

500 North Broadway, Suite 144

Jericho, NY 11753

516.433.0090

www.nlventures.com

NextPoint Partners, LP

701 Pennsylvania Ave., NW, Suite 900

Washington, D.C. 20004

202.434.7434

(New York Office: 212.935.3000)

(Boston Office: 617.348.3023)

ava@nextpointvc.com | www.nextpointvc.com

Note: Primarily invests in Mid-Atlantic-based enterprises, but will consider opportunities elsewhere. Has recently invested in North Carolina.

Noro-Moseley Partners

9 North Parkway Square

4200 Northside Pkwy., NW

Atlanta, GA 30327-3054

404.233.1966

info@noro-moseley.com

www.noro-moseley.com

Origin Partners, LP

c/o Scott Jones

5 Slater Court

Hillsborough, NJ 08844

908.281.6831

jones@originpartners.com

www.originpartners.com

Oxford Bioscience Partners

222 Berkeley St., Suite 1650
Boston, MA 02116
617.357.7474
kmoeckel@oxbio.com

www.oxbio.com

Pappas Ventures

PO Box 110287, RTP, NC 27709
2520 Meridian Parkway, Suite 400
Durham, NC 27713
919.998.3300
info@pappasventures.com
www.pappasventures.com

Piper Jaffray & Co.

800 Nicollet Mall, Suite 800
Minneapolis, MN 55402
612.303.6000
www.piperjaffray.com/home.aspx
Note: Invests exclusively in healthcare.

Polaris Venture Partners

1000 Winter St., Suite 3350
Waltham, MA 02451
781.290.0770
www.polarisventures.com

Primus Venture Partners, Inc.

5900 Landerbrook Dr., Suite 200
Cleveland, OH 44124-4020
440.684.7300
info@primusventure.com
www.primusventure.com

Quaker BioVentures, Inc.

Cira Centre, 2929 Arch St.
Philadelphia, PA 19104-2868
215.988.6800
www.quakerbio.com

River Cities Capital Funds

3737 Glenwood Ave., Suite 100
Raleigh, NC 27612
919.573.6111
www.rccf.com

SJF Ventures

400 West Main St., Suite 604
Durham, NC 27701
919.530.1177
rlarson@sjfund.com
www.sjfund.com

SSM Ventures*

Crescent Center
6075 Poplar Ave., Suite 335
Memphis, TN 38119
901.767.1131
www.ssmventures.com

Sapient Capital Management, LLC*

4020 Lake Creek Dr. (Federal Express)
POB 1590 (Postal Service)
Wilson, WY 83014
307.733.3806
contact@sapientcapital.com
www.sapientcapital.com

SV Life Sciences, Inc.

201 Washington Street, Suite 3900
Boston, MA 02108
617.367.8100
info@svlsa.com
www.svlifesciences.com

iSherpa Capital, LLC

6400 South Fiddler's Green Circle, Suite 650
Greenwood Village, CO 80111
303.645.0500
vc.info@isherpa.com
www.isherpa.com

Note: iSherpa specializes exclusively in the wireless & supporting technologies subsector.

Siemens Venture Capital, Inc. (SVC)

1700 Technology Dr., M/S 241
San Jose, CA 95110
408.492.6953
mary.stradner@siemens.com
www.siemensventurecapital.com

SilkRoad Equity LLC

111 North Chestnut St.
Suite 200
Winston-Salem, NC 27101
336.201.5077
www.silkroadequity.com

Sipl Investments LLC

1422 El Camino Real
Menlo Park, CA 94025
650.566.6860
sally@sipmac.com
www.sipmac.com

Southern Capitol Ventures

21 Glenwood Ave., Suite 105
Raleigh, NC 27603
919.858.7580
info@southerncapitolventures.com
www.southerncapitolventures.com

Spencer Trask Ventures, Inc.

750 Third Avenue, 11th Floor
New York, NY 10017
800.622.7078
www.spencertrask.com

Sterling Venture Partners

650 S. Exeter Street, Suite 1000
Baltimore, MD 21202
443.703.1700
www.sterlingpartners.com/

Tall Oaks Capital Partners, LLC

315 Old Ivy Way, Suite 301
Charlottesville, VA 22903
434.951.0440
info@talloakscapital.com
www.talloakscapital.com

Texas Pacific Group (TPG) Capital

345 California St., Suite 3300
San Francisco, CA 94104
415.743.1500
tpg.com

Three Arch Partners

3200 Alpine Rd.
Portola Valley, CA 94028
650.529.8000
info@threearchpartners.com
www.threearchpartners.com

Total Technology Ventures, LLC (TTV)

Promenade II
1230 Peachtree St., Suite 1150
Atlanta, GA 30309
404.347.8400
www.ttvatlanta.com

The Trelys Funds

POB 5066
Cary, NC 27512
803.251.7990
www.trelys.com

Updata Partners

Two Freedom Square
11955 Freedom Dr., Suite 7000
Reston, VA 20190
703.736.0020
info@updata.com
www.updatapartners.com/

Note: Primarily a private equity firm but will invest venture capital in start-ups as appropriate.

VantagePoint Venture Partners

444 Madison Ave., 39th Floor
New York, NY 10022
212.750.8220
www.vpvp.com

Versant Ventures

3000 Sand Hill Rd., Bldg 4, Suite 210
Menlo Park, CA 94025
650.233.7877
www.versantventures.com

Note: Funds marked with a * may also be found in the Private Equity section of the report.

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Advanced Technology Ventures (ATV)	1979	>\$1.6 billion	Emerging Growth	N/A	<i>Communications</i> (data networking, imaging, optical communications, remote access/security software, semiconductors, wireless communications); <i>IT Infrastructure</i> (content delivery/management, data integration, network/quality-of-service management); <i>Software & Services</i> (consumer/small business software, data management, enterprise applications, middleware, security software, web services); and <i>Healthcare</i> (healthcare IT, life sciences, medical devices).	"The primary success factor we look for [when investing] is an exceptional management team- one with solid operational experience and deeply rooted domain expertise."
Alliance Technology Ventures	1993	>\$250 million	Early Stage	"We like leading and/or participating in reasonably-sized syndicates"	<i>Life Sciences</i> , especially novel biopharmaceuticals, diagnostics and devices. <i>Information Technology/Semiconductors</i> - with applications for communication components.	Review their Business Plan Guidelines: www.atv.com/dynamic/business_plan_guidelines.php3
ARCH Venture Partners	1989	1.5 billion	Seed & Early Stage	N/A	<i>Information Technology, Life Sciences, and Physical Sciences</i> -specifically: internet infrastructure technologies, enterprise software, biotechnology tools and devices, and semiconductors.	"We will invest in an idea described in a laboratory notebook, an enabling technology, or a proven management team. Our involvement typically begins well before most venture capital firms, at the point of innovation. <i>Innovation investment</i> is what we do."
The Aurora Funds, Inc.	1994	>\$234 million	Seed & Early Stage	\$50,000 - \$2.5 million	<i>Life Sciences</i> (biotechnology, non-invasive devices, healthcare services); <i>Information Technology</i> (internet, software, semiconductors, semiconductor processing technology, emerging technologies (e.g. photonics, nanotechnology)); <i>IT/Life Science combined</i> (healthcare informatics, bio-medical engineering applications).	

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(as of August 2011)

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Axiom Venture Partners, LP	N/A	>\$200 million	Early or Late Stage	N/A	<i>High Technology</i> (communications, software, internet infrastructure, and information technology); <i>Biotechnology</i> .	
Blue Pointe Capital Management	N/A	N/A	Expansion Stage	N/A		Focuses on helping businesses utilize their funds in a smart and effective way. Expertise in advising and consulting.
Burrill & Company	N/A	>\$340 million	All Stages	Depends on fund. Consult list of funds: www.burrillandco.com/frame_funds.html	Exclusively in <i>Life Sciences</i> (esp. bio-based).	
Canaan Partners	1987	\$3 billion	All Stages	\$4 million to \$20 million	Software & Services, Semiconductors & Electronics, Communications, Life Sciences, Financial Services & Others.	
Carolina Financial Group	1997	\$325 million	N/A	Private equity : \$5 million or greater Subordinated debt : \$5 million or greater Senior debt : \$10 million or greater	manufacturing, consumer products, information technology, media and telecommunications, business services, and energy.	
Carousel Capital	1996	>\$500 Million	EBITDA of at least \$3 Million	Up to \$150 Million	Business Services, Consumer Products and Services, and Healthcare Services	
Catalysta Partners-Catalysta Seed Fund	1998	N/A	Seed & Early Stage	\$50,000 to \$200,000	Life Sciences, Information Technology, others.	
Catalysta Partners-Catalysta Cooper Seed Fund	2000	N/A	Seed & Early Stage	\$30,000 to \$175,000	Exclusively in Healthcare.	
Cato Bio Ventures	1990	N/A	Early & Mid Stage	N/A	Life Sciences, Biotechnology, and Pharmaceutical companies.	

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Charles River Ventures (CRV)	1970	N/A	Early Stage	\$25,000 to \$15 million	Communications, Software & Services.	The firm recommends, but does not require, that business plans be referred from existing portfolio company executives or industry contacts.
Cherokee Investment Partners	1993	\$2 billion	N/A	\$25 million or more		Cherokee is the leading private equity firm investing capital and expertise in brownfield redevelopment. For more than two decades, Cherokee's executive team has produced strong financial returns while delivering positive environmental and social results.
Chrysalis Ventures, LLC	1993	>\$400 million	Early Stage (rarely invests at the seed stage, prefers companies already generating revenue between \$1-5 million)	Generally, \$1.5 million or greater in the first institutional private equity financing (the "A round") in the form of a preferred security.	Technology-enabled business services; Media & Entertainment; Healthcare Information Technology & services. (Does not invest in Life Sciences).	"In general, we do not invest in businesses which rely primarily upon patent protection or breakthrough technology as their source of competitive advantage."
Cogene Biotech Ventures	2000	\$50 million	Early to Mid-Stage	\$200,000 to \$5 million	<i>Life Sciences</i> (biopharmaceuticals, biotechnology, bio-nanotechnology), <i>Medical Technology</i> (therapeutic medical devices, healthcare/IT software).	
Columbia Capital	N/A	\$2.5 billion	All Stages	\$100,000 to \$75 million	Communications Services, Communications Technologies (software & hardware).	The firm has incubation space to offer as well.
Cordova Ventures	N/A	N/A	All Stages	\$1 million to \$5 million	Information Technology, Communications, Industrial Technologies, Healthcare Services, Telecommunications, Financial Services, and real estate development equity financing.	
Crosspoint Venture Partners	N/A	\$2 billion	All Stages	Up to \$40 million per project (early stage); up to \$10 million per project follow-on financing for portfolio companies (late stage).	E-Business Services, Broadband Infrastructure projects.	
Cutlass Capital, LLC	2001	\$57 million	All Stages	\$3 million to \$7 million	Exclusively in <i>Healthcare</i> (esp. medical devices, specialty healthcare services).	

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Delphi Ventures	1988	\$1.1 billion	Early Stage	N/A	Medical Devices & Diagnostics, Biotechnology, Healthcare Services.	
Dow Venture Capital	N/A	>\$350 million	Start-up & Early Stage	Minimum: \$250,000; Preferred: \$500,000 to \$5 million	Life Sciences & Biotechnology, Communications & Information Technology, Electronics, and Materials Science. For a detailed list, visit: www.dow.com/venture/invest .	
Easton Hunt Capital Partners, LP (EHCP)	1993	>\$110 million	All Stages	\$1 million to \$8 million	Life Sciences; Industrial Manufacturing & Distribution; Software; and Energy.	
Emerging Technology Partners, LLC (ETP)	N/A	N/A	Early Stage (but will do Seed & Late Stage)	\$500,000 to \$3 million	Exclusively in <i>Life Sciences</i> (antibody technologies, cell based technologies, drug delivery and discovery technologies, drug target discovery & validation, genome-based diagnostics, genomics tools, immunotherapy, proteomics).	
Invest Holdings, LLC- Invest Ventures I	2000	(\$30 million projected)	Early Stage (~50%), Mid-Stage (~25%), & Later Stage/Buy-out (~25%)	N/A	Broad ("expect a minimum of 50% to be invested in technology-based businesses").	
EuclidSR Partners- EuclidSR Partners II, LP	N/A	\$250 million	All Stages	\$3 million to \$10 million	<i>Healthcare</i> (biotechnology, drug discovery & development technologies, medical device technologies); <i>Information Technology</i> ; <i>eHealth</i> (the convergence of healthcare & IT).	
Frontier Capital LP	1999	\$46 billion	Expansion/growth	\$5-15 million	Technology-enabled service businesses	
Gabriel Venture Partners	N/A	N/A	Prefers to invest early, in emerging markets	\$500,000 to \$7 million	Communications & Networking, Internet, IT.	

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Golden Pine Ventures	2004	N/A	Early Stage	N/A	Biotechnology and Biomedical	
Granite Ventures, LLC	1998	>\$650 million	Seed, Series A or Series B round	\$500,000 to \$5 million	<i>Software</i> (network security, infrastructure software, enterprise applications); <i>Communications</i> (broadband, wireless).	Granite manages a series of venture capital funds in dedicated partnerships with Adobe Systems Inc., Texas Instruments Inc., and British Telecommunications plc.
Halifax Group	1999	>\$500 Million	Middle-market businesses with total enterprise values between \$25-\$100 million Buyouts, Growth Capital Infusions	\$10-30 million	Infrastructure, Health, Wellness	Pursue investment opportunities with companies of total enterprise values of \$100 million or less in which they can add value and where their skills, breadth of experience and extensive contacts will contribute meaningfully to a company's success.
Harbert Management Corporation	1949	N/A	Seed & Early Stage	N/A	<i>Information Technology</i> (Internet technology software, data communications software products & services, telecommunications software products & services, computer hardware and software systems & components, semiconductor products); <i>Life Sciences</i> (healthcare information technology, medical information systems software, biotechnology & pharmaceuticals).	
Harbinger Venture Management, USA	2000	\$100 million	Prefers Early Stages over Later Stages	\$1 million to \$5 million	Communications & Networking; Wireless Technologies; Semiconductors & Photonics; Internet-related Software, Infrastructure, Marketplace; Computer/Internet Appliance Software & Hardware.	Ties to the MITAC-SYNNEX Group and several large Taiwanese conglomerates.

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Hatteras BioCapital, formerly BioVista Capital, LLC	2002 (still in the later stages of formation)	(\$120 million planned; currently \$30 million Golden Leaf commitment)		N/A	Exclusively in Biotechnology.	The Hatteras BioCapital Fund, LP is a single-purpose entity designed to invest in HBM BioCapital (USD), LP
Hatteras Venture Partners	2000	>\$120 million	HVP I – Pre-seed fund HVP III – early-stage fund	Three Funds: HVP I: \$3 Million HVP II: \$35 Million HVP III: \$83 Million	Life Sciences, Biopharmaceuticals, Medical Devices, Diagnostics, and related opportunities in human medicine.	
H.I.G. Ventures	1993	>\$8.5 billion	Seed & Early Stage	\$5 million - \$30 million	Communications, infrastructure, e-commerce, and Internet software & services industries.	
Idea Fund Partners	N/A	N/A	Seed & Early Stage	\$100,000 - \$750,000	Software, IT Infrastructure, Materials Technologies, Medical Devices & Diagnostics	
Intel Capital- c/o Intel Corp.	Early 1990's	>\$2 billion	Early Stage through Later Stages	N/A	Internet technologies, wireless & broadband, hardware & software applications.	Investments are made to support Intel's "mission to be the preeminent building block supplier to the worldwide Internet economy. Investments support Intel product initiatives, Intel's new business thrusts, emerging trends and worldwide Internet deployment."
Intersouth Partners	1985	\$780 million	Seed & Early Stage	\$500,000 to \$6 million	<i>Information Technology</i> (networking, electronics, software); <i>Life Sciences</i> (biotechnology, genomics, medical devices, medical services companies).	
JAFCO Ventures	N/A	>\$750 million	All Stages	N/A	Primarily IT sector= Communications; Internet & Infrastructure; Software; Systems & Peripherals.	"We have more than 70 Asian corporate contacts and over 60 Asian limited partners, and have helped more than 40 of our portfolio companies successfully enter the Asian market."

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
KBL Healthcare Ventures	1991	N/A	Start-up, Early Stage & Emerging Growth; will consider Later Stage investments	N/A	<i>Life Sciences</i> (biopharmaceuticals, drug discovery platforms & advanced materials); <i>Medical devices</i> ("Within the medical device area, we seek companies addressing large, unmet medical needs with demonstrated clinical benefit"); <i>Healthcare services; Medical information technology.</i>	
Kleiner Perkins Caufield & Byers	1972	\$1.5 billion	Early Stage	N/A	Broadband Equipment & Services; Consumer Devices & Services; Enterprise Software & Service; Financial Services; Internet Infrastructure Software & Services; Medical Devices/Healthcare Services/Biotech.	
Kodiak Venture Partners	1999	\$681 million	Seed & Early Stage	\$100,000 to \$3 million	Communications/IT, Semiconductors, Software.	
Lilly BioVentures	N/A	N/A	Early Stage	N/A	Biotechnology/Pharmaceuticals.	Prefers to receive business plans via e-mail.
Lovett Miller & Co., Inc.	N/A	\$175 million	Early Stage, Growth Capital & Growth buyouts	typically invests \$2 million to \$10 million per company, but will consider smaller & larger investments	Technology products & services, Healthcare, Retailing, and other.	
MCNC-RDI Seed Fund- c/o MCNC Ventures, LLC	2003	N/A	Seed/Start-up & Early Stage	\$50,000 to \$500,000	Optical Network Technologies; Network Security & Encryption; Sensors & Actuators; Microelectronics & Microfabrication; Wireless Infrastructures; Related Biomedical Applications.	Will consider pre-business plan & pre-management team opportunities.
MCNC Enterprise Fund- c/o MCNC Ventures, LLC	2003	N/A	Early Stage (Will invest only alongside select, established VC firms & funds)	\$500,000 to \$2 million	Optical Network Technologies; Network Security & Encryption; Sensors & Actuators; Microelectronics & Microfabrication; Wireless Infrastructures; Related Biomedical Applications.	

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
MPM Capital-BioVentures Funds	N/A	>\$2.1 billion	All Stages	historically \$7 million to \$50 million per company	<i>Life Sciences</i> - primarily in biotechnology (80%), but also in medical devices (20%) & biopharmaceuticals.	Advertises itself to be the world's largest dedicated investor in Life Sciences.
Massey Burch Capital Corp.	1994	>\$250 million	Early Stage/Start-up (80%), Later Stage (20%)	\$500,000 to \$2 million	Information Technology, Communications/Internet Solutions, and Healthcare Services.	Will not consider real estate, oil & gas, environmental, entertainment, retail chains or pharmaceuticals.
Mediphase Venture Partners	N/A	N/A	Early Stage	N/A	Biopharmaceutical technology & Life Sciences information; occasionally other areas of life sciences/healthcare.	
Meritus Ventures, L.P.	2002	\$36 million	Expansion stage	\$250,000 - \$2,500,000	The Fund has a broad industry focus that includes, but is not limited to, manufacturing, technology, and software.	The Fund will invest in rural areas in the Appalachian regions of Ohio, West Virginia, Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, and the entire states of Arkansas, Kentucky and Tennessee.
Mitsui & Co. Venture Partners, Inc. (MCVP)	1984	N/A	Early Stage	\$1 million to \$10 million per company	<i>Information Technology</i> (software, communications, semiconductors, electronics, information services, others); <i>Healthcare</i> (medical devices (therapeutics/diagnostics), biopharmaceuticals, drug discovery, drug discovery tools, others).	"We have provided significant value to our portfolio companies by leveraging our experience and business relationships to develop business opportunities for them in Japan, China, and the rest of Asia."
Morgan Stanley Venture Partners	1985	>\$1.1 billion	Later Stage only (no start-ups)	\$5 million to \$15 million	Primarily <i>Information Technology</i> (enterprise software, Internet infrastructure, communications software & products, and wireless) and <i>Healthcare</i> (medical products/devices, biopharmaceuticals & healthcare IT).	

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Morgenthaler Ventures	1968	\$3 billion	All Stages	IT: Expects to invest \$5 to \$15 million total in each company over several rounds. Life Sciences: Expects to invest between \$12 and \$20 million total in a biotech company over several rounds.	<i>Enterprise IT</i> (enterprise software, systems & services); <i>Life Sciences</i> (therapeutic biotech companies, specialty pharmaceuticals, select biotech tools, therapeutic medical devices); <i>Semiconductor & components</i> (optical networking, wireless communications, communications semiconductors); <i>Broadband communications</i> (telecomm equipment & services).	
NC Bioscience Investment Fund (NCBIF)- c/o Eno River Capital, LLC	1998	\$26 million	Seed & Early Stage	\$500,000 to \$4 million	Life Sciences and Information Technology.	NCBIF focuses on commercializing technology developed at North Carolina's universities and research institutions.
NC Innovative Development for Economic Advancement (NC IDEA)	2005	\$1.7 Million	Early Stage	\$10,000-\$50,000	Information Technology, Medical Diagnostics, Medical Devices, Material Sciences, and Green Technologies.	
New Enterprise Associates (NEA)	1978	\$11 billion	All Stages, but primarily interested in Start-up/Early Stage	\$200,000 to \$20 million	<i>Information Technology</i> (communications, software & services, electronics, semiconductors) and <i>Healthcare</i> (medical devices, healthcare services, healthcare information systems & services, biopharmaceuticals).	
New Atlantic Ventures	1999	\$117 million	Seed & Early Stage	\$500,000 to \$5 million	Exclusively in <i>Information Technology</i> (communications equipment & software, enterprise software & services, internet infrastructure services).	

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Newlight Associates	1997	>\$100 million	All Stages	\$1 million to \$4 million	<i>Information Technology</i> (esp. software, specialty semiconductors, Internet infrastructure, communications, business-to-business e-commerce).	
NextPoint Partners, LP	1990	N/A	Seed & Early Stage	\$250,000 to \$4 million	<i>Technology</i> companies, mainly in the <i>software</i> sector (enterprise software & related services, telecommunications, networking, Internet infrastructure, semiconductors).	Invests primarily in the Mid-Atlantic region; has recently invested in NC.
Noro-Moseley Partners	1983	\$580 million	Seed/Start-up, Early Stage & Growth Stage	\$3 million to \$12 million	<i>Technology</i> (software, web applications, communications infrastructure (components & systems or other hardware), other); <i>Healthcare</i> (services, life sciences, information technology, devices); <i>Business Services</i> (outsourcing (telecom services, human resources, web services), transaction processing, financial services).	Different investment criteria and investment parameters based upon classification of the company by stage. To view firm's classification scheme visit: www.noro-moseley.com/stage.asp
Origin Partners, LP	N/A	N/A	Early Stage (primarily), but may invest in Later Stage	\$2 million or less (looks to invests \$3 million to \$5 million total per company and participate in all future financing rounds prior to liquidity)	Information Technology, Communications, Medical Technology	Invests primarily in Northeast U.S. and Texas, but will invest elsewhere; has recently invested in NC.
Oxford Bioscience Partners	1992	\$1 Billion	Seed (selective) & Early Stage	\$1 million to \$10 million	Life Sciences: Bioscience and Healthcare.	
Pappas Ventures	1994	>\$350 Million	Seed to Early Stage	\$500,000- \$5 million	Life Sciences – Biotechnology, Biopharmaceuticals, Drug Delivery, Medical Devices & Related Ventures	The largest share of Pappas' capital is invested in companies whose lead products are at the Phase 1 or Phase 2 stage of development.
Piper Jaffray Ventures	N/A	\$5.2 Billion	All Stages	\$3 million to \$10 million	Exclusively in <i>Healthcare</i> (medical technology, biotechnology & healthcare services).	Firm is an independent subsidiary of U.S. Bancorp Piper Jaffray.

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Polaris Venture Partners	1996	>\$3 billion	Seed & Early Stage	N/A	<i>Information Technology</i> (64%) (Internet & broadband infrastructure, enterprise software, e-commerce products & services, network hardware & network software); <i>Life Sciences/Medical Technology</i> (36%) (medical devices, pharmaceuticals, genomics, proteomics, drug delivery).	
Primus Venture Partners, Inc.	1983	\$625 million	All Stages, but primarily interested in Growth Stage	\$15 million to \$40 million overall investment per company	Software & Services, Media & Communications, and Healthcare; will consider others.	
Quaker BioVentures, Inc.	2003	>\$700 million	All Stages	Initial: \$2.5 million to \$12 million Overall investments: \$5 to \$25 million	Exclusively in <i>Life Sciences</i> (biopharmaceuticals, medical devices, human diagnostics, health information technology, healthcare services).	
River Cities Capital Funds	1994	\$400 million	Early to Mid-Stage, some Later Stage; generally does not invest at Seed Stage	<ul style="list-style-type: none"> Seed Stage: <\$1 million per year Early Stage: \$1 to \$3 million Expansion Stage: \$3 to \$15 million Late Stage: >\$15 million 	<i>Business Services, Healthcare</i> (healthcare IT, healthcare services, approved medical devices); <i>Telecom & Communications</i> (radio stations, last mile broadband, telecom services & publishing); <i>Information Technology Products</i> (software applications, middleware & tools); <i>High Tech Manufacturing & Logistics</i> (technology-enabled fabrication & distribution of physical goods). Does not generally invest in: biotech, consumer-driven businesses (e.g. retail, restaurants, B2C or C2C internet), dollars-for-hours businesses (e.g. consulting, systems integration), interest rate spread businesses (e.g. banking, insurance), publicly traded or very large private businesses, real estate or franchisees.	To view their Business Plan Submission Guidelines visit: www.rccf.com/process2.htm

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
SJF Ventures	1999	N/A	Early Stage - Expansion Stage	\$1 - \$10 Million	Cleantech, Business, and Web-enhanced services & premium consumer products sectors.	"The mission of SJF is to create quality employment for low wealth citizens and communities by financing and assisting companies that generate social, environmental, and financial gains." SJF is certified as a community development financial institution (CDFI).
SSM Ventures	N/A	>\$156 million	Primarily in Expansion & Later Stages; only opportunistically in Early Stages	\$5 million to \$20 million	Non-technology & Technology-based businesses (healthcare, business outsourcing), and Consumer Service companies.	
Sapient Capital Management, LLC	N/A	\$26 million	Seed, Start-up & Early Stage	\$2 million to \$3 million	Exclusively in <i>Healthcare</i> (esp. medical devices).	Sapient prefers investments west of the Mississippi River, but will consider other geographic areas; has recently invested in NC.
SV Life Sciences, Inc.	1993	\$2 billion	All Stages	\$5 million to \$20 million	Exclusively in <i>Life Sciences</i> (biotechnology, pharmaceuticals, medical devices & instruments, healthcare IT & services).	
iSherpa Capital, LLC	2003	N/A	Seed & Early Stage	N/A	Exclusively in <i>Wireless & Supporting Technologies</i> .	Firm stays actively involved. "We place our firm's staff on site at our portfolio companies to provide operational expertise."
Siemens Venture Capital, Inc. (SVC)	N/A	>\$500 million	Early & Expansion Stage	approximately \$500,000 to \$5 million	<i>Information & Communications</i> (including wireless); <i>Medical Solutions</i> (including diagnostics); <i>Industrial Automation & Power</i> ; <i>Automotive & Networked Transportation Systems</i> ; <i>Energy Management</i> .	SVC identifies and funds investments in emerging and innovative technologies that will enhance the core business scope of Siemens AG" (its German-based parent).
SilkRoad Equity LLC	2003	N/A	All stages	\$1 to \$20 million	Technology, Media and Entertainment, Life Sciences, Telecommunications, Retail (food and non-food), Manufacturing, Business Services	

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Sipll Investments LLC	1995	\$30 million	Early Stage & Emerging	\$200,000 to \$750,000	Exclusively in <i>Software</i> (internet & enterprise software).	Invests primarily in companies located in Silicon Valley; has recently invested in NC.
Southern Capitol Ventures	2000	N/A	Seed & Early Stage	\$500,000 - \$1.5 Million	Exclusively in Information Technology and Life Sciences.	
Spencer Trask Ventures, Inc.	N/A	N/A	Early Stage	N/A	Varies	
Sterling Partners	1983	\$4 billion	Early Stage & Expansion Stage	\$5 million to \$150+ million	Healthcare, Software, Industrial Technology, and Business Services. To view a more detailed list visit: www.sterlingcap.com/venture/focus/	
Tall Oaks Capital	2000	\$12.5 million	Seed & Early Stage	\$50,000 to \$1.5 million	Primarily in Information Technology and Life Sciences.	A Village Ventures Affiliate Fund.
Texas Pacific Group (TPG) Capital	1992	\$48 billion	Early Stage & Acceleration Round	\$10 million to \$20 million total per company/venture	Information Technology and Biotechnology, with an emerging practice in Consumer-based opportunities.	
Three Arch Partners	1993	>\$600 million	Seed & Early Stage (Three Arch Parters III Fund (\$200 million)); Development Stage (Three Arch Capital Fund (\$300 million)).	\$100,000 to \$10 million	Exclusively in <i>Healthcare/Life Sciences</i> (biotechnology, biopharmaceuticals, healthcare information technology, healthcare services & medical devices).	
Total Technology Ventures, LLC (TTV)	2000	\$1 billion	Mid- to Late-Stage	\$100,000 to \$15 million	<i>Financial Services</i> industry, and IT driven businesses with products that serve the financial services industry (financial services software & infrastructure solutions, payment technology/E-commerce enablers, authentication/security, cash & asset management, investment technology).	
The Treyls Funds	2001	N/A	Early to Mid-Stage; generally does not consider Seed Stage investments	\$500,000 to \$3 million	Generally in Information Technologies, Communications Technologies, Biotechnology, and Life Sciences, but may consider others matching its investment criteria.	

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Updata Venture Partners	1988	>\$500 million	All Stages	\$2 million to \$5 million	Exclusively in <i>Information Technology</i> (enterprise software, information services, transaction processing, financial technologies, healthcare IT, business services & outsourcing, IT services).	Primarily a private equity firm, but open to earlier stage opportunities.
VantagePoint Venture Partners	1996	>\$4.5 billion	All Stages (seed stage through mezzanine rounds)	N/A	Communications & Systems, Semiconductor & Components, Software & services, related growth industries.	To view their Business Plan Guidelines visit: www.vpvp.com/submit/index.asp
Versant Ventures- Versant Ventures II Fund	1999	\$1.6 billion	Early Stage	N/A	Medical Devices, Healthcare Services, Healthcare Information Technology, and Life Sciences (biopharmaceuticals, biotechnology platforms).	

Finding Venture Capital Statistics & Trends and Monitoring Current (NC) VC Activity online:

1. PricewaterhouseCoopers', Thomson Reuters, and the National Venture Capital Association's MoneyTree Report- www.pwcmoneytree.com
- Data by State, Region, MSA & Congressional Districts:
<https://www.pwcmoneytree.com/MTPublic/ns/index.jsp>
2. National Venture Capital Association (NVCA)- www.nvca.org
3. Triangle Business Journal- triangle.bizjournals.com/triangle/ - run a Search for keyword "venture capital".
4. The Business Journal of the Greater Triad Area- www.bizjournals.com/triad/ - run a Search for keyword "venture capital".
5. Charlotte Business Journal- www.bizjournals.com/charlotte/ - run a Search for keyword "venture capital".

Commercial Bank Investing Arms

BB&T Capital Partners, LLC

200 West Second St.
Winston-Salem, NC 27101
336.733.2420
www.bbandt.com/capitalpartners
additional office in Charlotte

Bank of America Capital Investors

100 North Tryon St., 25th Floor
Charlotte, NC 28255
704.386.4710
CapitalInvestors@BankofAmerica.com
www.bacapitalinvestors.com

CIBC World Markets

One Alliance Center
3500 Lennox Rd.
Suite 730
Atlanta, GA 30339
770.319.4999
www.cibcwm.com/wm/

Arcapita Inc.

(a subsidiary of Arcapita Bank B.S.C. of Bahrain)
75 Fourteenth St., 24th Floor
Atlanta, GA 30309
404.920.9000
www.arcapita.com

Venture Capital Solutions, LP

c/o VCS Management, LLC
(subsidiary of Southern Community Bank & Trust)
112 Cambridge Plaza Dr.
Winston-Salem, NC 27104
336.768.9343
inquiry@vcslp.com
www.vcslp.com

Wachovia Capital Partners

301 South College St., 12th Floor
NC0732
Charlotte, NC 28288-0732
704.383.0000
www.wachoviacapitalpartners.com

Private Equity Providers (Private Equity Firms)

Note: Firms marked with a * may also be found in the venture capital section of the report

Adams Street Partners, LLC

One North Wacker Dr., Suite 2200
Chicago, IL 60606-2823
312.553.7890
info@adamsstreetpartners.com
www.adamsstreetpartners.com

Apax Partners, L.P.

601 Lexington Ave., 53rd. Floor
New York, NY 10022
212.753.6300
marketing@apax.com
www.apax.com

Argosy Partners

950 West Valley Rd., Suite 2900
Wayne, PA 19087
610.971.9685
www.argosycapital.com

Ballast Point Venture Partners

880 Carillon Parkway
St. Petersburg, FL 33716
727.567.1500
info@ballastpointventures.com
www.ballastpointventures.com

Bison Capital Asset Management, LLC

401 North Tryon St., 10th Floor
Charlotte, NC 28202
704.333.4899
James K. Hunt, Managing Partner
jhunt@bisoncapital.com
www.bisoncapital.com

Blue Point Capital Partners

201 South Tryon St., Suite 850
Charlotte, NC 28202
704.347.1111
info@bluepointcapital.com
www.bluepointcapital.com

Boston Millennia Partners

30 Rowes Wharf, Suite 500
Boston, MA 02110
617.428.5150
info@millenniapartners.com
www.millenniapartners.com

CapitalSouth Partners, LLC

4201 Congress Street, Suite 360
Charlotte, NC 28209
704.376.5502
info@capitalsouthpartners.com
www.capitalsouthpartners.com
additional office in Raleigh

Carousel Capital

201 North Tryon St., Suite 2450
Charlotte, NC 28202
704.372.2040
www.carouselcapital.com

Cherokee Investment Partners

111 E. Hargett St. #300
Raleigh, NC 27601
919.743.2500
www.cherokeefund.com

Chapter IV Investors

301 South Tryon Street, Suite 1850
Two Wachovia Building
Charlotte, North Carolina 28202
704.644.4070
www.chapterinvestors.com

Core Capital Partners

1401 I Street NW, Suite 1000
Washington, DC 20005
202.589.0090
info@core-capital.com
www.core-capital.com

Digital Power Capital, LLC

411 West Putnam Ave., Suite 125
Greenwich, CT 06830
203.862.7045
www.digitalpower.com

Easton Hunt Capital Partners, LP*

767 Third Ave.
New York, NY 10017
212.702.0950
info@eastoncapital.com
www.eastoncapital.com

Falfurrias Capital Partners

100 North Tryon Street, Suite 5120
Charlotte, NC 28202
704.371.3220
www.falfurriascapital.com/

Fenway Partners, Inc.

152 West 57th St., 59th Floor
New York, NY 10019
212.698.9400
contact_us@fenwaypartners.com
www.fenwaypartners.com

Franklin Street Partners

1450 Raleigh Rd., Suite 300
Chapel Hill, NC 27517
919.489.2600 or 877.489.2600
www.franklin-street.com/

Frontier Capital, LLC

1111 Metropolitan Ave.
Charlotte, NC 28204
704.414.2880
info@frontierfunds.com
www.frontiercapital.com/

General Catalyst Partners

20 University Rd., Suite 400
Cambridge, MA 02138
617.234.7000
info@generalcatalyst.com
www.generalcatalyst.com

Grotech Capital Group

8000 Towers Crescent Dr. Suite 850
Vienna, VA 22182
703.637.9555
www.grotech.com

The Halifax Group

3605 Glenwood Ave., Suite 490
Raleigh, NC 27612
919.786.4420
www.thehalifaxgroup.com

Harbert Management Corporation*

HMC-Virginia, Inc.
1210 East Cary St., Suite 400
Richmond, VA 23219
804.782.3800
www.harbert.net

H.I.G. Capital*

Two Buckhead Plaza
3050 Peachtree Rd. NW, Suite 360
Atlanta, GA 30305
404.504.9333
info@higcapital.com
www.higcapital.com

Lovett Miller & Co., Inc*

W. Radford Lovett II
One Independent Dr., Suite 1600
Jacksonville, FL 32202
904.634.0077
Rad@lovettmiller.com

W. Scott Miller
100 North Tampa St., Suite 2675
Tampa, FL 33602
813.222.1477
Scott@lovettmiller.com
www.lovettmiller.com

MB Venture Partners, LLC

17 West Pontotoc, Suite 200
Memphis, TN 38103
901.322.0330
pchambers@mbventures.com
www.mbventures.com

M/C Venture Partners

75 State St., Suite 2500
Boston, MA 02109
617.345.7200
research@mcventurepartners.com
www.mcventurepartners.com

Morgenthaler Partners

Terminal Tower
50 Public Square, Ste 2700
Cleveland, OH 44113
216.416.7500
www.morgenthaler.com/private-equity/

QuestMark Partners, LP

One South St., Suite 800
Baltimore, MD 21202
410.895.5800
pm@questm.com
www.questmarkpartners.com

Renaissance Ventures, LLC

33 South 13th St., 3rd Floor
Richmond, VA 23219
POB 2157
Richmond, VA 23218
804.643.5500
info@renventures.com
www.renventures.com

SSM Ventures*

Crescent Center
6075 Poplar Ave., Suite 335
Memphis, TN 38119
901.767.1131
www.ssmventures.com

Sapient Capital Management, LLC*

4020 Lake Creek Dr. (Federal Express)
POB 1590 (Postal Service)
Wilson, WY 83014
307.733.3806
contact@sapientcapital.com
www.sapientcapital.com

Seaport Capital

40 Fulton Street, 27th Floor
New York, NY 10038
212.847.8900
info@seaportcapital.com
www.seaportcapital.com

Sterling Venture Partners

650 S. Exeter Street, Suite 1000
Baltimore, MD 21202
443.703.1700
www.sterlingpartners.com

Triangle Capital Corp.

3700 Glenwood Ave., Suite 530
Raleigh, NC 27612
919.719.4770
www.tcap.com

Updata Partners

Two Freedom Square
11955 Freedom Dr., Suite 7000
Reston, VA 20190
703.736.0020
info@updata.com
www.updatapartners.com

Warburg Pincus LLC

450 Lexington Ave.
New York, NY 10017
212.878.0600
info@warburgpincus.com
www.warburgpincus.com

Securities Offerings

Regulation D (Rule 504)

The issuance of equity securities usually must be registered with the Securities and Exchange Commission (SEC). Registration documents include detailed disclosure, historical financial statements, and third-party audits. This can be a costly process. A private placement, however, is exempt from federal registration. A private placement under Regulation D of the security code can minimize costs and delays while giving a business access to equity capital.

Rule 504 is the most commonly used Regulation D exemption. Under Rule 504, the SEC exempts companies that are raising up to \$1 million from most of the SEC registration and reporting rules that govern larger stock sales. The only restriction is that the company must not raise more than \$1 million over a twelve-month period before or after the offering. Somewhat more restrictive requirements for Regulation D exemptions are outlined under Rules 505 and 506 for larger offerings that include non-accredited investors. Rule 504 itself has no prescribed disclosure requirements, no limit on the number of purchasers, and no investor sophistication standards. If the company adheres to the above limits, it can advertise and sell to any number of people. Some states require additional filings and impose further restrictions. Regulations must be looked into on a state-by-state basis where it is anticipated that the securities will be sold. It is important to remember that the exemptions from registration provided by Regulation D do not include exemptions from the anti-fraud or civil liability provisions of any of the federal or state securities laws.

Although the 504 offering seems tailor-made for entrepreneurs, even simplified stock offerings carry a cost. These offerings are designed to be conducted without the use of an investment banker, but there still are costs associated with marketing the stock offering. The company must either sell the security offering itself or engage the assistance of a licensed brokerage firm. Handling the administration for the first time may lead to unanticipated delays in putting out the issue. Additionally, this method is not for all small companies considering stock offerings. If the company is growing quickly, it may be able to raise more capital by waiting for a traditional IPO.

Small Corporate Offering Registration (SCOR)

The Small Corporate Offering Registration (SCOR) was adopted by the North American Securities Administrators Association to standardize state filing requirements in conjunction with Regulation D, Section 504, security offerings. SCOR standardizes the state filing process with Form U-7, the general registration form for corporations registering under state securities laws. Up to \$1 million may be raised at a minimum offering price of one dollar (\$1) per share. Prior to using Form U-7, a company should contact the staff of the securities administrator of each state in which the offering is to be filed to review applicable substantive fairness standards. Please note that not all states have adopted the use of Form U-7. The U-7 and issuer's manual may be located through the North American Securities Administrators Association's website: www.nasaa.org.

Assistance with Filings:

NC Department of the Secretary of State

Securities Division

POB 29622

Raleigh, NC 27626-0622

919.733.3924 or 800.688.4507

www.secretary.state.nc.us/sec

Initial Public Offering (IPO)

An initial public offering (IPO) refers to a company's initial sale of securities to the general public. The key considerations for deciding whether to "go public" include company size, profitability, current stock market conditions, nature of industry, market share, experience of management, and future outlook for the business and industry. Generally, a company needs revenues of around \$10 million and net income of \$1 million to be considered an IPO candidate.

An IPO offers the advantage of raising capital for growth while increasing the liquidity of the corporation. The offering may also improve the ability to borrow in the future since lenders favorably view a lower debt-to-equity ratio. The disadvantages of public offerings include the possible loss of control, required disclosure of a wide array of business and personal information, and substantial costs.

Key considerations include company size, profitability, quality of management, market share, industry position and trends, stock market conditions and other factors. Issues such as feasibility, control, disclosure and costs must be accurately assessed prior to committing to the IPO process. As a rule, costs will be at least 10% of the proceeds – higher for smaller or less attractive issues. It is also important to remember that quarterly performance is strictly monitored and can significantly affect stock price.

Discussing your company's objectives with a professional will assist you in making the appropriate decisions. One such professional is the investment banking firm that underwrites the deal. The company you choose should have a history of successfully assisting other companies through the IPO process.

Investment Intermediaries – Investment Banking NC Firms that handle IPOs & related transactions

The Capital Corporation

84 Villa Rd.
Greenville, SC 29615
Toll Free 800.259.0119 / 864.672.8400
www.thecapitalcorp.com

Cary Street Partners

Wachovia Tower
300 North Greene St., Suite 860
Greensboro, NC 27401
336.275.8080
www.carystreetpartners.com

Deutsche Banc

100 N. Main St., Suite 2400
Winston-Salem, NC 27101
336.724.6921 or 800.553.6015
www.db.com

Morgan Keegan & Company

3700 Glenwood Ave., Suite 250
Raleigh, NC 27612
Telephone: 919.784.8300
www.morgankeegan.com
also locations in Charlotte, Durham, Greensboro, and Wilmington

Scott & Stringfellow, Inc.

3605 Glenwood Ave., Suite 400
Raleigh, NC 27612
800.763.1893
TLandsittel@scottstringfellow.com
www.scottstringfellow.com
also 10 other locations in NC

SunTrust Robinson Humphrey, Inc.

3333 Peachtree Rd., NE
Atlanta, GA 30326
404.926.5000
<https://www.suntrustrh.com>

Wachovia Securities LLC –Wells Fargo Advisors

401 South Tryon St.
Charlotte, NC 28202
704.379.9283
www.wachoviasec.com

Joint Ventures and Strategic Alliances

Partnerships can be a survival strategy primarily adopted by small, high-tech firms in need of a large marketing partner. The number of alliances entered into by small companies has continued to rise in recent years. An alliance can enable a small firm to expand revenues without taking on additional employees. The term strategic alliance has come to mean everything from the simplest transactional relationship to licensing and outsourcing -- to anything short of a merger.

A growing number of large corporations are funding small companies as a pipeline for new products and markets. A small business teaming with a corporate giant may obtain start-up or research and development funds at better terms than the average venture capital deal. These alliances generally involve an entrepreneur receiving an infusion of capital in exchange for giving a large corporation the right to sell or market their product. Since the large corporation is more interested in the technology

than in the small company, it will often front money to develop a product in exchange for a low percentage stake in the small company.

In forming partnerships with larger firms, small firms must ensure that their partners have the same strategic intent. Larger firms will look for a clean balance sheet, a strong pattern of growth, and a commitment to quality in expanding small companies. The more divergent the partners' expectations, the less likely the partnership will be successful. The key reasons for failure are unequal levels of technical or business competence, and low prioritization by one or both companies for the project.

Crowdfunding

Crowdfunding (alternately **crowd financing** or **crowd-sourced fundraising**) is the collective effort of individuals who network and pool their money, usually via the [Internet](#), to support efforts initiated by other people or organizations. There are two primary types of crowdfunding: (1) donation-based and (2) investment-based or equity crowdfunding.

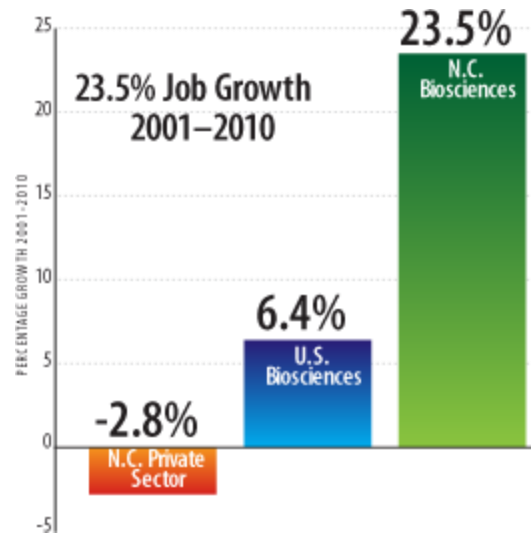
Donation-based crowdfunding is used to support a wide variety of activities, including art and film projects, new inventions, research, civic projects, charitable causes, start-up companies, etc. Individuals donate in exchange for a reward or perk (e.g. recognition, product, discount, free passes). Individuals do not receive any ownership or equity stake in the venture. Each campaign is set for a goal amount of money and a fixed number of days. Popular sites include Kickstarter (www.kickstarter.com) and Indiegogo (www.indiegogo.com).

Crowdfunding can also refer to funding a company by selling small amounts of equity to many investors. This form of crowdfunding was recently addressed in the JOBS Act legislation that provides the ability for the general public to receive company equity in exchange for funding. The Securities and Exchange Commission (SEC) is in the process of developing rules for crowdfunding investments by accredited and non-accredited investors. Until the new guidelines are finalized, crowdfunding platforms will not legally be able to exist as equity based models without operating under the license of a broker-dealer. The SEC currently expects to issue equity crowdfunding rules in Fall 2013.

CHAPTER 7: PRIVATE, NOT-FOR-PROFIT AND LOCAL PROGRAMS

NC Biotechnology Center (NCBC)

The mission of the Biotechnology Center is to ensure that North Carolina gains long-term economic benefits from the development and commercialization of biotechnology statewide. The Center, which is primarily funded by the North Carolina General Assembly, provides financial assistance to biotechnology companies.



Source: www.ncbiotech.org/billion

North Carolina Biotechnology Center

15 T. W. Alexander Dr.
 POB 13547
 Research Triangle Park, NC 27709-3547
 919.541.9366
info@ncbiotech.org
www.ncbiotech.org

Greater Charlotte Office: 704.687.8563
 Eastern Office (Greenville): 252.328.9981
 Piedmont Triad Office (Winston-Salem): 336.725.6672
 Southeastern Office (Wilmington): 910.763.5747
 Western Office (Asheville): 828.670.3394 Ext. 101

Company Inception Loan

The CIL Program is designed to help bridge the early-stage funding gap that many North Carolina biotechnology companies face. Through the CIL program, loans of up to \$50,000 are available for biotechnology companies in North Carolina. This program supports non-scientific business inception and related activities that are critical to the early-stage start-up of a biotechnology company. Contact Joseph Nixon at joseph_nixon@ncbiotech.org with questions regarding this program or to schedule a preliminary meeting.

Small Business Research Loan Program (SRL)

The Small Business Research Loan Program funds research leading to the development or refinement of a product or process with commercial potential. North Carolina biotechnology companies may be eligible for loans of up to \$250,000. The availability depends, in part, upon successfully meeting research milestones. To date, the program has provided over \$10 million in seed capital to over 60 small companies for early stage research and development. In fiscal year 2012, 5 loans were made, totaling \$795,051. Contact Shobha Parthasarathi at (919) 541-9366 or shobha_parthasarathi@ncbiotech.org with questions regarding this program or to schedule a preliminary meeting.

Strategic Growth Loan (SGL)

The SGL Program is designed to help bridge the early-stage funding gap that many North Carolina biotechnology companies face. Through the SGL program, loans of up to \$250,000 are available for biotechnology companies in North Carolina. Importantly, SGL funds must be matched by an equal investment or loan from one or more organized angel funds or networks ("Angel Groups") or venture capital funds ("VCs"). This program is intended to fund companies to reach specific and meaningful milestones that will enable them to obtain further funding from private investors. Contact Joseph Nixon at joseph_nixon@ncbiotech.org with questions regarding this program or to schedule a preliminary meeting.

Technology Enhancement Grant (TEG)

The Technology Enhancement Grant (TEG) Program provides non-repayable grant funding to North Carolina universities or other NC research institutions through their respective technology transfer offices. Under this program, awards of up to \$50,000 are available to fund a commercially-focused research study to enhance the university's licensing position for a commercially promising technology. The proposed project will ideally incorporate study endpoints designed to directly address license-enabling milestones required by potential licensees. Contact Dr. Rob Lindberg at (919) 549-8826 or rob_lindberg@ncbiotech.org with questions regarding this program or to schedule a preliminary meeting.

Business Acceleration and Technology Out-licensing Network (BATON)

BATON leverages \$50,000 in Technology Enhancement and Acceleration Model (TEAM) loans from the Biotechnology Center with in-kind or contributed services from certified stakeholders such as law firms,

banks and accountants to accelerate the commercialization of promising technologies. BATON paves the way for new company spinouts by staging many of the essential start-up activities such as researching and creating business plans, identifying potential intellectual property and corporate law firms, developing a banking relationship and presenting the company to local angel and venture groups, thereby positioning the startups for future investment and growth.

Business Development Loan Program

The Business Development Loan Program provides financial assistance to North Carolina biotechnology firms with low-interest matching loans for early stage business development-related activities. This loan supports non-scientific activities critical to the future commercialization of a company's technology. A company may request up to \$25,000 (minimum \$15,000) through the Business Development Loan program and must provide a dollar-for-dollar match of these funds. The company will be required to certify it can provide matching money. In-kind contributions cannot be considered toward the company match.

Collaborative Funding Grant (CFG) Program

The Collaborative Funding Grant (CFG) supports a university-company partnership that will advance a company's technology toward the marketplace. This grant provides funds for a post-doctoral fellow or technician in a university lab to conduct research on a project of commercial interest. University investigators and companies first form the collaboration and then apply together through the university. The CFG is jointly sponsored by the Biotechnology Center and the Kenan Institute for Engineering, Technology and Science at North Carolina State University.

Any North Carolina company may submit a CFG proposal in conjunction with any public or private North Carolina university. CFG Program awards are disbursed to the participating university. The award amount from NCBC/Kenan is between \$40,000 and \$50,000 per year, depending on the size of the participating company. The required matching amount from the participating company is between \$10,000 and \$20,000 based on a sliding scale with smaller companies required to contribute fewer funds. Regardless of company size, the total cash amount provided to the university, for research is \$60,000. The university must provide an in-kind match of \$20,000, bringing the total package to \$80,000 per year.

Small Business Innovation Research (SBIR) Bridge Loan

The SBIR Bridge Loan program provides financial assistance in the form of low-interest loans as gap funding to maintain the momentum of technology development begun as a Phase I project and building toward Phase II funding.

North Carolina companies, who received Phase I SBIR grants for biotechnology-related product development, processes, or services, are eligible for consideration for financial support. It is assumed the candidate company has completed (or is nearing completion) of a successful Phase I SBIR project and intends to apply for SBIR Phase II grant funding (there is no requirement to eventually receive the

Phase II grant). Up to \$150,000 may be requested to support research activities lasting up to six months.

Entrepreneur Focused Support Groups, Councils and Networks

There are several entrepreneur focused support groups -- often identified as councils, networks, or roundtables -- in the North Carolina network. These groups have been organized in most cases by local business owners to provide valuable resources to entrepreneurs in their region. Their individual services vary slightly, but all are focused on providing unique educational and networking opportunities to their members.

The Council for Entrepreneurial Development (CED) is the largest entrepreneurial support organization in the world and maintains a current contact list of venture funds operating in North Carolina. The CED's annual Venture Capital Conference, held in April, matches entrepreneurs with venture capitalists and private investors throughout the country. Entrepreneurs seeking capital submit a business plan to the selection committee; firms selected have the opportunity to present their request to over 300 investors attending the event.

Entrepreneurial Councils & Networks in NC

Blue Ridge Entrepreneurial Council (BREC)

c/o Advantage West
134 Wright Brothers Way
Fletcher, NC 28732
828.687.7234
www.brecnc.com

NorthEastern Entrepreneurial Roundtable (NEER)

Rocky Mount Area Chamber of Commerce
POB 392
Rocky Mount, NC 27803-0392
252.973.1212

Council for Entrepreneurial Development

CED Entrepreneurship Center
Strickland Bldg @ The American Tobacco
Campus
224 Blackwell Street, Suite B012
Durham, NC 27701
POB 13353
Research Triangle Park, NC 27709
919.549.7505
www.cednc.org

SouthEastern Entrepreneurs Roundtable

Methodist University
5400 Ramsey St.
Fayetteville, NC 28311
910.630.7642

NC Rural Economic Development Center

In July 2013, the NC General Assembly eliminated funding for the NC Rural Economic Development Center, and created a new Rural Economic Development Division within the NC Department of Commerce. The new division will oversee an infrastructure grant program for rural counties, and a new program to provide "matching grants or loans" to local governments in economically distressed counties for reuse of vacant buildings/properties, or to construct/expend rural health care facilities.

Information on these programs will be added online as it becomes available.

Microenterprise Loan Program

The Microenterprise Loan Program provides loans and business services to self-employed individuals and other very small firms. The program helps rural people attain self-sufficiency by providing the opportunity for self-employment and small business growth. It provides loans for start-up or expansion of small businesses by individuals who do not qualify for conventional loans. The program serves all 85 rural counties in North Carolina. Specific emphasis is placed on providing services to rural, low-income, female/minority participants.

Four local lending sites operate group-based lending programs. Individual entrepreneurs participate in these programs by forming groups of four to ten people. Once certified, the group can make credit decisions for its individual members. The group makes loans, and all loans must be current in order for the group to consider extending additional loans. This program is based on a tiered lending structure that allows an initial loan of up to \$2,500 per individual within the group. When that loan is paid off, the next loan may be for up to \$5,000. After this is successfully repaid, a loan of up to \$8,000 may be issued.

The individual lending program uses a referral network to provide access to capital. Loan requests are directed from referrals straight to the Rural Center where the credit committee reviews the loan application and makes a loan decision. Up to \$25,000 may be loaned under the individual program based on demonstrated need. All loans must be secured and the process for obtaining credit is similar to that used by a commercial bank.

One local site operator, NC REAL Enterprises, provides individual-based loans in conjunction with a training program. REAL provides loans up to \$25,000 to youths and adults who complete the Real Entrepreneurship course at a participating high school or community college and complete a comprehensive business plan.

North Carolina Rural Economic Development Center

NC Microenterprise Loan Program

4021 Carya Dr.

Raleigh, NC 27610

919.250.4314

www.ncruralcenter.org/loans/micro.htm

Microenterprise Loan Program Participants

Carteret Microenterprise Loan Program

Carteret Community College

3505 Arendell St.

Morehead City, NC 28557

252.222.6016

decampob@carteret.edu

Microenterprise Loan Partnership, Lenoir

Community College

327 North Queen St.

Kinston, NC 28501

252.522.8021

Type: Group

Counties: Greene, Jones, Lenoir, and Wayne

www.lenoircc.edu/Small_Business_Center/micloanindex.htm**Mountain BizWorks, formerly Mountain Microenterprise Fund**

153 S. Lexington Ave.

Asheville, NC 28801

828.253.2834

Type: Group

Counties: Buncombe, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, Polk, Swain, and Transylvania

www.mountainbizworks.org**NC Institute of Minority Economic Development**

114 W. Parrish St.

Durham, NC 27701

919.956.8889

Type Individual

Counties: All 100

www.ncimed.com**NC REAL Enterprises**

3739 National Dr., Suite 110

Raleigh, NC 27612

919.781.6833

Type: Individual

Counties: active programs in 74 counties

www.ncreal.org**River City CDC**

501 East Main St.

Elizabeth City, NC 27909

252.331.2925

Type: Individual

Counties: Camden, Chowan, Martin, Pasquotank, Perquimans, and Tyrell

www.rivercitycdc.org**Roanoke Electric Co-op**

POB 1326

Ahoskie, NC 27910

252.209.2236

Type: Individual

www.roanokeelectric.com/default.aspx**Tyrell CDC**

POB 58

Columbia, NC 27925

252.796.1991

Type: Individual

Upper Coastal Plains Council of Governments

Post Office Drawer 2748

1309 South Wesleyan Blvd

Rocky Mount, NC 27802

252.446.0411

Type: Individual

Counties: Edgecombe, Halifax, Nash, Northampton and Wilson

www.ucpcog.org**Yadkin Valley Economic Development District Inc.**

POB 1840

205 South Jackson St.

Yadkinville, NC 27055

336.679.2200

Type: Individual

Counties: Davie, Surry, Stokes, and Yadkin

Defense Ventures Fund

In mid-2005 Neuse River Development Authority received approval from the Golden LEAF Foundation for a grant to the Authority in the amount of \$2 million to establish a Defense Ventures Fund. The Fund became active in 2006 and is designed to assist North Carolina companies or companies re-locating to North Carolina that are currently active or wish to become active in the Defense Contracting Industry. The "Defense"

definition includes all branches of the Armed Forces, Department of Defense, Homeland Security as well as certain State Department activities such as embassy protection, etc. While the Fund concentrates on manufacturing companies, all service and other Defense related industries will be considered for eligibility. The Fund can invest up to \$250,000 per company in the form of "Subordinated Debt". Contact Guy Williams at 252.638.6724

North Carolina Capital Access Program

The Rural Center, in conjunction with 11 participating banks, initiated this program in 1994. The program provides loans to small and medium-sized businesses through participating banks in the state. Permissible Borrowers include corporations, partnerships, joint ventures, sole proprietorships, state-designated charitable, religious, or other non-profit or eleemosynary institutions, government-owned corporations, consumer and marketing cooperatives, and faith-based organizations. A special reserve fund was created to protect the institutions against losses from loans enrolled in the program. Funds for the Capital Access Program reserve, in the amount of \$4 million, have been provided by the Golden LEAF Foundation, the Appalachian Regional Commission, the US SBA, and the N.C. General Assembly. These funds are expected to generate over \$120 million in small business loans.

This enables North Carolina's financial institutions to increase lending for business start-ups and expansions without sacrificing credit quality in the bank's overall loan portfolio. The average loan size is just over \$50,000. Any legal business entity incorporated in one of the 85 rural counties of North Carolina is eligible. Businesses interested in the program should contact a commercial loan officer of one of the participating financial institutions.

Participating institutions include Branch Banking & Trust Company, East Carolina Bank, First Bank of Troy, First Citizens Bank, First National Bank of Shelby, High Country Bank, Lumbee Guaranty Bank, Macon Bank, Neuse River Development Authority, Piedmont Bank, Randolph Bank & Trust Company, and Yadkin Valley Bank

North Carolina Rural Economic Development Center

4021 Carya Dr., Raleigh, NC 27610

919.250.4314

www.ncruralcenter.org

Clean Water Partners Program

Clean Water Partners Program assists communities with planning activities, such as feasibility studies, capital improvement plans and engineering studies, for water and sewer infrastructure.

Planning grants may be used for projects that address a critically needed solution to an infrastructure problem. The aim is to assist rural communities in preparations that will lead to affordable solutions in meeting their water and waste needs. Priority will be given to communities that are in violation of public health and environmental rules and regulations, to get them back into compliance. Documentation of the critical need is required to support the grant request.

Additional details may be found at www.ncruralcenter.org, or contact Julie Cubeta at (919) 250-4314 or jhaiglercubeta@ruralcenter.org (To go straight to the application, see the Find It Fast menu on the right, and click on "Grant application and Reporting Forms.")

Economic Infrastructure Program

The N.C. Rural Economic Development Center announces \$5.5 million in grants to create jobs, provide clean water and assist with economic development in rural counties. The 36 grants will create 660 jobs and assist projects benefiting more than 32 counties. (4/25/13)

Economic Infrastructure Program supports rural infrastructure projects associated with an expanding business or a new business location. Grant awards vary according to the type of project. Generally, for water and sewer, natural gas and broadband, grants are available for up to \$10,000 for each job created, with a maximum grant of \$1 million or one-half the total project cost, whichever is less. Other grants are limited to \$5,000 per job, with a maximum of \$500,000 or one-half the total project cost.

Applications are available at www.ncruralcenter.org (See the Find It Fast menu on the right, and click on "Grant Application and Reporting Forms.") For other inquiries, contact George T. Collier at (919) 250-4314 or gcollier@ncruralcenter.org.

Building Reuse and Restoration Grants

Building Reuse and Restoration Grant spurs business activity and job creation by maximizing the economic potential of existing structures. Grants assist communities with the reuse of vacant buildings and with the expansion and renovation of buildings occupied by certain types of business.

\$5,000 or \$10,000 per job is available depending on type of use and location. The maximum for any grant is \$480,000 or one-half the renovation cost, whichever is less.

Applications are available at www.ncruralcenter.org (See the Find It Fast menu on the right and click on "Grant Application and Reporting Forms.") For other inquiries, contact Melody Adams at (919) 250-4314 or madams@ncruralcenter.org.

Rural Hope (Rural Health Care Initiative)

Rural Hope spurs economic activity and job creation by assisting in the construction and/or renovation of rural health care facilities. Rural Hope grants help local governments, in partnership with private or nonprofit health care agencies, build or renovate health care facilities. These facilities may include – but are not limited to – hospitals, urgent care centers, hospice centers, elder care facilities and offices for physicians, dentists, vision care specialists and mental health care providers

Applications are available at www.ncruralcenter.org (See the Find It Fast menu on the right and click on "Grant Application and Reporting Forms.") For other inquiries, contact Melody Adams at (919) 250-4314 or madams@ncruralcenter.org.

Rural Community Mobilization Project

Rural Community Mobilization Project helps laid-off rural workers and other adults facing unemployment or underemployment return to full-time jobs. Grants encourage rural organizations to collaborate on workforce development strategies that connect job seekers to jobs. Successful applications will present a demand-driven workforce development project with the involvement of employers to ensure that participants can find jobs after receiving training and other services. Successful applications will also demonstrate new or expanded

collaboration among public and nonprofit service providers and between workforce and economic development organizations.

Grant guidelines are available at www.ncruralcenter.org (See the Find It Fast menu on the right and click on "Grant Application and Reporting Forms.") For other inquiries, contact Michael Aheron at maheron@ncruralcenter.org or Anne Bacon at abacon@ruralcenter.org. Both can be reached at (919) 250-4314.

Economic Innovation Grants Program

Economic Innovation Grants spur business activity, job creation and investment in North Carolina's rural communities by supporting innovative economic development project in priority funding areas. The program serves as a laboratory in which innovative economic development strategies can be employed and tested in rural communities. The goal of the program is to ensure that rural areas benefit from advances in economic development research and practice through economic growth, good jobs and a higher quality of life.

The program guidelines and intent to apply form are available at www.ncruralcenter.org (See the Find It Fast menu on the right and click on "Grant Application and Reporting Forms.") For other inquiries, contact Brett Altman (919) 250-4314 or baltman@ncruralcenter.org.

Project GATE (Growing America Through Entrepreneurship)

Project GATE encourages self-employment as a career alternative for interested laid-off workers. GATE is a scholarship program that provides free training and coaching to help dislocated workers interest in starting a business. The North Carolina GATE program is offered by the Rural Center in partnership with several key North Carolina partners, including the N.C. Small Business Center Network.

Interested individuals may apply through their local JobLink Career Center or visit the website, www.ncprojectgate.org. For more information, contact Barry Ryan at (919) 250- 4314 or barry@ncruralcenter.org.

New Generation Ventures

New Generation Ventures encourages self-employment as a career option for rural young adults ages 18-30. It is a statewide program for young adults who will start a business in one of North Carolina's 85 rural counties. Coaching and training are delivered by phone, email and online. In addition, classroom training and face-to-face business counseling are available through a network of partnering organizations, including the North Carolina Community College System – Small Business Center Network.

With public and private support, the center in 2012:

- Awarded 11 grants to engage teams of young people in community improvement projects.
- Awarded 14 grants to train and place rural young people in high-demand career fields with job opportunities close to home.
- Worked with 133 young adults interested in starting businesses in rural areas. A dozen business startups had created 32 jobs by year end.
- Held the first of six planned workshops on how communities can make themselves more welcoming places for young people.

Interested individuals may learn more, watch an orientation video and apply online at www.ncruralcenter.org. For more information, contact Barry Ryan at (919) 250-4314 or barry@ncruralcenter.org.

N.C. Capital Access Program

N.C. Capital Access Program stimulates economic activity by expanding finance options for business statewide. By reducing risk, NC-CAP encourages banks and other qualified lenders to consider loans that otherwise fall just outside conventional underwriting standards. The program matches an up-front fee, typically 2 percent to 7 percent, paid by the lender and borrower. The combined amount is deposited into a pooled reserve fund held by the lender. The pooled fund includes matching fees from all NC-CAP loans made by the institution and cover losses in the event of a default.

An up-to-date list of participating lenders and other details about the program are available at ncruralcenter.org. Follow the link to Business Capital on the left-hand menu. Businesses or lenders seeking additional information may call (919) 250-4314.

N.C. Loan Participation Program

The Loan Participation Program stimulates economic activity by expanding finance options for businesses statewide. It is designed to increase lending by reducing a lenders risk through the purchase of a portion of an eligible loan. Lender participation is voluntary Nearly 30 lenders across the state have enrolled in the program. More are being recruited. Loans generally range from \$250,000 to the maximum of \$5 million. Only term loans are eligible.

An up-to-date list of participating lenders and other details about the program are available at www.ncruralcenter.org. Follow the link to Business Capital on the left-hand menu. Businesses or lenders seeking additional information may call (919) 250-4314.

New Generation Leaders

New Generation Leaders helps young leaders become more active in the civic and economic life of their communities, in part through a community improvement project. Challenge grants encourage the formation of youth and young adult community action teams to design and implement community improvement projects. The teams recommend actions that focus on making the community a more attractive and welcoming place for youth and young adults.

Information and application materials will be available at www.ncruralcenter.org. (See the Find It Fast menu on the right, and click on "Grant Applications and Reporting Forms.") For additional information, contact Misty Herget at mherget@ncruralcenter.org or at (919) 250-4314

Rural Economic Development Institute (REDI)

REDI prepares a broad, diverse group of rural leaders with the knowledge and skills necessary to manage the challenges of economic transition in their communities and promote sustained economic and community development. The institute is packed into nine tightly structured days spread over three months. Each three-day session includes lectures discussions, learn-by-doing exercises, meals and socials. By participating in the institute individuals:

- Increase understanding of the latest strategies in economic and community development

- Improve leadership and team building skills
- Understand more about the resources available to their community and how to take advantage of them
- Learn the fundamentals of long-range strategic planning and how to make it work
- Join a network of rural leaders who regularly share information and experience

Information and application materials are available at www.ncruralcenter.org. (See leadership & Engagement on the bottom left, click on "Leadership Training" and then on "2013 REDI Application Brochure.") For more information, please contact Misty Herget at mherget@ncruralcenter.org or (919) 250-4314.

Child Day Care Loan Guarantee Fund

Loans are provided through three participating banks to childcare providers in rural distressed communities to start or expand childcare facilities. Participating banks include Centura, Bank of America, and Wachovia. The loan can be used to finance land, building, or equipment needs for start-up or expansion facilities. The program guarantees 80 percent of the loan amount up to a maximum of \$75,000. Loans are limited to 50 economically distressed counties as designated by the state.

Rural Venture Fund

The Rural Venture Fund (RVF) is a new source of capital specifically designed for qualified businesses in economically distressed (Tier 1) counties of North Carolina. Investments will carry the expectation of a return, but on less demanding terms and over a longer period of time than available with more traditional financing.

Target companies for investments will typically be classified as higher risk and in need of capital in the range of \$50,000 to \$350,000. The RVF offers a variety of investments from equity to subordinated debt.

Applicants are limited to existing businesses with owner management experience that are located in Tier 1 counties. Eligible businesses must demonstrate future growth and job creation potential and show that the owner would not receive equity or subordinated debt "but for" this fund.

The RVF will assist clients in the successful management of their long-term growth. Through a collaboration with the Small Business & Technology Development Center (SBTDC) and the University of North Carolina System, several business schools will help provide specialized technical assistance to clients (Appalachian State, East Carolina, NC A&T, NC Central, NC State, UNC Pembroke and Western Carolina).

The Rural Venture Fund began operations with \$6.8 million in available capital in late 2007 with funding from the NC General Assembly (\$3.8 million), Golden LEAF (\$500,000) and the Rural Center (\$2.5 million).

NC Rural Center

4021 Carya Dr.
Raleigh, NC 27610
919.250.4314
Director: Don Stewart
dstewart@ncruralcenter.org

NC State Small Business Credit Initiative

The NC State Small Business Credit Initiative is helping make capital available for business startups and expansions across the state. The initiative works primarily through traditional lenders such as banks and credit unions. By reducing the risks involved, it allows lenders to approve some business loans they otherwise could not. The initiative also invests in venture capital and angel funds, which in turn make equity investments in North Carolina businesses.

The initiative is made possible by \$46.1 million in federal funding under the Small Business Jobs Act of 2010. Gov. Beverly Perdue designated the Rural Center to administer the program in all 100 counties.

With three component programs, the initiative is expected to enable more than \$600 million in business loans and equity investments by 2016.

The three components:

The **NC Capital Access Program** provides matching reserve funds for business loans that are just outside a lender's usual standards. The average NC-CAP loan is \$100,000. When a loan is approved and enrolled in NC-CAP, the borrower pays a fee, which is matched with money from the program. The funds together are deposited into a reserve account held by the lender, to offset losses in case of default. Potential borrowers may apply through their local lenders.

The **N.C. Loan Participation Program** reduces a lender's risk by purchasing up to 20 percent of a loan. The program typically assists loans of \$250,000 to \$5 million. Special consideration may be given for loans to businesses in underserved communities and to businesses owned by women and minorities. Potential borrowers apply through their local lenders.

The **N.C. Fund of Funds Program** has invested \$10 million in four venture capital and angel funds, which in turn invest in North Carolina businesses as early as the conceptual stage: Hatteras Ventures, IDEA Fund, IMAF and Salem Investment. The individual funds are responsible for finding and assessing potential investments in North Carolina businesses.

NC Rural Economic Development Center

4021 Cary Drive
Raleigh, NC 27610
Telephone: 919-250-4314
Fax: 919-250-4325

NC IDEA (Innovative Development for Economic Advancement)

NC IDEA is a 501(c)(3) not-for-profit organization created to serve as a catalyst for young, high-growth, technology companies in North Carolina. NC IDEA assists entrepreneurial companies with seed and early stage funding through traditional venture capital, as well as pre-venture stage funding via a grants program. NC IDEA focuses on helping companies in the following areas: IT software IT infrastructure; materials technologies and biomedical applications.

Small grants are available to fund "proof-of-concept" business activities that validate potential markets, reduce business risks, and advance projects to the point at which they are suitable for private equity investment. NC IDEA will make semi-annual solicitations for ideas with the potential to become high-growth companies, and award selected projects an amount of up to \$50,000.

NC IDEA

334 Blackwell Street
Suite B-015
Durham, NC 27701
919.941.5600
www.ncidea.org

Self-Help – Community Development Financial Institution (CDFI)

Self-Help consists of the non-profit Center for Community Self-Help and two financing affiliates, Self-Help Credit Union and Self-Help Ventures Fund. Self-Help Credit Union is a federally insured, state-chartered credit union that provides commercial loans for people who cannot obtain financing from conventional lenders. Self-Help Ventures Fund provides higher risk commercial financing and develops real estate projects.

Since 1980, Self-Help has invested \$5.96 billion in financing to 71,748 families, individuals, and organizations. For small business lending, since 1980 Self-Help has made \$446 million in loans to over 3,000 entrepreneurs, creating or maintain over 26,000 jobs. Self-Help focuses on segments underserved by traditional loan sources: minority-owned businesses have accounted for 45 percent of the loan proceeds and women-owned businesses have received 42 percent of the proceeds. In addition to participating in the SBA 7(a) program, the SBA 504 program, the SBA MicroLoan program, and the USDA Intermediary Relending program, Self-Help also administers a number of programs in conjunction with other organizations.

Self-Help provides a variety of loan products in the \$500,000 to \$1.5 million range. It will work with any viable business but specializes in several industries to better serve firms in these sectors of the economy. Its staged microloan program helps very small businesses and self-employed people establish their operations with loans in the \$500 to \$3,000 range. Self-Help's Community Facilities Fund provides financing and technical assistance to small businesses and non-profits that provide human services, such as child care centers or assisted housing projects. A more recent lending initiative has focused on the sustainable development industry -- firms whose products or services are environmentally-focused and advocate for policies that promote responsible growth. Examples include organic farms, ecotourism enterprises, and recycling businesses.

Special Child Care Business Programs

Self-Help has administered the Department of Health and Human Services (DHHS) **Child Care Revolving Loan Fund** since 1992. This loan fund allows Self-Help to offer subsidized interest rates and give special attention to those working in early childhood education. The funds are available at a 5% fixed interest rate for nonprofit providers serving subsidized children. Proceeds may be used for working capital, equipment purchase, vans, renovations, improving star levels, and obtaining licensure. It cannot be used for purchasing a building.

For counties affected by the 1999 flood in the *eastern* region of the state⁶, Self-Help has special funds available at a 5% fixed interest rate to purchase land, build facilities, and make major renovations. This program is available to both for-profit and non-profit providers who serve subsidized children and operate three or fewer centers. An option available to for-profit providers that want to expand their current location or build new facilities include loans from the SBA. The product offers low fixed rate financing for the purchase of buildings, land, machinery, and equipment. Down payments can be as low as 10%.

In addition to its loan products, in the fall of 2002 Self-Help updated its *Business Side of Child Care* Manual. This manual is a reference tool for child care advocates, technical assistance providers, and lenders. It provides a wealth of information on the business aspects of operating a child care center and child care lending. The manual is available to download free of charge at: www.selfhelp.org/business-and-nonprofit-loans/business-and-nonprofit-files/business-nonprofit-technical-assistance-resources/Business.Side.of.Child.Care.Manual.pdf/view?searchterm=child%20care - or hard copies are available for \$10 each from Self-Help. A section on financing child care programs and funding sources begins on page 91.

⁶ An illustrative map can be obtained from Self-Help. The eligible counties are: Beaufort, Bertie, Bladen, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Duplin, Edgecombe, Gates, Greene, Halifax, Hertford, Jones, Lenoir, Martin, Moore, Nash, New Hanover, Northampton, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Pitt, Robeson, Tyrrell, Washington, Wayne, and Wilson.

Self-Help -- State Headquarters

301 West Main St.
POB 3619
Durham, NC 27702
919.956.4400 or 800.476.7428
www.selfhelp.org

Lending Offices**ASHEVILLE**

34 Wall St., Suite 704
Asheville, NC 28801
800.229.7428

CHARLOTTE

926 Elizabeth Ave., Suite 302
Charlotte, NC 28204
800.394.7428

FAYETTEVILLE

100 Hay St., Suite 300
Fayetteville, NC 28301
910.354.1014

GREENVILLE

301 South Evans St., Suite 306
Greenville, NC 27858
800.893.9669

Good Work, Inc.

This organization offers a long-term, comprehensive business development program that includes business loans, business training, and on-going support. The loans are provided in association with **Self-Help** and can be used for starting or expanding a business in the Research Triangle area. The program is administered through the formation of small groups called "Loan Circles." Members of these Loan Circles can apply for loans starting at \$1,000. As circle members repay their loans, larger loans of up to \$10,000 become available. Instead of requiring collateral, Good Work relies on the support of the circles to ensure that members repay their loans and grow successful businesses. No member of a Loan Circle can receive funds unless all other members are current with their loan payments. Since the beginning of the program in 1991, more than 5,000 businesses have been assisted. In that same period, over \$110,000 in loans have been awarded.

Good Work, Inc.

POB 6013
Raleigh, NC 27628
919.817.8507
www.goodwork.org

NC Economic Opportunities Fund / Dogwood Equity

Dogwood Equity was founded in 2002 and is headquartered in Raleigh, North Carolina with a satellite office in Charlotte, North Carolina. Dogwood Equity is a private equity fund that makes equity investments in control buyouts and select non-control investments in closely-held companies located in the Southeastern United States. Dogwood focuses exclusively on the small cap market, which Dogwood defines as companies with less than \$75 million in revenues.

Dogwood's first fund was \$74 million and focused on companies in North Carolina. The principals executed 11 investments in Fund I. Dogwood II targets companies in the Southeastern United States,

specifically from Maryland to North Florida and east of the Mississippi River. The principals at Dogwood possess a unique combination of skill sets with over 85 years in economic development, commercial banking and high risk lending, traditional private equity, leveraged finance and investment banking.

NC Economic Opportunities Fund (an SBIC)
c/o Dogwood Equity, LLC
4101 Lake Boone Trail, Suite 120
Raleigh, NC 27607
919.256.5000
www.dogwoodequity.com

Business Consortium Fund

The Business Consortium Fund Inc. (BCF) is a not-for-profit minority development company of the National Minority Supplier Development Council (NMSDC). Forty regional affiliates -- including Carolinas Minority Supplier Development Council -- work with certified lenders to help finance expenses or purchases related to a specific transaction. Certified lenders in North Carolina include Branch Banking & Trust (BB&T), First Charter, and Bank of America.

The BCF was developed to assist ethnic and racial minority-owned firms in accessing working capital needed to finance growth. The BCF provides contract refinancing to businesses through a network of local participating banks. The borrower must be a Certified Minority Business in good standing with an affiliated regional council of the NMSDC. Loans are provided to creditworthy businesses at the current prime rate. A maximum of \$500,000 in total loans per borrower may be outstanding at any one time, while the minimum is \$75,000.

Business Consortium Fund, Inc.
305 Seventh Ave., 20th Floor
New York, NY 10001
212.243.7360
www.bcfcapital.com

Carolinas Minority Supplier Development Council

What is the Carolinas Minority Supplier Development Council? Carolinas MSDC (or the Council) is a membership organization of major corporations, financial institutions, government agencies, and universities that operate within North or South Carolina. It promotes and facilitates the development of business relationships between its members and certified minority-owned business enterprises. The Council works to expand business opportunities for minority-owned companies in an effort to build a stronger, more equitable society by supporting and promoting minority business development. Carolinas MSDC has over 170 corporate members and approximately 425 certified minority-owned businesses. Find a current list of corporate members at www.carolinasmcdc.org/corporations/cmsdc-corporate-members/. The Council organizes networking events, educational sessions and unique

opportunities that serve as venues for MBEs and corporate members to come together and identify mutually beneficial opportunities to work with one another.

The Carolinas MSDC is a private, non-profit organization categorized by the IRS as 501(c) (3). It is funded by membership dues, certification fees, and proceeds from program activities. In addition, funds are also received from the National Minority Supplier Development Council based on allocations by national members with operations in the Carolinas.

Carolinas Minority Supplier Development Council

9115 Harris Corners Parkway, Suite 440

Charlotte, NC 28269

704.549.1000

www.carolinasmcdc.org

Natural Capital Investment Fund (NCIF)

The Natural Capital Investment Fund (NCIF) makes subordinated debt and equity investments in environmental and natural resource-based small businesses. Founded in 2001, NCIF is certified as a "Community Development Financial Institution Fund" (CDFI) by the U.S. Department of the Treasury. NCIF is affiliated with The Conservation Fund, a national nonprofit organization with a unique dual mission of land and water conservation and economic development,

NCIF targets start-up to expansion stage companies with market traction and growth opportunities in the following sectors: value-added and sustainable agriculture, sustainable forestry and forest products, recycling and water conservation, renewable energy and energy efficiency, eco- and heritage tourism and natural medicines. NCIF offers \$15,000 - \$250,000 at interest rates reflecting subordinated debt, or equity risk in financings up to \$2 million. NCIF often partners with traditional lenders, community development funds and government credit-enhancement programs to help reduce their risk

Rick Larson

Director of Sustainable Ventures, NC Program Director

rlarson@conservationfund.org

Chapel Hill, NC

Phone: (919) 951-0113 | Fax: (919) 967-9702

www.conservationfund.org/our-conservation-strategy/major-programs/natural-capital-investment-fund/contact-us

The Shade Fund

The Shade Fund is a part of The Conservation Fund. The Shade Fund connects individual lenders with American entrepreneurs running green, forest-related businesses. These small businesses are critical to keeping our forests – and the rural communities that depend on them – healthy.

To be eligible for a Shade Fund loan, a business must have access to a commercial bank or credit union and be willing to help Shade Fund measure the loan's impact on the business. The Shade Fund

considers two questions when choosing a borrower: will your business use natural resources sustainably and contribute to the retention of forests and can your business make good use of a small loan (\$15,000 or less) and repay it?

The Shade Fund also provides an opportunity to support green, forest-related business ventures and entrepreneurs working to turn sound ideas into reality by becoming a Shade Fund lender.

The Shade Fund

Rick Larson, Director of Sustainable Ventures
919.951.0113

The Conservation Fund

1655 North Fort Myer Drive, Suite 1300
Arlington, VA 22209

Sequoyah Fund

The Sequoyah Fund is an independent, non-profit Native American Community Development Financial Institution (CDFI). The organization evolved from a loan fund program of the Eastern Band of Cherokee Indians. The program was managed by the business development department. A decision was made to take this loan fund program through a rigorous reorganization process and establish an independent Native CDFI that could receive CDFI certification from the US Treasury. The Sequoyah Fund obtained this certification in 2005. Loan products include small business start-up loans, business expansion loans, and loans for façade renovation in the Cherokee Central Business District.

Sequoya Fund

810 Acquoni Rd.
POB 1200
Cherokee, NC 28719
828.554.6720
www.sequoyahfund.org

SlowMoney NC

Slow Money NC has \$25,000 available for Slow Money loans. Slow Money is looking to make several loans to local, sustainable farms or local related businesses to start or expand their businesses.

Slow Money NC lets you reconnect with a portion of the money that you entrusted to strangers in faraway places and, instead, help build a more local, durable economy from the soil up! When you make a loan to a farmer or other local food enterprises so they can expand and flourish, you can truly enjoy the fruits of their labor.

Loan applications can be made at www.slowmoneync.com and questions can be directed to info@slowmoney.org.

The Support Center

The Support Center is a statewide nonprofit and Community Development Financial Institution (CDFI) that provides small business loans and financial training to start-ups and existing businesses; and lending services to community-based organizations.

Since 1990, The Support Center has been offering services to create economic opportunities for individuals, families and entrepreneurs throughout North Carolina. Our primary activities include our Small Business Revolving Loan program, Policy & Research, and Advocacy for Community Development Credit Unions.

The Support Center's Small Business Lending Program is designed to actively reach out to underserved communities to help emerging entrepreneurs realize their economic goals for business ownership, expansion and job creation. The Support Center creates opportunities for new and existing business owners to build economic wealth for themselves and their families while improving communities. Purposes for the loans may include: working capital, equipment purchase and purchase of commercial real estate. The maximum loan amount is \$250,000 with a minimum amount of \$5,000. and the rates and terms are based on the amount of the loan, collateral and the borrower's credit.

3120 Highwoods Blvd, Suite 350
Raleigh, NC 27604

Tel: 919.803.1437
Fax: 919.896.8612

For Small Business Loans, contact SBL@thesupportcenter-nc.org

For more information go to their website at: www.ncmsc.org

The Support Center/Fifth Third Bank Enterprise Loan Fund

The Support Center is pleased to announce a new partnership with Fifth third Bank to create short term micro-loans and seasonal loans for farmers and small businesses for equipment, expansion, and working capital. This program was made possible in part by a grant from Fifth Third Bank.

The Support Center/Fifth Third Bank Enterprise Fund will be used to meet the growing demand for micro-financing and will be a great addition to the current lending programs at The Support Center. The Support Center has noticed over the last year a great increase of loan requests for micro-loans between \$2,000 and \$5,000. For more information, please contact the Small Business Lending team at sbl@thesupportcenter-nc.org. (The views expressed herein do not necessarily represent those of Fifth Third Bank.)

Local Government Programs

Many towns and counties across North Carolina use Community Development Block Grant (CDBG) income to form local revolving loan funds and loan guarantee programs. In addition, other sources of federal and state monies have helped to fund various local business programs and initiatives.

Appalachian Regional Commission

The Appalachian Regional Commission (ARC) is a regional economic development agency representing a unique partnership of federal, state, and local governments. Each year, the U.S. Congress appropriates funds that the ARC allocates to projects designed to promote business development within the region. The ARC allocates funds to finance a revolving loan fund (RLF), which makes loans of up to \$200,000. The Southwestern Commission offers a second loan fund — established under EDA Title IX guidelines — which closely resembles the ARC's RLF. However, the RLF funded through ARC can offer up to \$15,000 per job created and is also available in Macon County.

ARC's goals are:

- Increase job opportunities and per capita income in Appalachia to reach parity with the nation;
- Strengthen the capacity of the people of Appalachia to compete in the global economy;
- Develop and improve Appalachia's infrastructure to make the region economically competitive; and
- Build the Appalachian Development Highway System (ADHS) to reduce Appalachia's isolation.

Southwestern Commission Region A

125 Bonnie Lane
Sylva, NC 28779
828.586.1962

www.regiona.org

Counties: Cherokee, Clay, Graham, Haywood, Jackson, Macon, and Swain

More information can be found at:

www.nccommerce.com/Portals/2/Documents/CommunityDevelopment/ARC/ARCNC4yearplan20092012FINAL.pdf#search=%22NC%20capital%20highway%22

Carrboro Revolving Loan Fund

The Town of Carrboro created its loan fund in 1986 for projects that result in the creation or retention of jobs targeted specifically to persons of low to moderate income. Loans from the fund are made to private non-profit and for-profit firms for the purchase of capital assets or inventory. The interest rate charged is based on cash flow projections and other means of documented need. The applicant secures all loans through an agreement conveying to the town a financial interest in the property the applicant owns.

Loans from the fund are made to private non-profit and for-profit firms for projects such as construction or renovation of a building, purchasing existing buildings, the acquisition of equipment, and extension

of utilities or streets to new sites, parking lots, and inventory. Other potential projects are explored with applicants as long as it can be shown that new employees will be hired or employees who would otherwise lose their jobs will be retained.

Town of Carrboro
 Community and Economic Development
 301 W. Main Street
 Carrboro, NC 27510
 919.918.7319
www.ci.carrboro.nc.us/ecd/CRLF.htm

Charlotte Communities Within A City (CWAC) Equity Loan Program

The City of Charlotte and participating banks offer loan assistance to new and expanding businesses located in the city's targeted business districts, threatened and fragile neighborhoods and in the uptown loop (I-277). The purpose of the loan program is to provide additional equity to enable borrowers to qualify for conventional small business loans. The city's loan can be for as much as 20 percent of the total loan funds (includes bank, city and SBA loans). Borrowers are expected to commit some of the required equity to qualify for the bank loan.

Repayment of the city's loan is deferred until the bank's loan has been paid in full or a determination is made that the borrower can repay the City's loan; as a result, the city's loan is considered an equity investment. Interest on the city loan begins to accrue at the time payments begin. For each \$10,000 of city loan funds, a borrower will create one new position to assist low to moderate-income persons living in the CWAC boundary. The maximum city loan amount is \$100,000, unless the loan is for manufacturing, in which case the limit is \$150,000. A borrower's personal tangible net worth cannot exceed \$300,000.

City of Charlotte Neighborhood Development Department
 Economic Development Office
 600 East 4th St., Suite 138
 Charlotte, NC 28202
 704.336.5849
www.ci.charlotte.nc.us

City of Charlotte – Business Equity Loan Program

The City of Charlotte participating with local banks is offering funding to stimulate small business investment, create and retain jobs, and provide access to capital to small businesses. Eligible borrowers include start-up and expanding for-profit service, retail, and manufacturing businesses. Preference will be given to projects located in the City's Business Corridor Revitalization Geography. If a business located outside of this geography wishes to participate must be in one of the following sectors: health, defense, energy/environment, finance, motorsports, and manufacturing.

A borrower's cumulative City loan cannot exceed \$100,000. There must be a minimum of one job created or retained for every \$65,000 of City loan funds. Principal repayment of the City's loan is

typically deferred for one to three years based upon project analysis and underwriting as conducted by the City. Collateral is required and personal guarantees of all principals is required.

City of Charlotte Economic Development Office

Gail Whitcomb, Business Development Representative

600 East Trade Street, Suite 138

Charlotte, NC 28202

704.432.1414

gwhitcomb@ci.charlotte.nc.us

edo.charmeck.org

City of Charlotte – Business Enterprise Loan Fund

The SBE Loan Fund is an innovative public/private fund established to assist small business with gaining access to capital. The fund, created in 2003, provides more flexible underwriting guidelines than that of traditional lenders. Eligible businesses include small businesses that meet the Small Business Enterprise criteria defined by the City of Charlotte and are located in the Anson, Cabarrus, Gaston, Lincoln, Mecklenburg, Rowan or Union counties.

The SBE Loan Fund is administered by Self Help. The following public and private entities have contributed to the SBE Loan Fund: Bank of America, Branch Banking and Trust, City of Charlotte, Fifth Third Bank, First Citizens, Foundation for the Carolinas, Time Warner, Wachovia Corporation, Piedmont Natural Gas, RBC Centura Bank, Self Help, SouthTrust Bank, John S and James L Knight Foundation, and Park Sterling Bank.

Self Help

926 Elizabeth Avenue, Suite 302

Charlotte, NC 28204

704.409.5900

www.self-help.org

City of Charlotte – Façade Improvement Grant Program

The objective of the Façade Improvement Grant Program is to remove blight by assisting businesses and commercial property owners with improving building appearance and by bringing signs, parking, and landscaping into conformance with current codes. The program provides 50 percent reimbursement to commercial or industrial businesses or property owners for eligible renovation costs. The maximum grant awards are based upon building square footage.

Eligible expenses include architectural renovations, improvements to meet current codes, infrastructure improvements, and demolition expenses of box buildings. Applicants are responsible for obtaining all necessary governmental permits and authorizations, including building permits. The City will authorize reimbursement payment after, among other things, completion of the project in accordance with the approved plan as set forth in contract, together with occupancy of the building by eligible tenants.

City of Charlotte Economic Development Office

Gail Whitcomb, Business Development Representative
600 East Trade Street, Suite 138
Charlotte, NC 28202
704.432.1414 / gwhitcomb@ci.charlotte.nc.us
edo.charmeck.org

City of Winston-Salem – Economic Development Revolving Loan Program

Funds are available to businesses within the Winston-Salem Neighborhood Revitalization Strategy Area or located in the Hewitt Business Center at Old Salem. One job that benefits low-to-moderate-income individuals must be created or retained for each \$35,000 borrowed. The business must also make a good faith effort to make over half of the jobs created or retained available to low or moderate income people.

The business net worth cannot exceed \$6 million, and net profits must average less than \$2 million during the previous two years. The average loan amount is \$50,000. The maximum loan term is ten years. All loans are secured though collateral at a 75 percent loan to value ratio. Businesses must be willing to contract for free management and technical assistance if the loan committee deems necessary.

City of Winston-Salem – Community & Business Development Office

400 West Fourth Street, Suite 400
Winston Salem, NC 27101
336.761.2111
www.cityofws.org/Home/Departments/DevelopmentOffice/SmallBusinessCenter/Articles/LoanProgram

City of Winston-Salem – Target Area Business Assistance Program

Funds are available to encourage businesses to locate within distressed areas of the city in order to create jobs and increase the tax base in these areas. The business must be within the Enterprise Community boundaries and more than 20 percent of the buildings in the qualifying area must be either vacant or below minimum code standards. Assistance can be either a grant or a loan. The amount of assistance is determined based on job creation and the tax base investment. Assistance may be either in the form of a grant or loan up to a maximum of \$500,000. Amount of assistance is determined by the number of permanent jobs to be created or retained - \$2,000 for each permanent job paying over \$8.00/hour and \$1,500 for each permanent job paying less than \$8.00/hour but more than \$1.00/hour above minimum wage. An additional \$500 credit is available for each job filled by a resident of the Neighborhood Revitalization Strategy Area. Jobs must be created within 24 months of award and remain in place a minimum of 72 months. The company must demonstrate that city funds are necessary for the company to move into or expand within the target area. The company must create or retain at least four (4) permanent jobs. The company must invest at least two dollars of private funds for every one dollar of city funds requested

City of Winston-Salem

400 West Fourth Street, Suite 400

Winston Salem, NC 27101

336.761.2111

www.cityofws.org/Home/Departments/CBD/BusinessDevelopment/Articles/TargetAssistance**MAY Coalition**

The MAY Coalition is a non-profit corporation seeking to provide employment opportunities for unemployed and underemployed residents of Mitchell, Avery, and Yancey Counties. There are two loan programs available. The first program requires that the business create new, full-time, non-seasonal employment that pays at least \$6/hour. A qualifying business may borrow as much as \$250,000, though one job is generally created for each \$20,000 loaned. The second program does not require the creation of new jobs, but rather was created to enhance low to moderate business owners' income by offering loans of up to \$25,000. The MAY Coalition charges a fixed rate equal to the prime rate at the time of the loan (not less than 6 percent), and the borrower must pay the attorney's fee and all recording fees. The terms for most loans range to five years.

MAY Coalition

POB 704 / 112 Greenwood Rd.

Spruce Pine, NC 28777

828.765.8880

www.maycoalition.org

Serving Mitchell, Avery, and Yancey Counties

**Micro-Enterprise Loan Program of Winston-Salem/Forsyth County, Inc.
(MELP)**

MELP is a small business loan program providing services in Forsyth County. Micro-enterprises are defined as small businesses having less than ten (10) employees, and annual sales of less than \$500,000. In addition to small business loans, MELP offers business education courses, technical assistance, and mentoring. Individual or group counseling is available, as well as numerous other opportunities for the growth and development of small businesses.

Micro-Enterprise Loan Program of Winston-Salem/Forsyth County, Inc.

301 North Main St., Suite 2601

Winston-Salem, NC 27101

336.722.9600

cityofws.org/default.aspx?mod=Article&level=290&id=955

Raleigh Small Business Success Program

This program was formed by the City of Raleigh along with major banks in the city to stimulate business development and create jobs. The program targets those small businesses located in the Southeast quadrant of the city. The amount of a loan will range from \$10,000 to \$75,000, subject to the availability of funds. The maximum term is five years for a general loan or seven years for a real estate loan. The loan can be used for working capital, equipment, expansion of business services, start-up funding, or improvement of owner-occupied commercial property.

Raleigh Small Business Success Program

4030 Wake Forest Road, Suite 205

Raleigh, NC 27609

919.807.8400

www.rada-nc.com/

Optimum Capital Funding

Optimum Capital Funding is a business lending platform specializing in providing commercial loans and funding solutions for small businesses and mid-size companies.

In the new economy, many companies have difficulty finding the funding necessary for startup or growth. That's why Optimum Capital Funding built a network of lenders and funding sources that understand that solid opportunities exist for small businesses and mid-size companies – if they have the necessary financial backing.

Led by veteran financial and business professionals who believe in the exceptional capabilities of small and medium size businesses to launch and thrive in the new economy, Optimum Capital Funding focuses on providing capital to assist these companies in building solid and successful futures.

Optimum Capital Funding

206 Merrimon Ave., Suite 210

Asheville, NC 28801

855-311-3612 *toll-free* | 828-239-0031 *office*

www.optimumcapitalfunding.com

ONLINE RESOURCES

Loan Matching Sites

Loan matching sites are online services that take information and attempts to match businesses with multiple potential lenders. Two of the larger loan matching sites are BoeFly and Lendio. While these sites provide borrowers with the ability to be seen by multiple lenders quickly after completing one application, it's important to remember that these are still traditional lenders with strict requirements, and individuals must still apply with individual lenders that express interest. In some cases sites may

connect businesses with brokers and not lenders. For start-up businesses, franchises are the most likely to find some success via loan matching sites.

Peer-to-Peer Lending (P2P)

Peer-to-peer lending, in which groups of individuals make loans to entrepreneurs through matchmaking web sites such as Lending Club and Prosper, has gained significant popularity in the last few years. Most peer-to-peer loans are unsecured personal loans, largely based on personal credit scores, with a maximum loan amount of \$35,000.

The lending intermediaries are for-profit businesses; they generate revenue by collecting a one-time fee on funded loans from borrowers and by assessing a loan servicing fee to investors (either a fixed amount annually or a percentage of the loan amount).

Does it cost more to borrow from nontraditional lenders? Often, yes. At Lending Club, for instance, interest rates range from 6 – 26%, based on an assessment of risk and volatility. Peer-to-peer lending may be useful when small amounts of funds are needed, and banks are not interested in investing at that level.

Peer-to-Peer Lending Sites

ACCION USA

115 East 23rd Street, 7th Floor
New York, NY 10010
212.387.0377
info@accionusa.org
www.accionusa.org/default.aspx

GlobeFunder Ventures, Inc.

271-A West Centre #211
Portage, MI 49024
888.870.1304
www.globefunder.com

Lending Club

71 Stevenson, Suite 300
San Francisco, CA 94105
866.754.4094
www.lendingclub.com/home.action

Prosper Marketplace, Inc.

111 Sutter Street, 22nd Floor
San Francisco, CA 94104
866.615.6319
www.prosper.com

Short Term Business Loans

Some newer web sites are offering short term business loans based on overall business health, and not just credit scores. One such site, On Deck (www.ondeckcapital.com), offers loans of \$25,000 – 250,000 for periods of 3 – 18 months that are repaid through daily debits from the business bank account (equal daily payments over business days). Requirements include being in business for 1 year (so no start-ups), annual revenue of over \$100,000, and a personal credit score of 500 or more. Their average loan is a 6 month term with 15% simple interest (APR higher).

PayPal has begun offering short term loans to borrowers selling exclusively through the Internet and currently managing their revenues via a PayPal account.

Kabbage.com provides advances to help underwrite inventory for eBay, Amazon Marketplace and other auction sellers.

What most online options have in common is that they are considerably more expensive than bank loans, and sometimes have terms that are harder to understand. When considering these sources, make sure to check ratings, get references, and understand the terms and conditions.

Also see **Crowdfunding** in the Equity Capital chapter on page 117.

CHAPTER 8: FINANCIAL ASSISTANCE SERVICES

NC Small Business and Technology Development Center (SBTDC)

The North Carolina Small Business and Technology Development Center (SBTDC) is a business advisory service of the University of North Carolina System, administered by NC State University, and operated in partnership with the U.S. Small Business Administration. The SBTDC is also a strategic partner of the North Carolina Department of Commerce.

The primary focus of the SBTDC is to provide management counseling and educational services to help North Carolina businesses meet challenges, manage change, and plan for the future. SBTDC specialists assist small and mid-sized businesses throughout North Carolina from 16 offices across the state – each affiliated with a college or university. The SBTDC's core mission is to help North Carolina businesses grow and create new jobs to benefit all North Carolinians. Most SBTDC services are free of charge, and all services are confidential.

For further information, visit www.sbtdc.org.

The SBTDC's General Business Services are well-defined and are designed to meet its clients' needs:

Management Counseling — SBTDC counselors help business owners and managers with financing, marketing, human resources, operations, business planning, and feasibility assessment. In 2012, the SBTDC helped clients access over \$107 million in financing.

Management Education — The SBTDC also provides targeted, research-based educational products that are focused on change management, strategic performance, and leadership development for management teams, employees, and board members.

The SBTDC's **Market Development Services** are specifically designed to aid growing companies in expanding their markets and increasing competitiveness:

Marketing & Research Services — SBTDC specialists provide research and marketing support services for SBTDC clients, primary research on small business needs and economic impact, and special projects such as small business incubator feasibility studies.

Government Procurement (PTAC) — SBTDC procurement specialists help businesses secure contracts by providing comprehensive assistance in selling North Carolina products and services to federal, state, and local governments. In 2012, the SBTDC helped small businesses in-state obtain more than \$119 million in government contracts.

International Business Development — SBTDC helps small to midsized companies with the business side of exporting, and is North Carolina's City-State Partner for the US Export-Import Bank.

Technology Development and Commercialization – SBTDC technology specialists assist technology-based businesses to commercialize innovative technology. North Carolina’s high-tech businesses received a total of \$56 million dollars in SBIR/STTR funding in 2011.

State Headquarters at NCSU

5 West Hargett St., Suite 600
Raleigh, NC 27601
919.715.7272
[dc.org">info@sbtdc.org](mailto:info@sbt<span style=)
[dc.org">www.sbtdc.org](http://www.sbt<span style=)

Regional Offices

SBTDC at Western Carolina University

Asheville Office, 46 Haywood St, Ste 212
Asheville, NC 28801
828.251.6025
[dc.org/wcu">www.sbtdc.org/wcu](http://www.sbt<span style=)

SBTDC at Western Carolina University

WCU School of Business, 226 Forsyth Bldg.
Cullowhee, NC 28723-9646
[dc.org/wcu">www.sbtdc.org/wcu](http://www.sbt<span style=)

SBTDC at Appalachian State University

130 Poplar Grove Rd
Boone, NC 28608-2114
828.262.2492
[dc.org/asu">www.sbtdc.org/asu](http://www.sbt<span style=)

SBTDC at NC Central University

G08 Willis Building / 1801 Fayetteville Street
Durham, NC 27707
919.530.7386
[dc.org/nccu">www.sbtdc.org/nccu](http://www.sbt<span style=)

SBTDC at UNC Chapel Hill

1700 Martin Luther King Blvd.,
Suite 115, CB# 1823
Chapel Hill, NC 27599-1823
919.962.0389 or 800.815.8906
[dc.org/uncch">www.sbtdc.org/uncch](http://www.sbt<span style=)

SBTDC at Elizabeth City State University

K. E. White Graduate Center
1704 Weeksville Rd., Box 874
Elizabeth City, NC 27909-7806
252.335.3247
[dc.org/ecsu">www.sbtdc.org/ecsu](http://www.sbt<span style=)

SBTDC at UNC Charlotte

The Ben Craig Center
8701 Mallard Creek Rd.
Charlotte, NC 28262-9705
704.548.1090
[dc.org/uncc">www.sbtdc.org/uncc](http://www.sbt<span style=)

SBTDC at Fayetteville State University

1200 Murchison Road / POB 1334
Fayetteville, NC 28302-1334
910.672.1727
[dc.org/fsu">www.sbtdc.org/fsu](http://www.sbt<span style=)

SBTDC at NC A&T State University

Nussbaum Entrepreneurial Center
2007 Yanceyville St., Suite 303
Greensboro, NC 27405
336.334.7005 | 828.227.3504
www.sbtcd.org/ncat-uncg

SBTDC at UNC Greensboro

POB 2617
1111 Spring Garden Street
Suite 3708
Greensboro, NC 27402
336.334.5724
www.sbtcd.org/ncat-uncg

SBTDC at East Carolina University

300 East First St., Willis Building
Greenville, NC 27858-4353
252.737.1835
www.sbtcd.org/ecu

SBTDC at Appalachian State Univ.

Hickory Office
1990 Main Ave SE
Hickory, NC 28602
828.345.1110
www.sbtcd.org/asu

SBTDC at UNC Pembroke

POB 1510
115 Livermore Dr.
Pembroke, NC 28372-1510
910.775.4000
www.sbtcd.org/uncp

SBTDC at NCSU

5 West Hargett Street, Suite 1010
Raleigh, NC 27601
919.600.5999
www.sbtcd.org/ncsu

SBTDC at UNC-Wilmington

601 South College Road, SB 110
Wilmington, NC 28403
910.962.3744
www.sbtcd.org/uncw

SBTDC at Winston-Salem State University

301 North Main Street
9th Floor of Winston Towers, POB 19483
Winston-Salem, NC 27110-0001
336.750.2030
www.sbtcd.org/wssu