Welcome from the NH SBDC

MESSAGE FROM MARY COLLINS AND ARNOLD GARRON

Pick up the phone at any SBDC office in NH and you will get the question “where do I look for startup funding?” or “we’re a young company with orders and growth potential but we need capital”. With the economy on an upswing and new opportunities present, the SBDC chose to answer those exact questions. From angels to value added investing this edition offers you many early stage funding sources.

As the NH SBDC celebrates its 30th anniversary as an outreach program of UNH’s Paul College of Business & Economics, we looked back to measure our contribution to small business success in our state.

Since 1984 the SBDC has provided confidential business advising to more than 23,000 businesses and trained 49,000 entrepreneurs in our educational programs. In just the last 10 years SBDC helped clients create 2,382 new jobs, raise $193.7 million in new capital and SBDC clients represent $1.64 billion in annual sales. The Paul College is proud of the SBDC’s accomplishments and looks forward to working with them in the future.

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Fueling Small Business Success

BY RICH GROGAN

As the story goes, acclaimed trumpeter Wynton Marsalis had the occasion to meet Dizzy Gillespie as a youngster. Gillespie asked Marsalis to play something. Marsalis snatched up Dizzy’s horn, but could only muster a weak toot because he wasn’t familiar with that particular instrument. Dizzy looked at him and angrily commanded: “practice!”

Small businesses can feel similarly misunderstood when seeking capital, particularly early in their business life, to prove they are worthy of a loan. And if the lack of capital was a problem 10 years ago, it is even more pronounced now. According to a 2012 survey by the National Small Business Association (NSBA), 43 percent of small businesses tried—but failed—to seek capital in the four years prior to the survey.

Still, businesses continue to start at a rapid pace: The SBA estimates over 700,000 businesses start per year. Many won’t make it. While there is a 50 to 80 percent failure rate within five years of opening, those that do succeed have the following traits: they know their market, have a clear value proposition, and seek advisers to help them build skills in weak areas.

Those are the businesses that could be successful faster, and grow larger, if they had access to capital at an earlier stage. Where capital is lacking, businesses often turn to higher-interest sources of capital such as personal credit cards, and this bad debt constrains growth for years to come. But there is reason to believe that all of this is changing, as we witness an explosion of financing alternatives for small businesses. In particular, the 2012 JOBS Act regulations will ease rules for private investors to invest in small businesses.

At the NH Small Business Development Center (SBDC), we work hard to keep up with these trends and serve as experts for our clients, helping them to navigate this landscape. That is why this year we are featuring the myriad financing strategies that exist in our state to fund new and growing small businesses.

Topics covered include:

· microlending,
· value-added investing,
· revolving loan funds,
· and angel investing.

We hope you find this publication useful. If you are a business owner, financing organization, or anyone interested in small business growth, please don’t hesitate to reach out to the SBDC to discuss how to apply these methods to your situation.

Rick Grogan is the regional manager in Keene of the NH Small Business Development Center.
Helping people in need is the job of angels; helping businesses grow and succeed is the job of angel investors. Angel investors are accredited investors working individually or in groups to fund entrepreneurial ventures. Many angel investors/groups have no public presence, and the majority of people involved in angel investing keep a low profile. Groups change over time, with most experiencing times of active investment and times of little to no investment.

These private individuals can be found with intensive networking and introductions. Working with others who have been through the process successfully increases the chance of being prepared to engage with investors. The NH Small Business Development Center has assisted hundreds of entrepreneurs to navigate this process with success. The NH incubators, including Alpha Loft and DEN, also provide significant assistance in preparing entrepreneurs for funding.

Is it worth the effort to seek angel investment? Here is the story of a NH company who used angel investments to fund development and growth.

ApplyKit is a free software platform that helps students identify colleges and submit applications. The site went live in September 2013 and has since assisted over 50,000 high school students and their parents globally to navigate and manage the college submissions process. The company was founded in late 2012 by Bobby Touran and is located at Alpha Loft in Manchester. It has been funded by angel investment, the majority of it from New Hampshire. Apply Kit has raised over $200,000 from Wasabi Ventures, 10X Venture Partners, Northeast Angels Investment Group, Port Port Angels, and private angel investors. The company added paying institutional customers in the summer of 2014 and is currently growing its paying customer base, while it continues rapid growth in the student space.

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Accion Cultivates Businesses

BY LAUREN YOTHERS

Frank DiVincenzo, a retired veteran, uses his business, Basil World in Salem, to supplement his social security income. Basil Word sells organically-grown basil plants, but when DiVincenzo expanded his operations to include larger market chains, he needed a trailer to make deliveries. Unfortunately, he ran into a common problem: he needed capital, but didn’t qualify for a bank loan. “I’m retired and it’s very hard to borrow money,” explained DiVincenzo. “If I didn’t get the financing, I would’ve missed the opportunity.”

The NH SBDC, which partners with microlender Accion, connected DiVincenzo with Accion. He applied for and received a small loan from the Samuel Adams, “Brewing the American Dream” program, a partnership between the Samuel Adams brewery and microlender Accion.

Microloans can be used for working capital, inventory or supplies, furniture or fixtures and machinery or equipment. Proceeds from an SBA microloan cannot be used to pay existing debts or to purchase real estate.

NCIC specializes in integrating loans with coaching services to stimulate business growth, viability and success. These services are offered as part of the Business Services North (BSN) collaborative network which includes NCIC, White Mountain Community College and the NH Small Business Development Center, providing the business access to expanded business coaching and other services.

For more information about NCIC, visit: www.ncic.org.

Microloans Reap Big Rewards

BY JON FREEMAN

Promising entrepreneurs looking for hundreds of thousands or millions in start up capital may have a tough time moving to the front of the line, but there are options. Not so for small loans under $50,000, as banks and other financiers avoid smaller loans and less established businesses.

In the North Country, the Northern Community Investment Corporation (NCIC) provides SBA Microloans up to $50,000 to help small businesses start up and expand in the northern three counties (Carroll, Coos, and Grafton). These loans average about $13,000. Starting in late 2014, the Grafton County Economic Development Council will also be launching a microloan program to assist Grafton County’s small businesses obtain loans under $25,000.

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### Accion

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<tr>
<th>Business Loan Requirements</th>
<th>Startup Loan Requirements</th>
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<tr>
<td>Have a credit score of 575 or higher*</td>
<td>Have between zero and six months of business sales</td>
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<tr>
<td>Have sufficient cash flow to comfortably support monthly loan payments</td>
<td>Have a business located at home or in a business incubator</td>
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<tr>
<td>Have not declared bankruptcy in the past 12 months or foreclosure in the past 24 months*</td>
<td>Is not currently more than 30 days late on any bills, loans, credit cards or other payments totaling over $500</td>
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<tr>
<td>Have not had any late payments on your rent/mortgage in the past 12 months**</td>
<td>Can present two recent paystubs showing an outside source of income</td>
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<tr>
<td>Have no more than four mortgaged properties</td>
<td>Have a business plan with a 12-month cash flow projection</td>
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<tr>
<td>Is not currently more than 30 days late on any bills, loans, credit cards, or other payments totaling over $3,000**</td>
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*For loans under $2,500, credit score must be higher than 525 or show no prior credit history

**This requirement is flexible for loans under $2,500
The Grafton County Economic Development Council (GCEDC) is a recognized New Hampshire Regional Development Corporation lender that encourages the creation of jobs and wealth in the county.

The GCEDC offers a variety of financing opportunities for businesses seeking to grow and create jobs. For instance, thanks to the Community Development Block Grant program, the GCEDC can make loans up to $480,000 to businesses that create jobs.

Other programs the GCEDC uses for lending include the Intermediary Relending Program and Rural Business Enterprise Grant program from USDA Rural Development. Together, these programs provide a variety of loan options for Grafton County businesses, big and small.

Mark Scarano is CEO of the Grafton County Economic Development Council. To learn more visit www.graftoncountyedc.org or call 603-536-2011.

The Grafton County Economic Development Council (GCEDC) programs:
- Community Development Block Grant program: Loans up to $480,000 to businesses that create jobs.
- Intermediary Relending Program
- Rural Business Enterprise Grant program

To learn more, visit www.graftoncountyedc.org or call 603-536-2011.
**A Revolving Door to Capital**

By Dan Barufaldi

For new small businesses with little capital and a short track record, access to capital can be tough, so flexible terms are more important than interest rates. One program available to small businesses is a revolving loan fund based on the you scratch my back, I scratch yours theory: For small businesses that invest in a city and/or create or save jobs, cities offer loans through federal Community Development block Grant (CDBG) programs.

A city Revolving Loan Fund can add the missing piece when combined with an SBA 504 guaranteed loan segment and a local or regional bank loan. Because the Revolving Loan Fund accepts subordinate positions to other lenders in a package, and will often provide funding in higher risk conditions, the interest rates charged are usually somewhat above market bank interest rates.

This funding source can be, and often is, the last critical funding piece that allows a business to start, or a young business to expand to the next level. The Seacoast Office of the Small Business Development Center has expertise in utilizing this valuable tool for its clients. They have worked with the City of Dover Economic Development Office frequently and regularly to support the vibrant Dover economy with projects ranging from advanced manufacturing companies to unique restaurants and boutique retail operations.

Dan Barufaldi is director of economic development at the Dover Business & Industrial Development Authority.

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**Revolving Loan Fund**

A revolving loan fund (RLF) is a gap financing measure primarily used for development and expansion of small businesses. It is a self-replenishing pool of money, utilizing interest and principal payments on older loans to issue new ones. The amounts available depend on several factors including jobs added/saved, investments made, the loan fund balance and the perceived viability of the project.

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**7th Settlement Community Supported Brewery**

By Warren Daniel

Dave Boynton and Josh Henry first met in 2004, turning out to be the beginning of a long lasting friendship and partnership that resulted in the November 2013 opening of the 7th Settlement Community Supported Brewpub. Henry’s hobby was brewing beer at home and Boynton had a passion in local business, utilizing local sourcing as a supply chain.

7th Settlement opened in November 2013 after more than a year of planning. The local brewpub aspect and the local sourcing business model provide a competitive advantage to 7th Settlement that is a unique business proposition.

They financed the company with a combination of traditional bank financing, an equity raise, a City of Dover Economic Development revolving loan, a Strafford County Economic Development loan and crowdfunding. All these sources contributed to raising over $750,000 between their opening costs and their second funding round.

“We raised money the hard way... We could not have done this without the funding partners understanding their roles in the big picture,” Boynton said.

The team requested assistance from my office with access to capital relationships, financial projections, management infrastructure and attorney referrals as well as referral to organizations within NH. The partnership with the management team was key in providing Boynton and Henry with additional expertise in the restaurant industry.

Warren Daniel is the Seacoast Regional Manager for NH SBDC.
Value-Added Investing BY JOHN HAMILTON

Small-business owners face numerous challenges, especially in the early stages of company growth. The largest of them can be cash flow.

If you’re growing your business for longevity, it can be beneficial to think long-term when seeking a financial relationship. While money matters, there is much more that can be gained from an investor.

As a small-business owner, it’s easy to fall into the mindset of thinking you have to do everything yourself. You don’t and you shouldn’t—it’s a recipe for burnout.

A value-added investor can alleviate this and literally be your savior. The Small Firms Enterprise Development Initiative recently documented that 70 percent of small businesses that tap into mentors survive five years or more (twice the rate of those that don’t).

A beneficial financing source will take time to get to know your business and offer expertise to help you grow it. Having a mentor or advisor adds important non-cash value to your company.

Ask the lender or investor for references from borrowers they’ve worked with. Specifically ask:

- Was the lender understanding during rocky times?
- Did the investor ask helpful questions or make introductions to people who could help with growth?

So instead of seeking loans or simply raising business capital, think about building a relationship with someone who can add value to your business long term.

“Growing a company becomes easier when you can rely on ideas and support from other CEOs who care about your success and bring a fresh perspective.”

- Michael Fairbrother, owner, Moonlight Meadery in Londonderry

Moonlight Meadery

When Moonlight Meadery found a national distributor for its award-winning mead (wine made with honey), it needed capital to ramp up production. The company was profitable, had excellent gross profit margins, and was poised for rapid growth. But it lacked the collateral most lenders needed. Since the loan, sales have expanded from 7 to 30 states, and it expects to sell over 8,000 cases this year and closer to 34,000 next year.

Vested for Growth (VFG) examined Moonlight’s projections, its management, and the new distribution agreement, and considered the company an excellent investment. VFG created a royalty investment that Moonlight could repay from future earnings. VFG also invited Moonlight’s owner, Michael Fairbrother, to participate in a CEO Peer Group.

“Growing a company becomes easier when you can rely on ideas and support from other CEOs who care about your success and bring a fresh perspective,” says Fairbrother.

Thanks to the partnership with VFG, Moonlight Meadery continues to win awards and is sold in 30 states, along with exporting its mead to Australia.
A perfect fit for your business

Not too big...local decision making.
Not too small...money to lend in NH.

Our global reach and in-state accessibility offers the convenience, expertise and value of a local institution with the strength and resources of a national bank. Service Credit Union is large enough to handle your most ambitious business objectives and perfectly positioned to support our members and their business’ growth. Headquartered in New Hampshire since 1957, we also have the responsive and personalized service you can only get from a local, member-owned credit union.

Call 603.422.8439 or visit servicecu.org today!

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