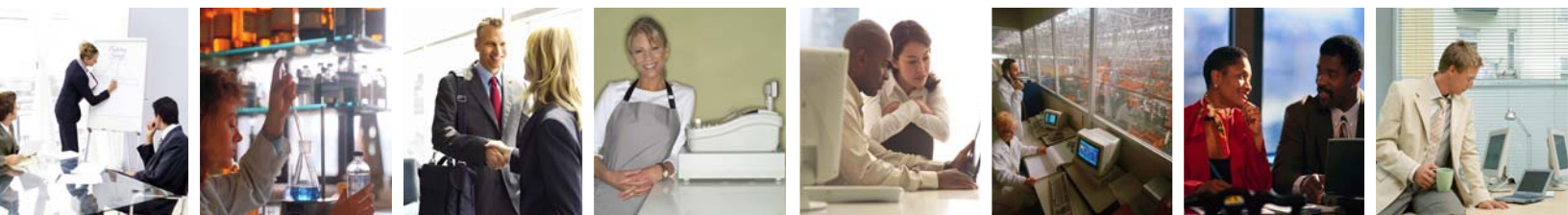


Capital Opportunities

for Small Businesses

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



sbtcdc
Your business. Better.

Prepared by the Small Business & Technology Development Center



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FEEDBACK

If you have any suggestions or questions about this guide, please call **919. 715-7272** or e-mail **info@sbtdc.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 pay 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 further 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 report 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. Throughout our 23-year history, we have provided management counseling and educational services to help businesses meet challenges, manage change, and plan for the future.

This report 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 report 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 on-line.

Purpose of this Report

This report 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 report 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 report are grouped into five major categories:

- Financial institutions
- Federal government sources
- State government sources

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* <http://www.sba.gov/advo/stats/sbfaq.pdf>

- Equity capital sources (includes 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 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

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: <http://www.secretary.state.nc.us/corporations>.

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 prior experience in the new business’s area, 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
- Stocks, bonds and other investments
 - disadvantage: may face capital gains tax on the sale of investments that have appreciated over the years
- 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

A home equity loan (sometimes referred to as a “second mortgage”, though it may in fact constitute a third or even fourth lien on the collateral property) 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. The monthly payment will be a function of the length of the loan and the interest rate. Additionally, 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 effective 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 (<http://www.itex.com>) (919.870.9226). For more information on bartering please visit the International Reciprocal Trade Association at <http://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 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. This system keeps the maximum amount of cash under the business's control.

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.

Long-term Financing

Long-term financing extends beyond five years 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.

a. Debt & Equity Financing

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 current position, because current assets are 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 leftover 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

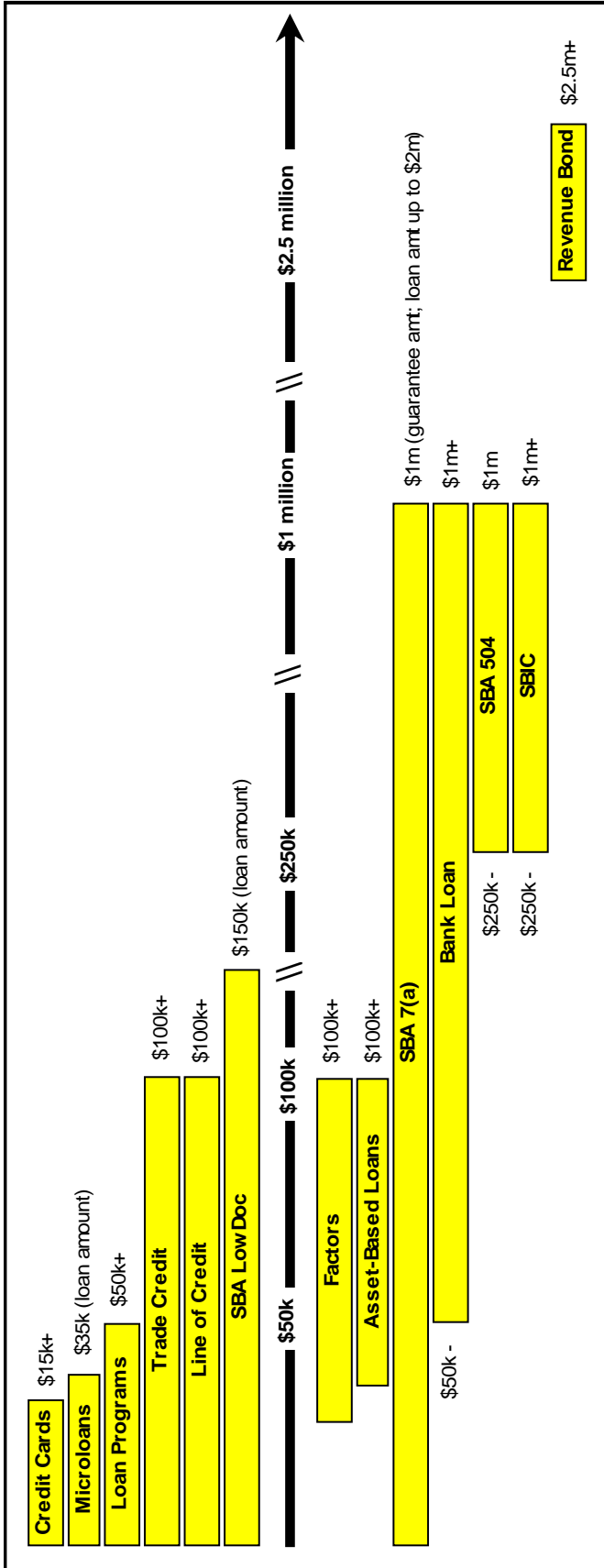
Consider the case of an entrepreneur who needs \$150,000 to start a new corporation. For the purposes of the illustration, assume this founder contributes \$50,000 and the remaining \$100,000 is financed with debt. At the end of the first year, suppose the company has a net income of \$100,000. Assume 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

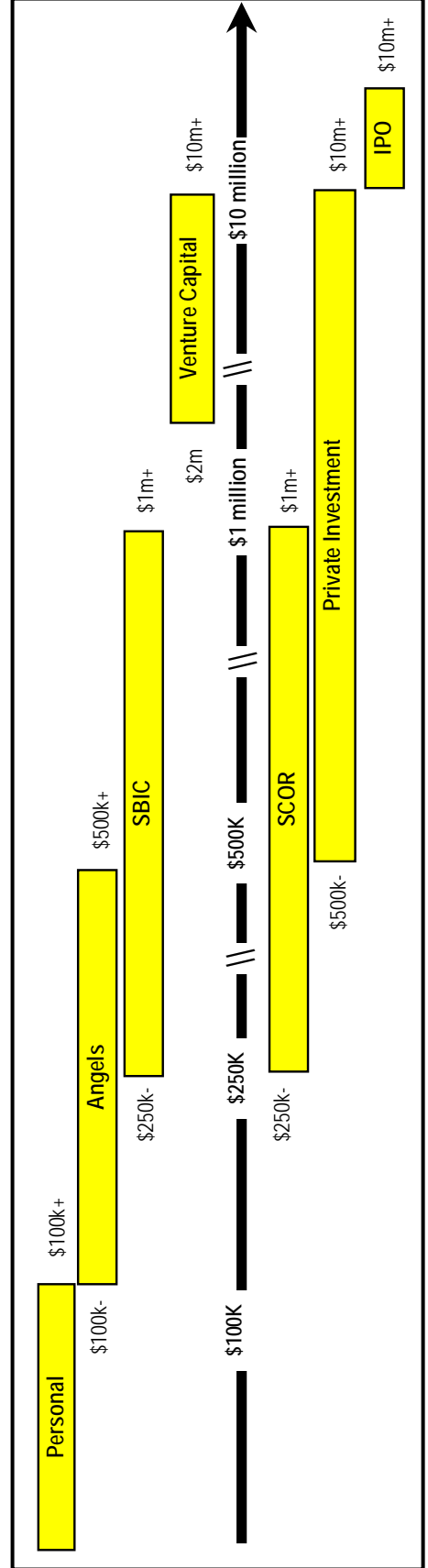
The analysis of the amount of debt financing used as compared to equity financing is referred to as the debt-to-equity ratio. The ratio of total debt to equity provides an indication of how strong a company's finances are by comparing what it owes to what it owns. Potential lenders or investors use this 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 <http://www.sba.gov/financing/>.

Debt Sources



Equity Sources



b. 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 should 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 --
<http://www.grants.gov>
2. SBA Note on Grants --
<http://www.sba.gov/services/financialassistance/grants/index.html>

CHAPTER 3: FINANCIAL INSTITUTIONS

Commercial Banks

Commercial banks are usually one of the least expensive providers of loan capital. 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 are usually up to five years for loans from commercial banks. Most debt is secured, although some unsecured lines may be available. Personal guarantees are generally 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.

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.

Commercial banks are among the largest sources of credit to small businesses. According to the SBA Office of Advocacy's 2009 report on small business lending activities, commercial banks had \$711.3 billion in small commercial and industrial loans outstanding as of June 2008. The rate of growth in small business borrowing slowed from the previous year, namely half the increase in percentage from June 2006-June 2007; the value of all small business loans outstanding increased 4.0 percent; the larger small business loans (\$100,000 to \$1 million) increased just 3.2% between June 2007 and June 2008. However the number of loans between \$100,000 and \$1 million decreased more than 23% between June 2007 and June

2008. The smallest loans (under \$100,000) rose by 6.8 percent or \$10.8 billion, which was an increase of 15.7% in terms of number of loans.

http://www.sba.gov/advo/research/sbl_08study.pdf

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 ranked by total small business loans (<\$1 million) issued -- appear on the following pages. 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 report.

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, please contact:

NC Commissioner of Banks

316 W. Edenton St., Raleigh, NC 27603
4309 Mail Service Center, Raleigh, NC 27699-4309
919.733.3016

<http://www.nccob.org/NCCOB>

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

20 NC Banks ranked as being “Small Business Friendly”—2008

Bank Name	Total Small Business Lending-Friendly Score	Value of Small Business Loans (Thousands)	Number of Small Business Loans	Value of Micro-Loans (\$Thousands)	Number of Micro-Loans
Hometrust Bank	85	232,214	1,534	11,872	564
Bank of Granite	85	331,805	3,021	46,813	1,849
AF Bank	85	49,911	353	9,136	210
Fidelity Bank	82.5	372,586	2,903	45,516	1,564
Citizens South Bank	82.5	117,222	889	15,100	511
Surrey B&T	80	97,830	1,271	23,543	885
Park Sterling Bank	77.5	100,435	385	100,435	385
New Century Bank	77.5	153,970	1,267	18,352	688
First Citizens B&TC	77.5	2,622,570	32,953	419,616	24,503
First Bank	77.5	486	5,469	94,179	3,862
American Community Bank	77.5	275	1,109	18,545	667
Yadkin Valley Bank & Trust	75	127,041	3,583	56,332	2,326
Mountain 1 st Bank & Trust	75	325,866	1,076	21,195	631
Newbridge Bank	72.5	180,649	3,380	42,108	1,918
Peoples Bank	70	349,733	1,557	22,608	915
Gateway B&T	70	174,049	2,177	51,859	1,171
First South Bank	70	401,016	1,530	24,748	984
Bank of Oak Ridge	70	155,897	557	7,817	293
Tristone Comm. Bk	67.5	80,540	211	2,161	76
Southern B&TC	67.5	38,848	1,803	33,663	1,256

Note: Data is for 2008 (latest available). Select banks appearing may have since merged or been acquired.
 Source: SBA Office of Advocacy, Banking Study at http://www.sba.gov/advo/research/bk_08tnc.pdf. For methodology on all scoring ratios and how scores were derived consult the text file accessible at the SBA webpage.

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Non-Bank Lenders

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

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 against 80 percent of eligible receivables (with the remaining 20 percent serving as a reserve). 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
<http://www.bankofamerica.com>

Branch Banking & Trust Co. (BB&T)

200 W. 2nd St.
POB 1245
Winston-Salem, NC 27101
336.733.2724
<http://www.bbandt.com>

Business Alliance Capital Corp.

214 Carnegie Center, Suite 302
Princeton, NJ 08540
609.897.8940 or 800.246.1089
<http://www.BACCORP.com>

CIT Commercial Credit

2 Wachovia Center
301 South Tryon St.
Charlotte, NC 28202
704. 339.2928
<http://www.cit.com>

The Commercial Finance Group

230 Pond View Lane
Fort Mill, SC 29715
704.226.2455
E-mail - mpierce@cfgroup.net
<http://www.CFGroup.net>

GE Capital Solutions

<http://gecapsol.com>

GMAC Commercial Finance

8801 J.M. Keynes Dr., Suite 360
Charlotte, NC 28262
704.510.2300
<http://www.gmaccf.com>

HSBC Business Credit (USA), Inc.

227 West Trade St., Suite 2050
Charlotte, NC 28202
704.358.2015
<http://www.us.hsbc.com>

Lighthouse Financial Corp.

POB 3545
925 West Market St.
Greensboro, NC 27402
336.272.9766
<http://www.lighthousefinancialabl.com>

Mellon First Business Bank

1 Bunker Hill Building
601 West Fifth St.
Los Angeles, CA 90071
213.489.1000
<http://www.mellon.com/mfbb>

National City Commercial Finance

35 Technology Pkwy. South, Suite 170
Norcross, GA 30092
770.613.5350 or 877.465.3439
<http://national-city.com>

PNC Business Credit

4720 Piedmont Row Dr., Suite 300
Charlotte, NC 28210
704.551.8509
<http://www.pnc.com>

Presidential Financial Corporation

1979 Lakeside Parkway, Suite 400
Tucker, GA 30084
800.563.6065
<http://www.presidentialfinancial.com>

RBC Centura

804 Green Valley Rd., Suite 104
Greensboro, NC 27408
336.443.6870
<http://www.rbccentura.com>

Wachovia Capital Finance

301 South College St.
NC0479
Charlotte, NC 28202-6000
704.383.1351
<http://www.wachovia.com>

Specialized Asset-Based Lenders

A number of asset-based financing sources restrict their operations to various areas. For example, First Exim operates a specialized purchase order funding program for exporters and importers. The merchandise must be finished goods inspected prior to payment by a letter of credit and sold to a customer covered under a credit insurance policy. First Exim will actually purchase the goods from the vendor, supervise the shipping of the goods, and collect payment under the letter of credit from the customer. First Exim's inspection network covers 129 countries.

First Exim Financial Limited

343 West Main St.
Durham, NC 27701
919.682.8077
<http://www.firstexim.com>
Specialty: export/import businesses

Wells Fargo Business Credit

646-728-3250
www.wellsfargo.com/com/bus_finance/pofinance

Factors

Finance companies assist 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 finance company pays the business immediately. 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 finance company takes on all the rights and obligations of the receivable, including the risk of default by the customer.

Finance companies 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 order or account. Businesses that only use factoring for a limited time or purpose, such as seasonal employers, often prefer the spot factoring method.

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
<http://www.accordfinancialus.com>

BB&T

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

Bay View Funding

523 Pawley Dr.
Charlotte, NC 28214
704.820.0098 or 704.820.0539
gwatts@bayviewfunding.com
<http://www.bayviewfunding.com>

CIT Group

2 Wachovia Center / 301 South Tryon St.
Charlotte, NC 28202
704.339.2847
<http://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
<http://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
<http://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, and 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 [http:// www.ELFAonline.org](http://www.ELFAonline.org).

NC Members of ELFA Dealing in Small Market Transactions:

BB&T Leasing Corporation

POB 31273
Charlotte, NC 28231
704.954.1600 or 800.532.0354
<http://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
http://www.bankofamerica.com/small_business/business_financing

ePlus inc.

13595 Dulles Technical Dr.
Herndon, VA 20171
703.984.8400
800.677.5677
<http://www.eplus.com/web/BaseRender.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
<http://www.firstcitizens.com>
Specialty: Commercial Vehicles & Equipment

RBC Bank

3400 Croasdaile Dr., Suite 304
Durham, NC 27705
919.687.3750
<http://www.rccbancusa.com>

Salem Group

209 Mercantile Dr.
Winston-Salem, NC 27105
336.744.5999
<http://www.salemgroup.com>

Springs Leasing Corporation

POB 667817
Charlotte, NC 28266-7817
704.357.3020 or 800.622.1633
<http://www.springsleasing.com>

Vendor Capital Group

4191 Fayetteville Rd.
Raleigh, NC 27603
800.765.8644
<http://www.vendorcap.com>

Volvo Financial Services - North America

POB 26131
Greensboro, NC 27402-6131
336.931.4000 or 877.865.8623
<http://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
704.341.7654

<http://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. For a list of credit unions in North Carolina, please refer to the NC Department of Commerce's Credit Union Division Annual Report at http://www2.nccommerce.com/cu/pdf/2006_Annual_Report.pdf.

North Carolina Credit Union Division

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

<http://www.nccud.com>

North Carolina Credit Union League

4160 Piedmont Parkway
Greensboro, NC 27410
336.299.6286 or 800.822.8859

<http://www.nccreditunions.org>

Community Development Credit Unions (CDCUs)

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: <http://www.ncmsc.org/Locations.html>. 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.

North Carolina Minority Support Center

POB 2086

Durham, NC 27702-2086

919.530.1683

<http://www.ncmsc.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.

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

Top SBA Lenders in NC, OCTOBER 1, 2008 THROUGH JUNE 30, 2009

LENDERS	Number of 7(A) Loans	Number of 504 Loans	Total	\$ Amount in Millions
LARGE AND NATIONAL BANKS				
1. BB&T	105	4	109	\$20.0
2. Wachovia Bank	17	1	18	\$12.7
3. First Citizens Bank	7	11	18	\$6.7
4. Bank of America	15	2	17	\$1.8
5. Bank of Granite	11	1	12	\$2.0
COMMUNITY EXPRESS LENDERS				
1. Superior Financial Group, LLC	83	0	83	\$0.8
2. Borrego Springs Bank	21	0	21	\$0.8
3. Innovative Bank	17	0	17	\$0.5
COMMUNITY BANKS				
1. Surrey Bank & Trust Company	37	0	37	\$4.9
2. Capital Bank	13	2	15	\$3.5
3. Mountain 1st Bank	10	4	14	\$3.3
SMALL BUSINESS LENDING COMPANIES				
1. CIT	6	1	7	\$5.3
2. Business Carolina, Inc.	6	0	6	\$3.7
3. Small Business Loan Source	5	0	5	\$3.4
CERTIFIED DEVELOPMENT COMPANIES				
1. Self-Help Ventures Fund		30	30	\$14.8
2. BEFCOR		8	8	\$4.3
3. Centralina Dev. Corp.		7	7	\$5.5
4. Avista Business Development		5	5	\$2.0

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 \$2 million. The maximum guaranty to a lender on a \$2 million loan is \$1.5 million, or 75%. The total SBA guaranty portion of a loan or the aggregate total of multiple loans, for any one borrower cannot exceed \$1 million. However, there are some exceptions as presented below in the discussion of specialized loan programs.

As part of the Recovery Act, the SBA has temporarily raised guarantees on 7(a) loans up to 90% and eliminated fees for borrowers through calendar year 2009 (or until funds are exhausted).

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

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 depends on NAICS classification applicable to the business.

<u>Industry Size Limitations:</u>	<u>Not to Exceed:</u>
Retail	\$6.0 to \$21.0 million in revenues
Service	\$3.5 to \$25 million in revenues
Construction	\$7.0 to \$27.5 million in revenues
Agriculture	\$0.75 to \$9.0 million in revenues
Wholesale	fewer than 100 employees
Manufacturing	500 to 1,500 employees

As part of the Recovery Act, an alternate size standard is in effect from May 2009 to September 30, 2010. The temporary 7(a) loan size standard will allow businesses to qualify based on net worth and average income. The net worth for the company and its affiliates can't be in excess of \$8.5 million and average net income after federal income taxes (excluding any carryover losses) for the proceeding two years can't be more than \$3 million.

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 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 prime rate plus a set percentage based on the total value of the loan as well as length of the loan. Variable-rate loans may be pegged to either the lowest prime rate or an SBA weighted average of rates.

<u>Loan Amount</u>	<u>Maturity</u>	<u>Maximum Interest Rate</u>
Less than \$25K	< 7 yrs	prime + 4.25%
	≥ 7 yrs	prime + 4.75%
Between \$25K and \$50K	< 7 yrs	prime + 3.25%
	≥ 7 yrs	prime + 3.75%
Greater than \$50K	< 7 yrs	prime + 2.25%
	≥ 7 yrs	prime + 2.75%

The agency charges lenders a guaranty and a servicing fee for each loan approved. The guaranty fee can be passed on to the borrower once the lender has paid it. The fee amount is determined by the amount of the loan guaranty. In addition, all loans will be subject to a .495 basis-point (.545 percent) ongoing servicing fee, which is applied to the outstanding balance of SBA's guaranteed portion of the loan (for loans approved on or after October 1, 2007).

<u>Gross Loan Amount</u>	<u>Guaranty Fee</u>	<u>Service Fee</u>
Up to \$150K	2%	.495%
Between \$150K and \$700K	3%	.495%
More than \$700K	3.5%	.495%

As an illustration of the total cost of capital, consider a \$100,000 fixed rate loan with a maturity of less than seven years. Assume the SBA guaranty is for \$85,000 and the prime rate is 5 percent. The maximum fixed rate on the \$100,000 loan is 7.25 percent (5 + 2.25). The guaranty fee based on the outstanding SBA guaranteed portion of the loan is 2 percent of \$85,000. The annual service fee of .545 percent is also applied to the outstanding balance of SBA's guaranteed portion of the loan.

U.S. Small Business Administration -- District Office

6302 Fairview Road, Suite 300

Charlotte, NC 28210-2227

704.344.6563

<http://www.sba.gov/nc>

SBA 7(a) Preferred Lenders

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 in exchange for lower guaranty coverage. 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.

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. You may obtain a current list of Preferred lenders by accessing the SBA's North Carolina District Office website at http://www.sba.gov/localresources/district/nc/nc_plp.html, or by calling 800.827.5722. Please contact your local branch first and then, if necessary, use these contacts to locate the appropriate contact person.

Preferred (SBA) Lenders active in NC:

The main office in the state is listed below. Local offices can be found by calling the numbers below or visiting the websites (list as of July 2009).

#Banco Popular North America
800.250.6968
<http://www.popularsmallbiz.com/>

#Bank of America
100 North Tryon Street
Charlotte, NC 28255
888.600.4000
<http://www.bankofamerica.com> – click Locations to find the nearest branch.

Borrego Springs Bank
7777 Alvarado Road, Suite 501
La Mesa, CA 91941
(619) 668.5150
<http://www.borregospringsbank.com>

#Branch Banking & Trust Co. (BB&T)
200 West Second Street
POB 1245
Winston-Salem, NC 27101
336.733.2500
<http://www.bbandt.com>

#BCI Lending Services
1523 Huger Street, Suite A
Columbia, SC 29201
803.461.3801
<http://www.bcilending.com/index.html>

Business Lenders

50 State House Square
Hartford, CT 06103
860.244.9202
<http://www.businesslenders.com>

#CIT Small Business Lending Corporation
800.713.4984
<http://www.cit.com/main/home>

Regional Account Managers:

Raleigh Office:
Contact: John Little- john.little@cit.com
424 East Six Forks Rd., Suite 109
PMB 331
Raleigh, NC 27609
919.789.0966

Charlotte Office:
Contact: Mark Moreno-mark.moreno@cit.com
10612-D Providence Rd., Suite 483
Charlotte, NC 28277
704.814.0409

Comerica Bank (HQ)
Comerica Tower at Detroit Center
500 Woodward Avenue
Detroit, MI 48226
Product Information: 800.292.1300
<http://www.comerica.com>

Community Bank of Rowan

322 E. Innes Street
Salisbury, NC 28144
704.639.0730

<http://www.communitybankofrowan.com/sba.html>

Community South Bank

625 S Gay Street, Suite 450
Knoxville, TN 37902
865.546.1176

<http://www.communitysouth.com/>

#Community West Bank

Goleta Branch Office
5827 Hollister Avenue
Goleta, CA 93117
805.681.9943

<http://www.communitywestbank.com>

#Fidelity Bank

100 South Main Street
POB 8
Fuquay-Varina, NC 27526-2220
800.816.608

<http://www.fidelitybanknc.com>

Fifth Third Bank

Atrium
2501 Blue Ridge Rd, Suite 100
Raleigh, NC 27607
919.573.1930 or
800.972.3030

https://www.53.com/wps/portal!/ut/p/kcx/ml/04_Sj9SPykssy0xPLMnMz0vM0Y_QjzKLd4r3NdYvyHZUBABCTX2R

First Bank

1-800-760-BANK

<http://www.firstbanks.com/>

First Carolina State Bank

171 North Winstead Ave.
Rocky Mount, NC 27804
252.937.2152

<http://www.firstcarolinastatebank.com>

#First Citizens Bank & Trust Co.

239 Fayetteville Street
Raleigh, NC 27601
919.716.7000

<http://www.firstcitizens.com> – click Branch/ATM Locator to find the nearest office.

First National Bank of the South

2501 N. Columbia Street
Milledgeville, GA 31061
478.454.1000

<http://inthebank.com>

First Western SBLC, Inc.

PMC Commercial Trust
17950 Preston Rd.
Dallas, TX 75252
972.349.3200

<http://www.pmctrust.com>

GE Capital

44 Old Ridgebury Road
Danbury, CT 06810
800.474.2704

<http://www.gecapital.com>

Greater Bay Bank

(Now part of Wells Fargo)
1900 University Avenue
East Palo Alto, CA 94303
408.975.6924 or 800.226.5262

<https://www.wellsfargo.com/jump/greaterbaybank>

Live Oak Bank

2605 Iron Gate Dr.
Suite 100
Wilmington, NC 28412
877.890.5867

<http://www.liveoakbank.com/>

Mountain 1st Bank

101 Jack Street
Hendersonville, NC 28792
(828) 697-3100

https://www.mountain1st.com/hp_view.aspx

Mutual of Omaha Bank

866.431.8909

<http://www.mutualofomahabank.com/webst/index.html?az>

New Century Bank

363 West Ontario
Chicago, IL 60610
312.944.5400

<https://www.newcenturybk.com/busloan/sbb.html>

Omni National Bank

320 Green Street
Fayetteville, NC 28301
910.483.1131
customerservice@onb.com
<http://www.onb.com>

#PNC Bank

USX Tower
600 Grant Street
Mailstop: P6-PUSX-36-1
Pittsburgh, PA 15219
877.287.2654 or 888.PNC.BANK
<http://www.pncbank.com>

RBC Bank

301 Fayetteville Street
Suite 1000
Raleigh, NC, 27601
800-236-8872
<http://www.rbcbankusa.com/cid-95406.html>

#Regions Bank

3700 Glenwood Avenue, Suite 100
Raleigh, NC 27612
919.784.8200
https://www.regions.com/small_business.rf

#SunTrust Bank

303 Peachtree Street, N.E.
Atlanta, GA 30308
404.588.7711
<https://www.suntrust.com>

#Surrey Bank & Trust Co.

145 North Renfro Street
POB 1227
Mount Airy, NC 27030

336.783.3900

http://www.surreybank.com/b_linesofcredit.htm

The Buckhead Community Bank

415 E Paces Ferry Road
Atlanta, GA 30305
404.231.2265
<http://www.buckheadcommunitybank.com/sba.asp>

***United Central Bank**

4555 West Walnut Street
Garland, TX 75042
972.487.1505
<http://www.ucbt.com>

United Community Bank

160 West Main Street
POB 979
Brevard, NC 28712
800.663.9816 or 828.884.3649
<http://www.ucbi.com>

UPS Capital Business Credit

425 Day Hill Road
POB 400
Windsor, CT 06095
800.982.6520
<http://capital.ups.com>

Wachovia Bank

301 South College Street
Charlotte, NC 28288-0013
704.374.6161 or 800.566.3862
<http://www.wachovia.com>

#Wells Fargo SBA Lending

Small Business Customer Service
Wells Fargo National Business Banking
Center
POB 340214
Sacramento, CA 95834
800.416.8658
<http://www.wellsfargo.com>

designates a Patriot Express Lender (see below for more information).
Source: SBA

SBAExpress Program

The SBAExpress 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 loan 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.

Patriot Express Loan

The new 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. Qualified borrowers include veterans, active-duty service members eligible for the Transition Assistance Program, Reservists and National Guard, current spouses of the above, and widowed spouses of veterans or service members who died during service.

See page 30 for a list of Patriot Express Lenders in North Carolina (denoted by #).

Community Express Program

This pilot program is for minorities, women or veterans across the state or anyone living in low and moderate income urban and rural areas. The SBA's guaranty levels are 80 percent on loans of \$100,000 or less and 75 percent on loans of more than \$100,000. The maximum loan amount is \$250,000. Throughout the loan term, the interest rate may not exceed 2.75 percent over the prime rate. The program also includes pre- and post-loan closing assistance in the form of marketing, financial, management and planning assistance through the Small Business and Technology Development Center (SBTDC).

SBA Community Express Lenders:

BORREGO SPRINGS BANK

12121 Panama City Bch Pkwy
Panama City Bch, FL 32407
866.644.0042
<http://www.borregospringsbank.com>

800.476.7428
<http://www.self-help.org>

SUPERIOR FINANCIAL GROUP, LLC

165 Lennon Lane, Suite 101
Walnut Creek, CA 94596
925.296.0500
<http://superiorfg.com>

INNOVATIVE BANK SOHO Loans

360 14th Street
Oakland, CA 94612
866.812.1216
<http://www.innovativebank.com>

SURREY BANK & TRUST

145 N. Renfro Street
Mount Airy, NC 27030
336.783.3900
<http://www.surreybank.com>

SELF-HELP CREDIT UNION

301 W. Main Street
Durham NC 27701

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 \$1.5 million (up to \$2 million in some cases and up to \$4 million for manufacturers). The program is designed to enable small businesses to create and retain jobs. The CDC generally must create one job for every \$50,000 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.

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 \$7 million and does not have an average net income in excess of \$2.5 million after taxes for each of the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate. In addition to SBA lending, some CDCs may have their own microloan and revolving loan programs.

As part of the Recovery Act, the SBA has temporarily eliminated fees for borrowers and lenders through calendar year 2009 (or until funds are exhausted). For more information on the 504 loan program and eligibility requirements, go to www.sba.gov/recovery.

You may obtain a current list of Certified Development Companies by visiting the SBA's North Carolina District Office website at http://www.sba.gov/nc/NC_CDC.html, or by calling 800.827.5722.

Certified Development Companies (CDCs):

AVISTA Business Development

347 Barnardsville Highway
Weaverville, NC 28787
POB 7032
Asheville, NC 28802
828.645.0439
bob.kendrick@charter.net

Region D Development Corporation

719A Greenway Road
POB 1820
Boone, NC 28607
828.265.5434 x125
<http://www.regiond.org/ecodev.html>

BEFCOR

5970 Fairview Road, Suite 218
Charlotte, NC 28211
704.442.8145
<http://www.befcor.com>

Region E Development Corporation

736 Fourth Street, SW
Hickory, NC 28602
828.322.9191
<http://www.regioneCDC.org>

Centralina Development Corporation, Inc.

1300 Baxter Street
Charlotte, NC 28204
POB 34218
Charlotte, NC 28235
704.373.1233
<http://www.cdccapital.com>

Self-Help Ventures Fund

301 West Main Street
Durham, NC 27701
POB 3619
Durham, NC 27702
919.956.4473
<http://www.self-help.org>

Neuse River Development Authority

233 Middle St., Suite 206 / POB 1111
New Bern, NC 28563
252.638.6724
<http://www.nrda.org>

Smoky Mountain Development Corp.

144 Industrial Park Drive
Waynesville, NC 28786
828.452.1967

Northwest Piedmont Development Corporation, Inc.

400 West Fourth St., Suite 400
Winston-Salem, NC 27101-2805
336.761.2111
<http://www.nwpcog.org>

Wilmington Industrial Development, Inc.

1739 Hewlett Drive
Wilmington, NC 28405
POB 1698
Wilmington, NC 28402
910.763.0013

<http://www.wilmingtonindustry.com>

Other locations:

Asheville	828.253.7781
Charlotte	704.375.5703
Greensboro	336.478.2650
Greenville	252.752.0121
Raleigh	919-755.2284
Wilmington	910.341.3270
Winston-Salem	336.378.0518

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 five years. There are five short-term working-capital loan programs for small businesses under the CAPLines umbrella. These programs are Seasonal, Contract, Builders, Standard Asset-Based, and Small Asset-Based.

The maximum CAPLine loan guaranty levels are 85 percent for loans of \$150,000 or less and 75% for loans greater than \$150,000. The maximum loan amount is \$2 million. A Small Asset-Based loan, however, may be for no more than \$200,000. The collateral necessary to obtain the credit line is usually in the form of accounts receivables or inventory. Holders of at least 20 percent ownership in the business are generally required to guarantee the loan. Maximum interest rates are the same as the 7(a) program (except for Standard Asset-Based loans where additional fees may be charged by the lender).

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: Catawba, Hoke, and Rutherford.

For more information, please see

<http://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.

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/.

MicroLoan Program

The SBA developed the MicroLoan Program to increase the availability of very small loans to prospective small business borrowers. The program offers loans up to a maximum of \$35,000, with the average loan size being \$10,500. The loans are administered through non-profit lending organizations with an SBA guaranty. Proceeds can be used for purchasing equipment, leasehold improvements, financing receivables, and working capital. The intermediary can usually process completed applications in less than one week.

The term of the loan may be as long as six years. Virtually all types of for-profit businesses that meet SBA eligibility requirements are eligible for the MicroLoan Program. Non-profit lending intermediaries exercise their own loan requirements but must take any assets bought with the microloan as collateral. In most cases, the personal guarantee of the business owners is also required. You may obtain a current list of Microloan Intermediaries by visiting the SBA's North Carolina District Office website at:

<http://www.sba.gov/services/financialassistance/sbaloantopics/microloans/index.html>
or by calling 800.827.5722.

Non-Profit Intermediary Lenders in NC:

Self-Help

301 West Main Street

POB 3619

Durham, NC 27702-3619

800.476.7428

<http://www.self-help.org>

Serves statewide except Watauga, Avery, Mitchell and Yancey counties

WAMY Community Action, Inc.

152 Southgate Dr., Suite 2

POB 2688

Boone, NC 28607

828.264.2421

<http://home.bellsouth.net/p/s/community.dll?ep=16&groupid=280528&ck=>

Counties: Watauga, Avery, Mitchell and Yancey

Mountain Biz Capital

153 S Lexington Avenue

Asheville NC 28801

828.253.2834

www.mountainbizworks.org

Non-Lending Technical Assistance Provider:

North Carolina Rural Economic Development Center

4021 Carya Drive

Raleigh, NC 27610

919.250.4314

<http://www.ncruralcenter.org>

Serves statewide

America's Recovery Capital (ARC) Loan Program (NEW)

ARC loans can be used to make payments of principal and interest, in full or in part, on one or more existing, qualifying small business loans for up to six months. ARC loans provide an immediate infusion of capital to small businesses to assist with making payments of principal and interest on existing debt. These loans allow borrowers to redirect cash flow from making loan payments to investing in their businesses, to help sustain the business and retain jobs. For example, making loan payments on existing loans with proceeds from an ARC loan can allow a business to focus more funds on core operations, such as buying inventory or making payroll.

ARC loans are interest-free to the borrower, carry a 100 percent guaranty from the SBA to the lender, and require no fees paid to SBA. Loan proceeds are provided over a six-month period and repayment of the ARC loan principal is deferred for 12 months after the last disbursement of the proceeds. Repayment can extend up to five years.

The best candidates for ARC loans are small businesses that in the past were profitable but are currently struggling, yet have been making loan payments or are just beginning to miss loan payments due to financial hardship.

Any delegated SBA lender may participate in the ARC loan program. The SBA will pay these banks a monthly interest rate throughout the term of the loan. Businesses interested in applying for an ARC loan should first contact their current lender. **ARC loans will be offered by some SBA lenders for as long as funding is available or until September 30, 2010, whichever comes first.**

For additional information, go to www.sba.gov/recovery/arcloanprogram/.

Dealer Floor Plan Financing Program (NEW)

On July 1, 2009 the SBA will offer government guaranteed loans to finance inventory for eligible auto, recreational vehicle, boat and other dealerships under a new pilot program. The program, Dealer Floor Plan (DFP) financing, allows dealers to borrow against retail inventory and acts as a revolving line of credit for a dealer to obtain financing for retail goods. The dealer repays the debt as their inventory is sold and can borrow against the line of credit to add new inventory.

Under the DFP pilot program, SBA will provide loan guarantees for lines of credit through its 7(a) program. DFP loans will be made through SBA lenders only for titled inventory, such as autos, RVs, manufactured homes, boats and trailers. The pilot program will run through Sept. 30, 2010, at which time SBA will make the determination of whether or not to extend the program.

DFP loans will be available for a minimum of \$500,000 up to the \$2 million allowable under the 7(a) program. With a maximum repayment term of five years, the loans will come with a 75 percent government guarantee. Borrowers will also benefit from the temporary elimination of fees on 7(a) loans made possible by the American Recovery and Reinvestment Act of 2009.

For additional information go to: www.sba.gov/floorplanfinancing/index.html

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.

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 <http://www.sba.gov/size/Main-faq.html>.

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 http://www.sba.gov/nc/NC_FINANCING.html, or by calling 800.827.5722. SBIC Standards and guidelines may be found at: <http://www.sba.gov/aboutsba/sbaprograms/inv/forsbic/index.html>.

SBICs licensed, or willing to invest, in North Carolina:

(Source: SBA Gopher Local Information -

http://www.sba.gov/idc/groups/public/documents/sba_program_office/inv_sbicnc.txt)

SBIC Licensees Located in North Carolina on September 2, 2009

BA Capital Company, L.P.

J. Travis Hain, Managing Member

100 North Tryon Street, 25th Floor

NCI-007-25-02

Charlotte, NC 28255

704.386.1792

Email: ed.a.balogh@bankofamerica.com

INVESTMENT CRITERIA

INVESTMENT SIZE RANGE

Preferred Min: \$3 million; Preferred Max:

\$4 million

TYPE OF CAPITAL PROVIDED

Equity, Sub. Debt w/Warrants

FUNDING STAGE PREFERENCE

Later Stage, Expansion, MBO, LBO,
Acquisition

INDUSTRY PREFERENCE

Healthcare, Technology, Media,
Telecommunications, Diversified

GEOGRAPHIC PREFERENCES

National

DESCRIPTION OF FIRM'S FOCUS

Invests in middle market companies as well as smaller, higher growth firms in a broad array of industries. Provide venture & risk capital for growth financings, buyouts, acquisitions, recapitalizations & other situations requiring equity.

Banc of America Capital Investors SBIC, LP

J. Travis Hain, Managing Member

100 North Tryon Street, 25th Floor

NC1-007-25-02

Charlotte, NC 28255

704.386.1792

Email: ed.a.balogh@bankofamerica.com

BancAmerica Capital Investors SBIC II, LP

Erick C. Christensen

100 North Tryon Street, Suite 1314

Charlotte, NC 28255

312.828.2287

Email:

erick.c.christensen@bankofamerica.com

BancBoston Ventures, Incorporated

Erick C. Christensen

Bank of America Corporate Center

Mail Code: NC1-007-22-32

Charlotte, NC 28255-0001

704.683.5741

Email:

erick.c.christensen@bankofamerica.com

INVESTMENT CRITERIA

INVESTMENT SIZE RANGE

Preferred Min: \$1,000,000

Preferred Max: \$20,000,000

TYPE OF CAPITAL PROVIDED

Equity, Mezzanine

FUNDING STAGE PREFERENCE

Early Stage, Expansion, Later Stage,

INDUSTRY PREFERENCE

Healthcare, Media, Communications,
Information Technology, Diversified

GEOGRAPHIC PREFERENCES

National

BB&T Capital Partners II, LLC

David Townsend, Contact

101 N. Cherry Street, Suite 700

Winston-Salem, NC 27101-4019

336.733.0355

Email: dgtownsend@bbandt.com

INVESTMENT CRITERIA

INVESTMENT SIZE RANGE

Preferred Min: \$0; Preferred Max: \$0

BB&T Capital Partners, LLC
David Townsend & Martin Gilmore,
Mgrs.
101 N. Cherry Street, Suite 700
Winston-Salem, NC 27101-4019
336.733.0355
Email: dgtownsend@bbandt.com

INVESTMENT CRITERIA
INVESTMENT SIZE RANGE
Preferred Min:
Preferred Max:

TYPE OF CAPITAL PROVIDED
Equity, Subordinated Debt

FUNDING STAGE PREFERENCE
Later Stage, Acquisitions, MBO,
Recapitalization, Consolidation

INDUSTRY PREFERENCE

GEOGRAPHIC PREFERENCES
Southeast

DESCRIPTION OF FIRM'S FOCUS
Seeks to invest in companies with
experienced management, a
demonstrated need for the company's
products or services, and sustainable
competitive advantages allowing for
profitable growth. Only invest in later-
stage companies.

**BB&T Capital Partners/Windsor
Mezzanine Fund**
David Townsend
101 N. Cherry Street, Suite 700
Winston-Salem, NC 27101-4019
336.733.0355 .
Email: Cnjones@bbandt.com

CapitalSouth Partners Fund I, L.P.
Jack McGlenn
2530 Meridian Parkway, Suite 200
Research Triangle Park
Durham, NC 27713
919.806.4590

CapitalSouth Partners Fund I, L.P.
Joseph B. Alala, III, Contact
1011 East Morehead Street, Suite 150
Charlotte, NC 28204
704.376.5502
Email: jalala@capitalsouthpartners.com

CapitalSouth Partners Fund II, L.P.
Joseph B. Alala, Contact
1011 East Morehead Street, Suite 150
Charlotte, NC 28204
704.376.5502
Email: jalala@capitalsouthpartners.com

CapitalSouth Partners Fund II, L.P.
Jack McGlenn
2530 Meridian Parkway, Suite 200
Research Triangle Park
Durham, NC 27713
919.806.4590

**CapitalSouth Partners SBIC Fund III,
LP**
Joseph B. Alala, Contact
1011 East Morehead Street, Suite 150
Charlotte, NC 28204
704.376.5502
Email: jalala@capitalsouthpartners.com

Frontier Fund I, L.P.
Andrew Lender, Contact
1111 Metropolitan Avenue, Ste 1050
Charlotte, NC 28204
704.414.2880
Email: andrew@frontierfunds.com

**North Carolina Economic
Opportunities Fund**
H. Dabney Smith, Contact
316 West Edenton Street, Suite 110
Raleigh, NC 27603
919.256.5007
Email: dsmith@dogwoodequity.com

Oberlin Capital, L.P.
Robert Shepley, Manager
1330 Sunday Drive, Suite 105
Raleigh, NC 27607
919.861.2908
Email: wgupton@greenhawkcapital.com

INVESTMENT CRITERIA
INVESTMENT SIZE RANGE
Preferred Min: \$750,000
Preferred Max: \$150,000

TYPE OF CAPITAL PROVIDED
Subordinated Debt

FUNDING STAGE PREFERENCE
Mid to Later Stage, Later Stage,
Acquisition, MBO

INDUSTRY PREFERENCE

GEOGRAPHIC PREFERENCES
Southeast

DESCRIPTION OF FIRM'S FOCUS
Provides subordinated debt for both
established, profitable enterprises
looking for growth capital and emerging
companies with strong growth potential.

Plexus Fund I, L.P.
4601 Six Forks Road, Suite 528
Raleigh, NC 27609
919.256.6341

Plexus Fund I, L.P.
Robert Anders, Jr., Contact
200 Providence Road, Suite 210
Charlotte, NC 28207
704.927.6246
Email: banders@plexuscap.com

Salem Capital Partners, LP
Philip Martin, Contact
112 Cambridge Plaza Drive, Suite 201
Mail: P.O. Box 24785
Winston-Salem, NC 27114-4785
336.768.9343
Email: pmartin@salemcapital.com

INVESTMENT CRITERIA
INVESTMENT SIZE RANGE
Preferred Min: \$0
Preferred Max: \$0

TYPE OF CAPITAL PROVIDED
Equity, Subordinated Debt

FUNDING STAGE PREFERENCE
Expansion, Later Stage, No New
Investments

INDUSTRY PREFERENCE
Manufacturing, Light Industrial,
Services, Distribution

GEOGRAPHIC PREFERENCES
Southeast

DESCRIPTION OF FIRM'S FOCUS
Provides capital for growth, expansion,
acquisition, LBO, MBO to rapidly
growing companies with historical or
imminent positive cash flow; sales of \$3-
\$50 million.

Salem Halifax Capital Partners, L.P.
Philip Martin, Contact
112 Cambridge Plaza Drive, Suite 201
Winston-Salem, NC 27114
336.768.9343
Email: pmartin@salemcapital.com

INVESTMENT CRITERIA
INVESTMENT SIZE RANGE
Preferred Min: \$2,000,000
Preferred Max: \$10,000,000

TYPE OF CAPITAL PROVIDED
Subordinated Debt, Mezzanine Equity

FUNDING STAGE PREFERENCE
Later Stage / Expansion

INDUSTRY PREFERENCE
Manufacturing, Light Industrial,
Business Services, Distribution,
Healthcare

GEOGRAPHIC PREFERENCES
Southeast, Southwest, Midwest, Mid-
Atlantic

DESCRIPTION OF FIRM'S FOCUS
Provides capital for growth, expansion,
acquisition, LBO, MBO to rapidly
growing companies with historical
positive cash flow of \$1 million or more

and sales of \$5-\$75 million.

919.719.4788

Email: burgess@tcap.com

Triangle Mezzanine Fund LLP

Brent Burgess

3700 Glenwood Avenue, Suite 530

Raleigh, NC 27612

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 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 \$100,000 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 \$750,000 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. 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 \$200 million for fiscal year 2008.

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

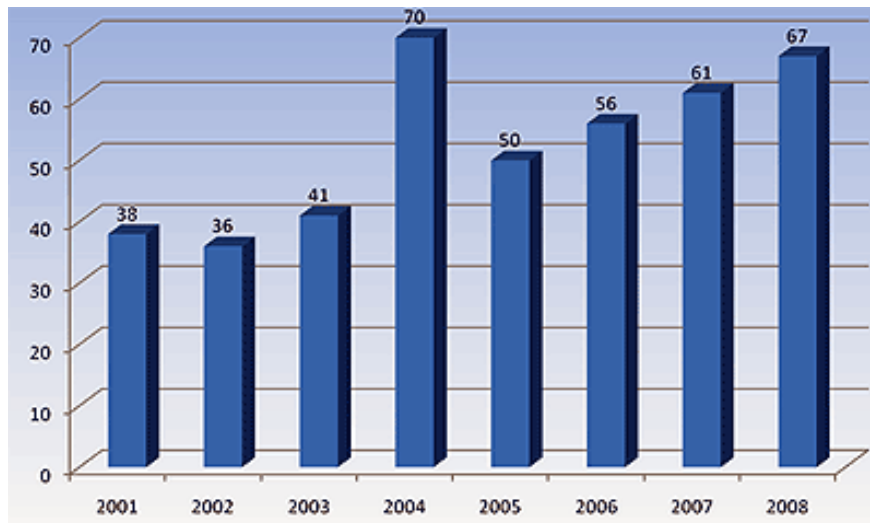
Differences between SBIR and STTR

	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--\$100,000	Phase I--\$100,000
	Phase II--\$750,000	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.)

2001 – 2008 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 a 18.6% win rate, 2 percentage points above the national win-rate.

Year	Awards	Proposals	Award Rate
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%
2001	38	210	18.10%

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@sbtcd.org / <http://www.sbtcd.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. Small Business Administration -- District Office

6302 Fairview Road, Suite 300
Charlotte, NC 28210-2227
704.344.6563

<http://www.sba.gov/nc/>

U.S. Department of Commerce Economic Development Administration (EDA)

The EDA's **Revolving Loan Fund (RLF)** Programs are administered by eligible grantees to provide gap financing loans in concert with private lenders for fixed assets and/or working capital. RLF projects support such activities as: small business development, including start-ups and expansions; business and job retention; redevelopment of blighted land and vacant facilities for public use; and support for growth industries and high-tech firms. Most of the other programs offered through EDA provide indirect assistance to small businesses such as in the construction of infrastructure and other facilities owned by eligible public and non-profit applicants.

Eastern NC Regional Office
U.S. Dept. of Commerce - EDA
POB 1707, Lugoff, SC 29078
803.408.2513
<http://www.eda.gov>

Western NC Regional Office
U.S. Dept. of Commerce - EDA
771 Corporate Drive, Suite 200
Lexington, KY 40503
859.224.7426
<http://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
info@kerrtarcog.org
<http://www.kerrtarcog.org>

Counties: Franklin, Granville, Person,
Vance, and Warren
Loan Range: \$25,000 to \$200,000
Loan Program details:
<http://www.kerrtarcog.org/economicdevelopment/revolvingloans.php>

Mid-East Commission

1385 John Small Avenue
POB 1787
Washington, NC 27889
252.946.8043
<http://www.mideastcom.org>

Counties: Beaufort, Bertie, Hertford,
Martin, and Pitt
Loan Range: \$20,000 to \$100,000

**Neuse River Development Authority
(NRDA)**

233 Middle Street, Suite 206
POB 1111
New Bern, NC 28563-1111
252.638.6724
<http://www.nrda.org>

Counties: Carteret, Craven, Duplin,
Greene, Jones, Johnston, Lenoir,
Onslow, Pamlico, and Wayne

Loan Range: \$35,000 to \$150,000

Loan Program details:

http://www.nrda.org/html/loan_programs.htm

Southwestern Commission

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

<http://www.regiona.org>

Counties: Cherokee, Clay, Graham,
Haywood, Jackson, Macon, and Swain
Loan Range: \$25,000 to \$200,000

Loan Program details:
<http://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
ggodard@ucpcog.org

<http://www.ucpcog.org>

Counties: Edgecombe, Halifax, Nash,
Northampton, and Wilson

Loan Range: \$25,000 to \$150,000
Loan Program details:
<http://www.ucpcog.org/index.php?page=381>

**U.S. Department of Agriculture
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

<http://www.fsa.usda.gov>

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 90 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. This is achieved through loans made by Rural Development to intermediaries, who then re-lend funds to ultimate recipients. Loans may be made for up to the lesser of 75 percent of the project cost or \$150,000. Loans must be for the establishment of new businesses, creation of employment opportunities, saving of existing jobs, or community development employment projects.

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.

USDA Rural Development Rural Business and Cooperative Services Division

Z. Steve Byrd, Director
4405 Bland Road, Suite 260
Raleigh, NC 27609
919.873.2043

<http://www.rurdev.usda.gov/nc>

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. Grant funds

do not go directly to businesses. For more information please see <http://www.rurdev.usda.gov/nc/rbeg.htm> or contact:

**USDA Rural Development Business and Utilities Division
Rural Business and Cooperative Services Division**

Z. Steve Byrd, Director
4405 Bland Road, Suite 260
Raleigh, NC 27609
919.873.2043
<http://www.rurdev.usda.gov/nc>

U.S. Department of Energy

Inventions and Innovation Program

The U.S. Department of Energy's (DOE's) Inventions and Innovation (I&I) offers financial and technical support to inventors and businesses for promising energy-saving concepts and technologies. I&I selects technologies to receive grants through a competitive process. At present, I&I has no funding for its activities in fiscal year 2007, so it has announced no upcoming funding opportunity solicitations. I&I accepts proposals only during open solicitations. Please continue to visit the I&I website and click the Financial Opportunities tab for information about any upcoming solicitations.
<http://www1.eere.energy.gov/inventions/> or by contacting:

U.S. Department of Energy
Inventions and Innovation
1000 Independence Ave., SW
Washington, DC 20585
202.586.9488

EXPORT FINANCING

U.S. Small Business Administration (SBA)

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 \$1,500,000. Borrowers may also have other current SBA guarantees, as long as the SBA's exposure does not exceed \$1,000,000. When an EWCP loan is combined with an international trade loan, the SBA's exposure can go up to \$1.25 million. 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 as much as \$1.25 million in combined working capital and facilities-and-equipment loans. The working capital portion of the loan may be made according to the provisions of the Export Working Capital Program.

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 (SBA) 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
<http://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@sbt dc.org*
<http://www.sbt dc.org>

APPENDIX A: QUICK REFERENCE TO SBA LOAN PROGRAMS

Page 1 of 3 Effective 02/17/09

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>\$1.5 mil (Maximum Guaranty Amount) (Total loan cannot exceed \$2 mil)</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>\$2 mil (Total Loan Amount) >\$200,000 <\$200,000</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 guaranty 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	\$35,000 (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 \$1.5 mil. \$ 2 mil for projects which meet certain Public Policy Goals. & \$4 mil for 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.	CDC processing fee and lender participation fee temporarily eliminated.	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
SBAExpress	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)
Community Express	\$250,000 (Max. Loan Amount)	90%	Loan proceeds may be used for most business purposes including start-up, expansion, equipment purchases working capital, inventory or real estate acquisitions.	Generally 5 to 10 years.	Lenders will be allowed to charge up to 4.75 over prime for loans of \$25m or < & 3.75 for loans >\$25m up to \$50m & 2.75 over prime for loans over \$50m depending on loan term.	See 7(a)	Persons who meet normal requirements for SBA loans. Also, must be located in one of Community Express's designated areas.
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

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.

Local government applicants may apply for CDBG assistance for public facilities needed to serve a specific business or for direct loan assistance for specific business needs such as equipment purchases, building renovations, or new construction. General eligibility requirements for a CDBG participation loan include: 1) a letter from a North Carolina bank willing to provide 50% or more of the necessary loan; 2) a minimum capital investment from the company of 20% in the project; 3) a full business plan including three years of audited financial information, source of equity, and all supporting information to the assumptions; 4) collateral of 125% of appraised assets (machinery and equipment, real estate, etc.); 5) cash flow of 1.25 times debt service; and 6) personal guaranties of the principal owners of the company supported by personal financial statements. Of the eight grant categories, the program described below is the most relevant to this publication.

Small Business & Entrepreneurial Assistance

New for 2007, this grant was designed to assist local governments that are already in the process of developing a coordinated effort to support and grow their community's existing, small businesses.

With \$1 million in available funding, this grant is expected to help create and retain jobs within our state's most distressed communities. It enables local governments to formulate an economic development strategy to support locally owned and operated businesses. And it assists local governments ready to establish and nurture an entrepreneurial-friendly environment that will benefit small businesses/entrepreneurs now and in the future.

Eligibility Requirements: Local governments eligible for the State CDBG program that are Tier 1 or 21st Century Communities are eligible to apply. At least 70% of grant funds must go towards creating or retaining jobs for low-to-moderate income persons.

Program Intent: This grant was designed to assist local governments that are already in the process of developing a coordinated effort to support and grow their community's small businesses. The local government would identify small businesses ready to hire additional full-time people but in need of funding to make this possible.

Eligible Activities: Examples of activities that may be eligible under this program include:

- Infrastructure improvements (e.g., water, sewer, roads);
- Purchase of land;
- Construction of a building or other improvements;
- Renovation of an existing building to accommodate the business;
- Construction of tenant improvements/finishes;
- Leasing space in or purchasing an existing building;
- Purchasing capital equipment; and
- Providing job training that can be linked to specific jobs at a specific firm.

NC Department of Commerce, Commerce Finance Center

4318 Mail Service Center
Raleigh, NC 27699-4318
919.733.5297

<http://www.nccommerce.com/en/CommunityServices/CommunityDevelopmentGrants/CommunityDevelopmentBlockGrants/>

Industrial Development Fund

This fund is used to provide assistance to local governments of the 65 most economically distressed counties in the state in creating jobs in certain industries. Eligible industries include manufacturing, data processing, warehousing, central administrative offices, and air courier services (those from the Lee Act). The jobs created must be considered high quality, as proven by meeting a wage test. Up to \$5,000 per job created may be provided, with a maximum of \$500,000 per project.

NC Department of Commerce, Commerce Finance Center

4318 Mail Service Center
Raleigh, NC 27699-4318
919.733.5297

<http://www.nccommerce.com/en/CommunityServices/CommunityDevelopmentGrants/IndustrialDevelopmentFund/>

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:

Stewart Dickinson, Director
Commerce Finance Center
919.715.6560
sdickinson@nccommerce.com

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

<http://www.nccommerce.com/finance>

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

<http://www.nccommerce.com/en/BusinessServices/SupportYourBusiness/FinancingBusinessGrowth/IndustrialRevenueBondsProgram/>

**NC Board of Science and Technology
SBIR/STTR Matching Funds Program**

North Carolina based small businesses will be eligible to receive significant follow-on grant assistance in support of their SBIR or STTR projects. Under the One North Carolina Small Business Matching Funds Program, the State of North Carolina issues a grant of 100% of the amount a NC-based small business receives in a federal SBIR/STTR Phase I award up to a maximum of \$100,000, based upon the availability of program funds. These grants are disbursed in two stages: 75% of the total goes to the company upon proof of Phase I award, and the remaining 25% goes to the company upon submission of the Phase II application and acceptance of the Phase I report by the federal SBIR/STTR program agency. The North Carolina Board of Science and Technology administers these grants. Since the inception of the program in early 2006, the program has issued over 75 Phase I matching grants to North Carolina small businesses totaling in excess of \$5.5 million. The average grant award in FY0607 was over \$89,000.

The General Assembly appropriated \$4.83 million to the One North Carolina Small Business Program for FY 2007-08. The Match Program Solicitation for FY0708, as well as general information about the program and application instructions on the Board's website at www.ncscienceandtechnology.com.

SBIR/STTR Incentive Funding Program for NC Small Businesses

Starting with the 2007-08 fiscal year, North Carolina small businesses participating in the Federal SBIR and STTR program are eligible to receive a grant reimbursement for a portion of the costs they incur in preparing and submitting their Federal Phase I SBIR/STTR proposals. Under the One North Carolina Small Business Incentive Funds Program, new this year, the State will issue qualified applicants a grant in the amount equal to 50% of their approved Phase I Proposal preparation costs, up to \$3,000. These grants are awarded to qualified applicants on a first-come, first-served basis, up to the limits of available funding.

The FY 2007-08 solicitation for this program, covering the period July 2, 2007 through June 30, 2008, as well as information about the program, application instructions, and supporting materials is available on the Board's website at:

www.ncscienceandtechnology.com.

NC Board of Science and Technology

North Carolina Department of Commerce
301 North Wilmington St.
1326 Mail Service Center
Raleigh, NC 27699-1326
919.733.6500

www.ncscienceandtechnology.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" or "Qualified Grantee Businesses." The guidelines are fully described in the North Carolina General Statutes sections 105-163.010 through 105-163.014.

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.

North Carolina Department of the Secretary of State

David Massey, Deputy Securities Administrator
Securities Division
POB 29622
Raleigh, NC 27626-0525
919.733.3924
<http://www.secretary.state.nc.us/sec/>

William S. Lee Quality Jobs & Business Expansion Tax Credit

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).

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

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. For 2007 only, 41 counties have been designated as Tier 1 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,

3

<http://www.nccommerce.com/en/PressRoom/PressReleases/PR2006CommerceAnnounces2007EconomicDevelopmentTierRankings.htm>

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.
-

ARTICLE 3J TIERS , COUNTY RANKINGS, 2009

2007 Tier Designation	County	Jobs Tax Credit (per new job)	Investment Tax Credit	Minimum Local Match	Credit for Investing in Real Property
Tier 1	Alleghany	\$12,500	7%	\$0	Eligible
	Anson	\$12,500	7%	\$0	Eligible
	Beaufort	\$12,500	7%	\$0	Eligible
	Bertie	\$12,500	7%	\$0	Eligible
	Bladen	\$12,500	7%	\$0	Eligible
	Burke	\$12,500	7%	\$0	Eligible
	Caldwell	\$12,500	7%	\$0	Eligible
	Camden	\$12,500	7%	\$0	Eligible
	Caswell	\$12,500	7%	\$0	Eligible
	Chowan	\$12,500	7%	\$0	Eligible
	Clay	\$12,500	7%	\$0	Eligible
	Cleveland	\$12,500	7%	\$0	Eligible
	Columbus	\$12,500	7%	\$0	Eligible
	Cumberland	\$12,500	7%	\$0	Eligible
	Edgecombe	\$12,500	7%	\$0	Eligible
	Gates	\$12,500	7%	\$0	Eligible
	Graham	\$12,500	7%	\$0	Eligible
	Greene	\$12,500	7%	\$0	Eligible
	Halifax	\$12,500	7%	\$0	Eligible
	Hertford	\$12,500	7%	\$0	Eligible
	Hyde	\$12,500	7%	\$0	Eligible

2007 Tier Designation	County	Jobs Tax Credit (per new job)	Investment Tax Credit	Minimum Local Match	Credit for Investing in Real Property
Tier 1 (cont.)	Jones	\$12,500	7%	\$0	Eligible
	Lenoir	\$12,500	7%	\$0	Eligible
	Martin	\$12,500	7%	\$0	Eligible
	Mitchell	\$12,500	7%	\$0	Eligible
	Montgomery	\$12,500	7%	\$0	Eligible
	Northampton	\$12,500	7%	\$0	Eligible
	Richmond	\$12,500	7%	\$0	Eligible
	Robeson	\$12,500	7%	\$0	Eligible
	Rockingham	\$12,500	7%	\$0	Eligible
	Rutherford	\$12,500	7%	\$0	Eligible
	Scotland	\$12,500	7%	\$0	Eligible
	Surrey	\$12,500	7%	\$0	Eligible
	Tyrell	\$12,500	7%	\$0	Eligible
	Vance	\$12,500	7%	\$0	Eligible
	Warren	\$12,500	7%	\$0	Eligible
	Washington	\$12,500	7%	\$0	Eligible
	Wayne	\$12,500	7%	\$0	Eligible
	Wilkes	\$12,500	7%	\$0	Eligible
Wilson	\$12,500	7%	\$0	Eligible	
Tier 2	Alamance	\$5,000	5%	25%	Not Eligible
	Alexander	\$5,000	5%	25%	Not Eligible
	Ashe	\$5,000	5%	25%	Not Eligible
	Avery	\$5,000	5%	25%	Not Eligible
	Catawba	\$5,000	5%	25%	Not Eligible
	Cherokee	\$5,000	5%	25%	Not Eligible
	Chowan	\$5,000	5%	25%	Not Eligible
	Craven	\$5,000	5%	25%	Not Eligible
	Currituck	\$5,000	5%	25%	Not Eligible
	Dare	\$5,000	5%	25%	Not Eligible
	Davidson	\$5,000	5%	25%	Not Eligible
	Davie	\$5,000	5%	25%	Not Eligible
	Duplin	\$5,000	5%	25%	Not Eligible
	Franklin	\$5,000	5%	25%	Not Eligible
	Gaston	\$5,000	5%	25%	Not Eligible
	Granville	\$5,000	5%	25%	Not Eligible
	Harnett	\$5,000	5%	25%	Not Eligible
	Hoke	\$5,000	5%	25%	Not Eligible
	Jackson	\$5,000	5%	25%	Not Eligible
	Lee	\$5,000	5%	25%	Not Eligible
Macon	\$5,000	5%	25%	Not Eligible	
Madison	\$5,000	5%	25%	Not Eligible	
McDowell	\$5,000	5%	25%	Not Eligible	
Nash	\$5,000	5%	25%	Not Eligible	
Onslow	\$5,000	5%	25%	Not Eligible	
Pamlico	\$5,000	5%	25%	Not Eligible	

	Pasquotank	\$5,000	5%	25%	Not Eligible
	Pender	\$5,000	5%	25%	Not Eligible
	Perquimans	\$5,000	5%	25%	Not Eligible
2007 Tier Designation	County	Jobs Tax Credit (per new job)	Investment Tax Credit	Minimum Local Match	Credit for Investing in Real Property
Tier 2 (cont.)	Person	\$5,000	5%	25%	Not Eligible
	Pitt	\$5,000	5%	25%	Not Eligible
	Polk	\$5,000	5%	25%	Not Eligible
	Randolph	\$5,000	5%	25%	Not Eligible
	Rowan	\$5,000	5%	25%	Not Eligible
	Sampson	\$5,000	5%	25%	Not Eligible
	Stanly	\$5,000	5%	25%	Not Eligible
	Stokes	\$5,000	5%	25%	Not Eligible
	Swain	\$5,000	5%	25%	Not Eligible
	Transylvania	\$5,000	5%	25%	Not Eligible
	Watauga	\$5,000	5%	25%	Not Eligible
	Wilkes	\$5,000	5%	25%	Not Eligible
	Yadkin	\$5,000	5%	25%	Not Eligible
	Yancey	\$5,000	5%	25%	Not Eligible
Tier 3	Brunswick	\$750	3.5%	N/A	Not Eligible
	Buncombe	\$750	3.5%	N/A	Not Eligible
	Cabarrus	\$750	3.5%	N/A	Not Eligible
	Carteret	\$750	3.5%	N/A	Not Eligible
	Chatham	\$750	3.5%	N/A	Not Eligible
	Craven	\$750	3.5%	N/A	Not Eligible
	Durham	\$750	3.5%	N/A	Not Eligible
	Forsyth	\$750	3.5%	N/A	Not Eligible
	Guilford	\$750	3.5%	N/A	Not Eligible
	Haywood	\$750	3.5%	N/A	Not Eligible
	Henderson	\$750	3.5%	N/A	Not Eligible
	Iredell	\$750	3.5%	N/A	Not Eligible
	Johnston	\$750	3.5%	N/A	Not Eligible
	Lincoln	\$750	3.5%	N/A	Not Eligible
	Mecklenburg	\$750	3.5%	N/A	Not Eligible
	Moore	\$750	3.5%	N/A	Not Eligible
	New Hanover	\$750	3.5%	N/A	Not Eligible
	Orange	\$750	3.5%	N/A	Not Eligible
	Union	\$750	3.5%	N/A	Not Eligible
	Wake	\$750	3.5%	N/A	Not Eligible

Technology Commercialization Credit

In 1999 the legislature added this credit as an alternative to the tax credit for investments in machinery and equipment. This credit applies only to investments in machinery and equipment, located in a tier one, two, or three enterprise area, and used in production based on technology licensed from a research university. The eligible investment amount must be at least \$10 million in the taxable year. The credit is 15 percent for an investment of at least \$100 million over four years, or 20 percent for investments above \$150 million over four years. 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.

Research and Development Tax Credit

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%.
- **Low-tier research:** For expenses for research performed in a Tier 1 county, any size business is permitted a credit of 3%.
- **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 15% of those expenses.

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

4318 Mail Service Center
Raleigh, NC 27699-4318
919.733.5297

<http://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.

North Carolina State Ports Authority

POB 9002
Wilmington, NC 28402
800.334.0682
<http://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

<http://www.stateagfinance.org/types.html>

Renewable Energy 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.

North Carolina Solar Center
Campus Box 7401
North Carolina State University
Raleigh, NC 27695-7401
919.515.3480

http://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

http://www.ncccs.cc.nc.us/Business_and_Industry/index.html

NC Capital Highway

Developed in partnership with the North Carolina Biotechnology Center and North Carolina's Small Business & Technology Development Center the [NC Capital Highway](#) has assembled a broad spectrum of existing and new resources in an effort to improve the process of capital formation and address the funding GAPS. In North Carolina, these actions will result in long-term economic development in all counties by mobilizing action around our widely dispersed capital funds.

Via an internet based platform, this comprehensive process will facilitate the delivery of investment capital, specialized educational programming, technical assistance, and value added resources to entrepreneurs and investors throughout the state.

NC Capital Highway

1959 N. Peace Haven Rd.
Suite 111
Winston-Salem, NC 27106
336.403.1088

<http://www.nccapitalhighway.com>
info@nccapitalhighway.com

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 help with capital formation in North Carolina and enhance the investment process among entrepreneurs and accredited investors, the SBTDC launched the Private Investment Education and Development (PIED) initiative. With initial funding from the NC Department of Commerce, the SBTDC is designing and creating or sourcing seminars for entrepreneurs and investors. The Kauffman Foundation's *Power of Angel Investing* seminar for accredited investors is the first in this series that the SBTDC is presenting throughout the state in partnership with local entrepreneur support groups and angel funds.

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.

For a full and current perspective on the angel investor market nationally, consult "The Angel Investor Market in 2008: A Down Year in Investment Dollars But Not in Deals." http://wsbe2.unh.edu/files/2008_Analysis_Report_Final.pdf. The Center for Venture Research (c/o The Whittemore School of Business & Economics at the University of New Hampshire) regularly produces/offers this and other publications examining the angel investment and venture capital markets. To view a list of these for-purchase reports visit: <http://wsbe2.unh.edu/center-venture-research> and click 'Publications' in the right-side frame.

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, etc. developed. And, occasionally, loans can be obtained from specialized sources to bridge science grants, etc.

Other 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 2008, for example, of the approximately \$28 billion in venture capital invested nationally, only \$ 1.49 billion, or 5%, was invested in seed/start-up deals, while approximately \$5.35 billion, or 19%, was invested in early-stage ventures. (Source: PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association's *MoneyTree Survey Report*.

<https://www.pwcmoneytree.com/MTPublic/ns/index.jsp>

However, there may be some hope for increased venture active in the early stages. Seed and Early stage investing skyrocketed 67 percent in terms of dollars in the second quarter of 2009, with \$1.5 billion invested into 221 deals, compared to the first quarter when venture capitalists invested \$885 million into 233 deals. The largest deal of the

quarter was a Seed stage deal, which drove a significant percentage of the increase. Seed/Early stage deals accounted for 38 percent of total deal volume in the second quarter, unchanged from the first quarter. The average Seed deal in the second quarter was \$9.5 million, up significantly from \$3.7 million in the first quarter; the average Early stage deal was \$5.6 million in Q2, up from \$4.1 million in the prior quarter.⁴

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.⁵

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.

⁴ Venture Capital Investment Increases in Q2 2009 but Remains at Mid-1990 Levels. <http://www.nvca.org/>

⁵ 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 & Networks active in NC:**Angels for Moore [Network]**

POB 5885
Pinehurst, NC 28374
910.246.0311
<http://www.angelsformoore.org>

828.651.9815
<http://www.imafwestern.com>

IMAF Kannapolis
<http://imafkannapolis.com>

The Atlantis Group, LLC [Fund]

2530 Meridian Parkway, 3rd Floor
Durham, NC 27713
919.806.4340
info@TheAtlanticGroup.net
<http://www.TheAtlanticGroup.net>

IMAF East
<http://imafeast.com>

Blue Ridge Angel Investors Network (BRAIN)

c/o Advantage West
3 General Aviation Dr.
Fletcher, NC 28732
828.687.7234
<http://www.brainnc.com>

Piedmont Angel Network (PAN)
2007 Yanceyville St., Box 69
Greensboro, NC 27405
336.235.0941
<http://www.piedmontangelnetwork.com>

Eastern NC Investor Network (ENC-IN)

ECU's Entrepreneurial Initiative
300 East First St.
Willis Building
Greenville, NC 27858
252.737.1345
<http://www.ecu.edu/cs-acad/rds/ei/index.cfm>

Tri-State Investment Group (TIG) [Fund]
405 Tramore Dr.
Chapel Hill, NC 27516
919.968.3760
contact@tignc.com
<http://www.tignc.com>

Inception Micro Angel Fund (IMAF) Family of Funds

<http://www.inceptionmicroangelfund.com>

IMAF Triad

1959 N. Peacehaven Rd., Suite 111
Winston-Salem, NC 27106
336.403.1088
<http://www.imaftriad.com>

Triangle Accredited Capital Forum (TACF) [Network]
Inquiries should be directed to:
chairman@capital-forum.com
<http://www.capital-forum.com>

WED3, Inc. [Network]

1523 Elizabeth Ave, Suite 210
Charlotte, NC 28204
Inquiries should be directed to:
paul@wed3.org
<http://www.wed3.org>

IMAF West

PO Box 168
Fletcher, NC

Wilmington Investor Network (WIN)
1802 South Churchill Dr.
Wilmington, NC 28403
910.538.6641
<http://www.wilmingtoninvestor.com>

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.⁶

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 operate more than one fund. Although one fund may be closed to new investments, the firm may be in the process of raising

⁶ *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: <http://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.]

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. According to PricewaterhouseCoopers' latest *MoneyTree Survey*, <https://www.pwcmoneytree.com/MTPublic/ns/nav.jsp?page=stage> investments in Later stage deals fell 20 percent in dollars and 2 percent in deals to \$1.2 billion going into 207 rounds. Later stage deals accounted for 34 percent of total deal volume in Q2, compared to 35 percent in Q1 2009 when \$1.4 billion went into 212 deals. The average Later stage deal in the second quarter was \$5.6 million, which decreased from \$6.8 million in the prior quarter. Overall for Q2 2009, Seed/Early stage companies accounted for 30.57% of the deal volume; Expansion stage for 28%; and Later stage for 31.44%.

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 the fourth quarter 2008, \$1.8 billion went into 235 Later-stage deals, which represent declines of 38 percent and 23 percent, respectively, compared to the third quarter of 2008. Later-stage deals accounted for 34 percent of all deals in the fourth quarter, down from 40 percent in the prior quarter. Expansion funding plunged in the fourth quarter, dropping 25 percent to \$2.0 billion from the prior quarter. The number of deals also fell during the quarter, declining 6 percent to 257, down from 273 in the third quarter of 2008. Expansion Stage deals accounted for 37 percent of the total deals in the fourth quarter of 2008 compared to 36 percent in the third quarter.⁷

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 are 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.

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https://www.pwcmoneytree.com/MTPublic/ns/moneytree/files/source/exhibits/National_MoneyTree_full_year_Q4_2008_Final.pdf

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.

In 2008, \$424 million (52 deals) in venture capital was invested in North Carolina firms. This represents a 15% decrease from the \$502 million (67 deals) invested in 2007. For a current national list of the Top Venture Capital Firms for Entrepreneurs, ranked by number of early-stage deals and later stage deals in 2007 (latest available), visit *Entrepreneur* at <http://www.entrepreneur.com/vc100>.

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:

Academy Centennial Fund, Academy Venture Fund

c/o Academy Funds
POB 14490
Research Triangle Park,
NC 27709-4490
919.991.5420
info@academyfunds.com
<http://www.academyfunds.com>

Advanced Technology Ventures (ATV)

Bay Colony Corporate Center
1000 Winter St., Suite 3700
Waltham, MA 02451
781.290.0707
info@atvcapital.com
<http://www.atvcapital.com>

Alliance Technology Ventures

2400 Lakeview Parkway
Suite 675
Alpharetta, GA 30004
678.336.2000
<http://www.alliancetekventures.com>

ARCH Venture Partners

8725 West Higgins Rd., Suite 290
Chicago, IL 60631
773.380.6600
info@archventure.com
<http://www.archventure.com>

The Aurora Funds, Inc.

2525 Meridian Pkwy., Suite 220
Durham, NC 27713
919.484.0400
<http://www.aurorafunds.com>

Axiom Venture Partners, LP

CityPlace II – 17th Floor, 185 Asylum St.
Hartford, CT 06103
860.548.7799
Info@axiomventures.com
<http://www.axiomventures.com>

Banc of America Capital Investors

100 N. Tryon St., 25th Floor
Charlotte, NC 28255
704.386.8436
<http://www.bacapitalinvestors.com>

Burrill & Company

One Embarcadero Center, Suite 2700
San Francisco, CA 94111
415.591.5400
burrill@b-c.com
<http://www.burrillandco.com>
Note: Invests exclusively in life sciences.

CW Group, Inc.

1041 Third Ave.
New York, NY 10021
212.308.5266
cwest@cwventures.com
<http://www.cwventures.com>
Note: Exclusively deals in medical venture capital funds.

Canaan Partners

285 Riverside Ave., Suite 250
Westport, CT 06880
203 855 0400
<http://www.canaan.com>

Carolina Financial Group

223 West Main St.
Brevard, NC 28712
828.883.4400
<http://www.carofin.com>

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

3155 Ridgewood Rd., NW
Atlanta, GA 30327-1935
404.352.7158
info@catalysta.com
<http://www.catalysta.com/home.html>

Charles River Ventures (CRV)

1000 Winter St.
Waltham, MA 02451
781.768.6000
<http://www.crv.com>

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

Chrysalis Ventures, LLC

101 South Fifth St., Suite 1650
Louisville, KY 40202
502.583.7644
info@chrysalisventures.com
<http://www.chrysalisventures.com>

Cogene Ventures

Five Post Oak Park
4400 Post Oak Parkway, Suite 1400
Houston, TX 77027
713.336.7858
<http://www.cogeneventures.com>

Columbia Capital

201 North Union St., Suite 300
Alexandria, Virginia 22314
703.519.2000
info@colcap.com
<http://www.colcap.com>

Cordova Ventures

Three NorthWinds Center
2500 NorthWinds Parkway, Suite 475
Alpharetta, GA 30004
678.942.0300
<http://www.cordovaventures.com>

Crosspoint Venture Partners

The Pioneer Hotel Building
2925 Woodside Rd.
Woodside, CA 94062
650.851.7600
partners@cpvp.com
<http://www.cpvp.com>

Cutlass Capital, LLC

84 State St., Suite 1040
Boston, MA 02109
617.624.0159
jonosgood@cutlasscapital.com
<http://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
<http://www.delphiventures.com>
*Note: Primarily invests in Western U.S.-based
enterprises, but will consider opportunities elsewhere.
Has 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
<http://www.dow.com/venture>

Draper Atlantic Venture Fund

11600 Sunrise Valley Dr., Suite 420
Reston, VA 20191
703.995.3600
info@draperatlantic.com
<http://www.draperatlantic.com>

Easton Capital Investment Group

(see also Private Equity section)

767 Third Ave., 7th Floor
New York, NY 10017
212.702.0950

<http://www.eastoncapital.com>

Emerging Technology Partners, LLC (ETP)

1901 Research Blvd., Suite 350
Rockville, MD 20850
301.222.2200

lcarter@etpvc.com

<http://www.etpvc.com>

Invest Ventures**c/o Invest Holdings, LLC**

2101 Parks Ave., Suite 401
Virginia Beach, VA 23451
757.437.3000

information@investventures.com

<http://www.investventures.com>

EuclidSR Partners II, LP**c/o EuclidSR Partners**

45 Rockefeller Plaza, Suite 3240
New York, NY 10111
212.218.6880

<http://www.euclidpartners.com>

Frontier Capital LP

1111 Metropolitan Ave.
Suite 1050

Charlotte, NC 28204
704.414.2880

<http://www.frontierfunds.com>

Gabriel Venture Partners

350 Marine Parkway, Suite 200
Redwood Shores, CA 94065
650.551.5000

Info@GabrielVP.com

<http://www.gabrielvp.com>

Granite Ventures, LLC

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

<http://www.hqva.com>

Harbert Management Corporation (see also Private Equity section)

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

<http://www.harbert.net>

Harbinger Venture USA

2880 Lakeside Dr., Suite 237
Santa Clara, CA 95054
408.450.8000

USContact@harbingervc.com

<http://www.harbingervc.com>

Hatteras BioCapital, LLC (formerly BioVista Capital, LLC)

1822 East NC 54, Suite 250
Durham, NC 27713
919.484.0730

<http://www.hattbio.com>

H.I.G. Ventures (see also H.I.G. Capital in Private Equity section)

Two Buckhead Plaza
3050 Peachtree Rd. NW
Suite 360

Atlanta, GA 30305

404.504.9333

info@higventures.com

<http://www.higventures.com>

The Hopkins Capital Group (HCG)

709 The Hamptons Lane
St. Louis, MO 63017

314.514.1478

questions@hopkinscap.com

<http://www.hopkinscap.com>

Note: Operates differently than a standard venture capital firm. Brings together angel investors, families, and trusts, rather than partnering with other vc, private equity or institutional firms. See website for additional details.

Idanta Partners Ltd.

12526 High Bluff Dr., Suite 160
San Diego, CA 92130
858.356.0150

dave@idanta.com

<http://www.idanta.com>

Intel Capital

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

Intersouth Partners

406 Blackwell St., Suite 200
Durham, NC 27701
919.493.6640
info@intersouth.com
<http://www.intersouth.com>

JAFCO Ventures

505 Hamilton Ave., Suite 310
Palo Alto, CA 94301
650.463.8800
<http://www.jafco.com>
Note: Typically invests in syndication with others
in NC firms.

KBL Healthcare Ventures

757 Third Ave., 21st Floor
New York, NY 10017
212.319.5555
eberk@kblvc.com
<http://www.kblhealthcare.com>

Kleiner Perkins Caufield & Byers

2750 Sand Hill Rd.
Menlo Park, CA 94025
650.233.2750
<http://www.kpcb.com>

Kodiak Venture Partners

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

Lilly BioVentures

(a subsidiary of Eli Lilly and Company)
D.C. 1089 / Lilly Corporate Center
Indianapolis, IN 46285
317.651.3050
Lilly_Ventures@LILLY.com
<http://www.lillybioventures.com>

Lovett Miller & Co., Inc.

(see also Private Equity section)
- W. Radford Lovett II
One Independent Dr., Suite 1600
Jacksonville, FL 32202
904.634.0077
Rad@lovettmiller.com
<http://www.lovettmiller.com>
- W. Scott Miller
100 North Tampa St., Suite 2675
Tampa, FL 33602
813.222.1477
Scott@lovettmiller.com

MCNC-RDI Seed Fund, MCNC Enterprise Fund

c/o MCNC Ventures, LLC
3021 Cornwallis Rd.
POB 13910
Research Triangle Park, NC 27709-3910
919.248.1800
info@mcnc-rdi.org
<http://www.mcnc.org>

MDS Capital Corp.

245 First St., Suite 1800
Cambridge, MA 02142
617.444.8550
vc@mdscapital.com
<http://www.mdscapital.com>

MPM Capital - BioVentures Funds

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

Massey Burch Capital Corp.

One Burton Hills Blvd., Suite 350
Nashville, Tennessee, 37215
615.665.3221
tcore@masseyburch.com
<http://www.masseyburch.com>

Mediphase Venture Partners

3 Newton Executive Park
2223 Washington St., Ste 104
Newton, MA 02462
617.332.3408
info@mediphaseventure.com
<http://www.mediphaseventure.com>

Meritus Ventures, L.P.

1020 Commerce Park Dr.
Oak Ridge, Tennessee 37830
865.220.2020
questions@meritusventures.com
<http://www.meritusventures.com>

Mid-Atlantic Venture Funds (MAVF)

Ben Franklin Technology Center
Lehigh University
125 Goodman Dr.
Bethlehem, PA 18015
610.865.6550
<http://www.mavf.com>

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

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

200 Park Ave.
New York, NY 10166
212.878.4066
<http://www.mitsuivp.com>

Morgan Stanley Venture Partners

1221 Avenue of the Americas
39th Floor
New York, NY 10020
212.762.8890
<http://www.msvp.com>

Morgenthaler Ventures

2710 Sand Hill Rd., Suite 100
Menlo Park, CA 94025
650.388.7600
<http://www.morgenthaler.com>

**NC Bioscience Investment Fund (NCBIF)
c/o Eno River Capital, LLC**

Brightleaf Square
905 West Main St.
Box 44, Suite 25-B
Durham, NC, 27701
919.680.4511
<http://www.enorivercapital.com>

New Enterprise Associates (NEA)

One Freedom Square
11951 Freedom Dr., Suite 1240
Reston, VA 20190
703.709.9499
<http://www.nea.com>

Newlight Associates

245 Fifth Ave., 25th Floor
New York, NY 10016
212.675.7354
<http://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
<http://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
<http://www.noro-moseley.com>

Origin Partners, LP

c/o Scott Jones
1200 Route 22 East, 2nd Floor
Bridgewater, NJ 08807
908.595.9100
jones@originpartners.com
<http://www.originpartners.com>

Oxford Bioscience Partners

222 Berkeley St., Suite 1650
Boston, MA 02116
617.357.7474
kmoeckel@oxbio.com
<http://www.oxbio.com>

Pappas Ventures

POB 110287
Research Triangle Park, NC 27709
919.998.3300
info@pappasventures.com
<http://www.pappasventures.com>

Piper Jaffray & Co.

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

Polaris Venture Partners

1000 Winter St., Suite 3350
Waltham, MA 02451
781.290.0770
<http://www.polarisventures.com>

Primus Venture Partners, Inc.

5900 Landerbrook Dr., Suite 200
Cleveland, OH 44124-4020
440.684.7300
info@primusventure.com
<http://www.primusventure.com>

Prodea

6101 West Plano Parkway, Suite 200
Plano, TX 75093
214.278.1810
info@prodea.com
<http://www.prodea.com>

Quaker BioVentures, Inc.

Cira Centre
2929 Arch St.
Philadelphia, PA 19104-2868
215.988.6800
<http://www.quakerbio.com>

Research Triangle Ventures

1500 Sunday Dr., Suite 300A
Raleigh, NC 27607
919.571.8819
<http://www.rtvventures.com>

Richland Ventures, LP

1201 16th Ave. South
Nashville, TN 37212-2920
615.383.8030
mail@richven.com
<http://www.richlandventures.com>

River Cities Capital Funds

3737 Glenwood Ave., Suite 100
Raleigh, NC 27612
919.573.6111
<http://www.rccf.com>

SJF Ventures

400 West Main St., Suite 604
Durham, NC 27701
919.530.1177
rlarson@sjfund.com
<http://www.sjfund.com>

SSM Ventures (see also Private Equity section)

Crescent Center
6075 Poplar Ave., Suite 335
Memphis, TN 38119
901.767.1131
<http://www.ssmventures.com>

Sapient Capital Management, LLC (see

also Private Equity section)
4020 Lake Creek Dr. (Federal Express)
POB 1590 (Postal Service)
Wilson, WY 83014
307.733.3806
contact@sapientcapital.com
<http://www.sapientcapital.com>

Note: Exclusively invests in healthcare (esp. medical devices).

SV Life Sciences, Inc.

60 State St., Suite 3650
Boston, MA 02109-2804
617.367.8100
info@svlsa.com
<http://www.svlifesciences.com>

Seaflower Ventures

Bay Colony Corporate Center
1000 Winter St., Suite 1000 (North
Entrance)
Waltham, MA 02451
781.466.9552
lfleming@seaflower.com
<http://www.seaflower.com>

iSherpa Capital, LLC

6400 South Fiddler's Green Circle
Suite 650
Greenwood Village, CO 80111
303.645.0500
vc.info@isherpa.com
<http://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
<http://www.siemensventurecapital.com>

SilkRoad Equity LLC

111 North Chestnut St.
Suite 200
Winston-Salem, NC 27101
336.201.5100
<http://www.silkroadequity.com>

Sipl Macdonald Ventures

1422 El Camino Real
Menlo Park, CA 94025
650.566.6860
sally@sipmac.com
<http://www.sipmac.com>

**Southeast Interactive Technology
Funds**

3800 Paramount Pkwy. #100
Morrisville, NC 27560
919.558.8324
plans@seinteractive.com
<http://www.seinteractive.com>

Southern Capitol Ventures

21 Glenwood Ave., Suite 105
Raleigh, NC 27603
919.858.7580
info@southerncapitolventures.com
<http://www.southerncapitolventures.com>

Spencer Trask Ventures, Inc.

535 Madison Ave.
New York, NY 10022
800.622.7078
inquiries@spencertrask.com
<http://www.spencertrask.com>

Sterling Venture Partners (see also Sterling
Capital Partners in Private Equity section)

6225 Smith Ave., Suite 210
Baltimore, MD 21209
443.703.1700
http://www.sterlingpartners.us/fund/sterling_venture_partners/index.asp

Tall Oaks Capital Partners, LLC

315 Old Ivy Way, Suite 301
Charlottesville, VA 22903
434.951.0440
info@talloakscapital.com
<http://www.talloakscapital.com>

**Texas Pacific Group Ventures, Tarrant
Venture Partners c/o Texas Pacific Group**

345 California St., Suite 3300
San Francisco, CA 94104
415.743.1635
<http://tpg.com>

Thompson Clive & Partners Inc.

4620 White Chapel Way
Raleigh, NC 27615
919.846.1061
mail@tcvc.com
<http://www.tcvc.com>

Total Technology Ventures, LLC (TTV)

Promenade II
1230 Peachtree St., Suite 1150
Atlanta, GA 30309
404.347.8400
mmissbach@ttvatlanta.com
<http://www.ttvatlanta.com>

Note: TTV provides capital primarily to expansion-stage financial technology companies.

Three Arch Partners

3200 Alpine Rd.
Portola Valley, CA 94028
650.529.8000
info@threearchpartners.com
<http://www.threearchpartners.com>

The Trelys Funds

POB 545
Columbia, SC 29202
803.251.7990
<http://www.trelys.com>

truePilot, LLC

c/o SunPocket Management
2505 Meridian Parkway, Suite 250
Durham, NC 27713
919.433.3700
info@truepilot.com
<http://www.truepilot.com>

Updata Partners (see Updata Capital in the Private Equity section)

Two Freedom Square
11955 Freedom Dr., Suite 7000
Reston, VA 20190
703.736.0020
info@updata.com
<http://www.updata.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
<http://www.vpvp.com>

Versant Ventures

3000 Sand Hill Rd., Bldg 4, Suite 210
Menlo Park, CA 94025
650.233.7877
<http://www.versantventures.com>

PROFILES: VENTURE CAPITAL FUNDS ACTIVE IN NORTH CAROLINA

(as of August 2007)

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Academy Funds-Centennial Fund	1999	N/A		N/A	Focuses on companies commercializing technologies developed at, or affiliated with, North Carolina State University.	
Academy Funds-Academy Venture Fund	1999	N/A	Seed & Early Stage	N/A	Broad: A venture capital fund with the objective of generating long-term capital appreciation through investments in seed and early-stage growth companies located throughout the State of North Carolina.	
Advanced Technology Ventures (ATV)	1979	>\$1.5 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: http://www.atv.com/dynamic/business_plan_guidelines.php3
A.M. Pappas & Associates, LLC	1994	\$150 million	Early to Mezzanine	\$500,000- \$5 million	Exclusively in <i>Life Sciences</i> (biotechnology, biopharmaceuticals, drug delivery, medical devices & health information systems. "Internet and information technologies that have compelling life science industry applications are also of interest.")	"We focus above all else on the quality and experience of the management team."

PROFILES: VENTURE CAPITAL FUNDS ACTIVE IN NORTH CAROLINA
(as of August 2007)

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
ARCH Venture Partners	1989	>\$700 million	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.	1995	>\$155 million	Seed & Early Stage	\$100,000 - \$2 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).	
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> .	
Burrill & Company	N/A	>\$340 million	All Stages	Depends on fund. Consult list of funds: http://www.burrillandco.com/frame_funds.html	Exclusively in <i>Life Sciences</i> (esp. bio-based).	
CW Group, Inc.	1982	N/A	Seed & Early Stage	\$500,000 to \$5 million	Exclusively in <i>Healthcare</i> (biotechnology- including pharmaceuticals, genomics & diagnostics; medical devices & instrumentation; healthcare services & medical information systems).	

PROFILES: VENTURE CAPITAL FUNDS ACTIVE IN NORTH CAROLINA

(as of August 2007)

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Canaan Partners	1987	\$2 billion	All Stages	\$4 million to \$20 million	Software & Services, Semiconductors & Electronics, Communications, Life Sciences, Financial Services & Others.	
Carolina Financial Group	1997	N/A	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.	
Catalysta Partners-Catalysta Seed Fund	2000	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.	
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	>\$200 million	Early Stage (rarely invests at the seed stage, prefers companies already generating revenue)	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).	

PROFILES: VENTURE CAPITAL FUNDS ACTIVE IN NORTH CAROLINA

(as of August 2007)

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Columbia Capital	N/A	\$1.4 billion	Seed & Early Stage	\$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	\$250,000 to \$4 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	\$54 million	All Stages	\$3 million to \$7 million	Exclusively in <i>Healthcare</i> (esp. medical devices, specialty healthcare services).	
Delphi Ventures	N/A	N/A	Early Stage	N/A	Medical Devices & Diagnostics, Biotechnology, Healthcare Services.	
Dow Venture Capital	N/A	N/A	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: http://www.dow.com/venture/invest .	
Draper Atlantic Venture Fund	N/A	N/A	Early Stage	\$250,000 to \$2 million	Exclusively in <i>Information Technology</i> (communications equipment & software, enterprise software & services, internet infrastructure services).	
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).	

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(as of August 2007)

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
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	Our capital is used to accelerate growth via investments in sales and marketing, technology, geographic expansion, or acquisition. Many of our investments also provide liquidity to allow early shareholders or founders to diversify their financial holdings. We are comfortable with non-control minority ownership positions.
Gabriel Venture Partners	N/A	N/A	Prefers to invest early, in emerging markets	\$500,000 to \$7 million	Communications & Networking, Internet, IT.	
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	N/A	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.

PROFILES: VENTURE CAPITAL FUNDS ACTIVE IN NORTH CAROLINA

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
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.
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
H.I.G. Ventures	1993	>\$1 billion	Seed & Early Stage	\$250,000 up to \$15 million, but more typically \$3 mil. to \$7 million	Communications, infrastructure, e-commerce, and Internet software & services industries.	
The Hopkins Capital Group (HCG)	N/A	N/A	Early Stage	N/A	High-tech Health/Medical start-ups.	Operates differently than standard vc firms. See website for details: http://www.hopkinscap.com .
Idanta Partners, Ltd.	1971	\$8 million	All Stages, but specializes in Seed & Early Stage	\$1 mil. up to \$10 million, but more typically \$3 mil. to \$7 million	Information Technology; Healthcare & Life Sciences; Retail; other.	

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(as of August 2007)

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Intel Capital- c/o Intel Corp.	Early 1990's	N/A	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	1984	\$780 million	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."
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</i> ; <i>Medical information technology</i> .	
Kleiner Perkins Caufield & Byers	1972	N/A	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	\$360 million	Seed & Early Stage	N/A	Communications/IT, Semiconductors, Software.	

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
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.	
MDS Capital Corp.	1988	N/A	Seed & Early Stage	less than \$500,000 (seed); \$500,000 to \$5 million (early stage)	<i>Healthcare & Life Sciences</i> (pharmaceuticals, biotechnology, medical devices, medical services, IT & e-Health).	
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.	

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
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.
Mid-Atlantic Venture Funds (MAVF)	N/A	\$200 million	Seed/Start-up (primarily) & Early Stage	\$500,000 to \$8 million	Will consider ventures in any field except: biotechnology, storefront retail, real estate, construction, and natural resources. "While many of the investments we make are technology-oriented, we are as interested in non-technology and service businesses."	Mostly invests in the Mid-Atlantic region, but will consider other areas- particularly the RTP area. Turnarounds and small leveraged buy-outs are also of interest.
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).	

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(as of August 2007)

Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Morgenthaler Ventures	1968	\$2 billion		average size is \$15 million (expects to invest \$10 million to \$40 million per company)	<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.
Natural Capital Investment Fund	2001		Subordinated debt or equity	\$35,000-\$250,000	Sustainable/value added agriculture; sustainable forestry & value-added forest products; renewable energy & energy efficiency; recycling; heritage and ecotourism	NCIF financial products provide critical, timely capital that supports business expansion, creates employment opportunities, and develops the rural tax base. NCIF also provides targeted technical assistance to build the non-financial capacity of our clients.
New Enterprise Associates (NEA)	1978	\$5 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).	
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).	

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
NextPoint Partners, LP	N/A	N/A	Seed & Early Stage	\$250,000 to \$2 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: http://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	N/A	>\$800 million	Seed (selective) & Early Stage	\$1 million to \$7 million	Life Sciences: Bioscience and Healthcare.	
Piedmont Venture Partners, LP	1996	\$45 million	Early Stage	\$500,000 to \$3 million	Information Technology and Healthcare.	
Piper Jaffray Ventures	N/A	N/A	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.
Polaris Venture Partners	1996	>\$2 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).	

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Venture Firm	Year Founded	Capital Under Management	Preferred Stage of Financing	Preferred Size of Investment	Preferred Industries	Website Comments
Primus Venture Partners, Inc.	1983	\$625 million	All Stages, but primarily interested in Growth Stage	\$5 million to \$15 million per company	Software & Services, Media & Communications, and Healthcare; will consider others.	
Prodea	N/A	N/A	Early to Mid-Stage	N/A	Internet Infrastructure & Information Technology, Communications, Software and Hardware.	
Quaker BioVentures, Inc.	N/A	N/A	All Stages	\$2.5 million to \$10 million	Exclusively in <i>Life Sciences</i> (biopharmaceuticals, medical devices, human diagnostics, health information technology, healthcare services).	
Research Triangle Ventures	2000	N/A	Seed & Early Stage	\$250,000 to \$500,000	<i>Technology</i> companies (software, electronics, life sciences technology (including biotech, medical device & medical services)).	Invests primarily in RTP area, but will invest elsewhere in NC.
Richland Ventures, LP	1994	>\$450 million	Early Stage (56%) & Later Stage (44%)	\$5 million to \$15 million per company	Healthcare Services (39%); e-Health (21%); Internet, Media & Communications (31%); Other (9%).	
River Cities Capital Funds	1994	\$300 million	Early to Mid-Stage, some Later Stage; generally does not invest at Seed Stage	\$2 million - \$5 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: http://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	\$17 million	Early Stage - Expansion Stage	\$750,000	"SJF invests in enterprises whose rapid growth provides quality entry-level jobs in the Eastern U.S." Does not invest in real estate or firms whose products or services have negative environmental or social impacts.	"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	N/A	Primarily in Expansion & Later Stages; only opportunistically in Early Stages	\$3 million to \$10 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	\$900 million	All Stages	\$5 million to \$20 million	Exclusively in <i>Life Sciences</i> (biotechnology, pharmaceuticals, medical devices & instruments, healthcare IT & services).	
Seaflower Ventures	1993	N/A	Start-up & Early Stage	\$500,000 to \$1.5 million	<i>Life Sciences & Medical Technology</i> (biopharmaceuticals, biotechnology platform technologies, computational biology, e-pharma, medical devices). "Occasionally" considers investments in healthcare IT companies, but does not invest in healthcare service companies or consumer-oriented healthcare companies.	
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."

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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		All stages	\$1 to \$20 million	Technology, Media and Entertainment, Life Sciences, Telecommunications, Retail (food and non-food), Manufacturing, Business Services	We invest in a wide range of opportunities...from start-ups to buy-outs, buy-ins, build-ups, spin-offs, and industry consolidations, focusing on those with high growth potential and strong management. Over the past 20 years, we have invested in or acquired over 150 companies with valuations ranging from \$5–\$500 million.
Sipl Macdonald Ventures	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.
Southeast Interactive Technology Funds	1995	\$180 million	All Stages	\$250,000 to \$5 million	Exclusively in <i>Technology</i> (telecommunications, network infrastructure, bandwidth enablement, e-commerce, enterprise software, business services, media & visualization).	
Southern Capitol Ventures	2001	N/A	Seed & Early Stage	\$100,000 to \$500,000 per company	Exclusively in Information Technology and Life Sciences.	
Spencer Trask Ventures, Inc.	N/A	N/A	Early Stage	N/A	Varies	
Sterling Venture Partners	1983	>\$700 million	Early Stage & Expansion Stage	\$1 million to \$6 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	\$250,000 to \$1.25 million	Primarily in Information Technology and Life Sciences.	A Village Ventures Affiliate Fund.

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Texas Pacific Group (TPG)-Texas Pacific Group Ventures, Tarrant Venture Partners	2001	\$500 million	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.	
Thompson Clive & Partners, Inc.	1977	>\$249 million (approx.)	All Stages	up to \$8 million (approx.), sometimes more	Generally in <i>Information Technology</i> (enterprise & other software, IT services, Internet infrastructure, telecommunications) and <i>Healthcare</i> (life science services, contract research, drug discovery).	
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	N/A	Mid- to Late-Stage	\$250,000 to \$1.5 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.	
truePilot, LLC	2000	N/A	Seed & Early Stage	\$25,000 to \$500,000	High-tech Infrastructure companies.	Prefers to invest in companies located within one hour of Research Triangle Park, NC.

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Updata Venture Partners	1988	>\$100 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	N/A	>\$2.5 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: http://www.vpvp.com/submit/index.asp
Versant Ventures- Versant Ventures II Fund	N/A	>\$650 million	Early Stage	N/A	Medical Devices, Healthcare Services, Healthcare Information Technology, and Life Sciences (biopharmaceuticals, biotechnology platforms).	

Finding Venture Capital Opportunities online:

1. National Venture Capital Association (NVCA) -- <http://www.nvca.org>
2. vFinance.com 2006 Venture Capital Resource Directory- <http://www.vfinance.com/home.asp?Toolpage=vencaentire.asp> (alphabetical listing of VC firms nationally with limited address information).
3. The Center for Venture Research- <http://wsbe2.unh.edu/center-venture-research>- click 'Capital Locator' in the right-side frame. NOTE: There is a fee (\$40) to acquire the list. This list is not available online.

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

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<http://www.bbandt.com/capitalpartners>
additional office in Charlotte

Banc of America Capital Investors

100 North Tryon St., 25th Floor
Charlotte, NC 28255
704.386.4710
CapitalInvestors@BankofAmerica.com
<http://www.bacapitalinvestors.com>

CIBC World Markets

One Alliance Center
3500 Lennox Rd.
Suite 730
Atlanta, GA 30339
770.319.4999

<http://www.cibcwm.com/wm/company-info.html>

- CIBC Capital Venture Group

http://www.cibcwm.com/products_services/merch
<http://www.cibcwm.com/wm/investment-banking/merchant-banking/venture-group.html>
<http://www.cibcwm.com/wm/investment-banking/vc/>

Communications Sector:

Norman Kumar
Executive Director
161 Bay St., 8th Floor
Toronto, Ontario M5J 2S8
416.956.6921
norman.kumar@cibc.ca

Information Technology Sector:

Mark Hastings
Managing Director
222 Berkley St., 19th Floor
Boston, MA 02116

617.536.8142
mark.hastings@us.cibc.com

Healthcare Sector:
 David Shotland
 Managing Director
 425 Lexington Ave.
 New York, NY 10017
 212.856.4072
david.shotland@us.cibc.com

- CIBC Private Equity Funds Group

<http://www.cibcwm.com/wm/investment-banking/merchant-banking/private-equity-funds.html>

P. Kenneth Kilgour
 Managing Director
 161 Bay St., 8th Floor
 Toronto, Ontario M5J2S8
 416.594.8021
ken.kilgour@cibc.com

Michele Buchignani
 Managing Director
 425 Lexington Ave.
 New York, NY 10017
 212.455.6423
michele.buchignani@us.cibc.com

Arcapita Inc.

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

**Venture Capital Solutions, LP
 c/o VCS Management, LLC**

(a subsidiary of Southern Community Bank and Trust)
 112 Cambridge Plaza Dr.
 Winston-Salem, NC 27104
 336.768.9343
inquiry@vcslp.com
<http://www.vcslp.com>

Wachovia Capital Partners

301 South College St., 12th Floor
 NC0732
 Charlotte, NC 28288-0732
 704.383.0000
<http://www.wachoviacapitalpartners.com>

PRIVATE EQUITY PROVIDERS (PRIVATE EQUITY FIRMS)

Adams Street Partners, LLC

One North Wacker Dr., Suite 2200
 Chicago, IL 60606-2823
 312.553.7890
info@adamsstreetpartners.com
<http://www.adamsstreetpartners.com>

Apax Partners, L.P.

601 Lexington Ave., 53rd Floor
 New York, NY 10022
 212.753.6300
marketing@apax.com
<http://www.apax.com>

Argosy Partners

950 West Valley Rd., Suite 2900
 Wayne, PA 19087

610.971.9685
<http://www.argosycapital.com>

BCI Partners, Inc.

Glenpointe Centre West
 Mezzanine Level
 Teaneck, NJ 07666
 201.836.3900
info@bcipartners.com
<http://www.bciadvisors.com>

Ballast Point Venture Partners

880 Carillon Parkway
 St. Petersburg, FL 33716

727.567.1500

info@ballastpointventures.com

<http://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

<http://www.bisoncapital.com>

Bison Capital makes non-control investments in fundamentally strong middle-market companies, to finance their growth, balance sheet restructuring and/or recapitalization. A key element of our strategy is to invest in situations in which the founding entrepreneur or management team retains a significant ownership interest.

- Entrepreneurial management teams looking to expand their businesses
- Revenues of \$20 million to \$200 million
- EBITDA greater than \$5 million
- Capital requirements of \$10 million to \$30 million
- Attractive free cash flow dynamics
- Limited risk of technological obsolescence
- Significant ongoing management ownership

Blue Point Capital Partners

201 South Tryon St., Suite 850

Charlotte, NC 28202

704.347.1111

info@bluepointcapital.com

<http://www.bluepointcapital.com>

Boston Millennia Partners

30 Rowes Wharf, Suite 500

Boston, MA 02110

617.428.5150

info@millenniapartners.com

<http://www.millenniapartners.com>

CapitalSouth Partners, LLC

1011 East Morehead St., Suite 150

Charlotte, NC 28204

704.376.5502

info@capitalsouthpartners.com

<http://www.capitalsouthpartners.com>

additional office in Raleigh

Carousel Capital

201 North Tryon St., Suite 2450

Charlotte, NC 28202

704.372.2040

<http://www.carouselcapital.com>

Cherokee Investment Partners

111 E. Hargett St. #300

Raleigh, NC 27601

919.743.2500

<http://www.cherokeefund.com>

Chapter IV Investors

301 South Tryon Street, Suite 1850

Two Wachovia Building

Charlotte, North Carolina 28202

704.644.4070

<http://www.chapterinvestors.com>

Core Capital Partners

1401 I Street NW

Suite 1000

Washington, DC 20005

202.589.0090

info@core-capital.com

<http://www.core-capital.com>

Digital Power Capital, LLC

411 West Putnam Ave., Suite 125

Greenwich, CT 06830

203.862.7045

pontius@digitalpower.com

<http://www.digitalpower.com>

Easton Hunt Capital Partners, LP

(see also Venture Capital section)

767 Third Ave.

New York, NY 10017

212.702.0950

info@eastoncapital.com

<http://www.eastoncapital.com>

Falfurrias Capital Partners

100 North Tryon Street, Suite 5120

Charlotte, NC 28202

704.371.3220

<http://www.falfurriascapital.com/>

Fenway Partners, Inc.

152 West 57th St., 59th Floor
New York, NY 10019
212.698.9400
contact_us@fenwaypartners.com
<http://www.fenwaypartners.com>

Franklin Street Partners

1450 Raleigh Rd., Suite 300
Chapel Hill, NC 27517
919.489.2600 or 877.489.2600
<http://www.franklin-street.com/intro.htm>

Frontier Capital, LLC

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

General Catalyst Partners

20 University Rd., Suite 450
Cambridge, MA 02138
617.234.7000
info@generalcatalyst.com
<http://www.generalcatalyst.com>

Grotech Capital Group

8000 Towers Crescent Dr. Suite 85
Vienna, VA 22182
703.637.9555
<http://www.grotech.com>

The Halifax Group

3605 Glenwood Ave., Suite 490
Raleigh, NC 27612
919.786.4420
<http://www.thehalifaxgroup.com>

Harbert Management Corporation

(see Venture Capital section)
HMC-Virginia, Inc.
1210 East Cary St., Suite 400
Richmond, VA 23219
804.782.3800
<http://www.harbert.net>

H.I.G. Capital (see also H.I.G. Ventures
in Venture Capital section)
Two Buckhead Plaza

3050 Peachtree Rd. NW, Suite 360
Atlanta, GA 30305
404.504.9333
info@higcapital.com
<http://www.higcapital.com>

Lovett Miller & Co., Inc. (see Venture
Capital section)

- 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
info@lovettmiller.com
<http://www.lovettmiller.com>

MB Venture Partners, LLC

17 West Pontotoc, Suite 200
Memphis, TN 38103
901.322.0330
pchambers@mbventures.com
<http://www.mbventures.com>

M/C Venture Partners

75 State St., Suite 2500
Boston, MA 02109
617.345.7200
research@mcventurepartners.com
<http://www.mcventurepartners.com>

Morgenthaler Partners

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

QuestMark Partners, LP

One South St., Suite 800
Baltimore, MD 21202
410.895.5800
pm@questm.com
<http://www.questmarkpartners.com>

RedShift Ventures

2425 Wilson Blvd., Suite 402
Arlington, VA 22201-3326
703.904.9800

<http://www.redshiftventures.com>

Renaissance Ventures, LLC

33 South 13th St., 3rd Floor
Richmond, VA 23219
POB 2157
Richmond, VA 23218
804.643.5500

info@renventures.com

<http://www.renventures.com>

SSM Ventures

(see Venture Capital section)
Crescent Center
6075 Poplar Ave., Suite 335
Memphis, TN 38119
901.767.1131

<http://www.ssmventures.com>

Sapient Capital Management, LLC

4020 Lake Creek Dr. (Federal Express)
POB 1590 (Postal Service)
Wilson, WY 83014
307.733.3806 - Contact: Lisa Bradshaw

contact@sapientcapital.com

<http://www.sapientcapital.com>

Notes: Exclusively invests in healthcare (esp. medical devices); Will make private equity investments in healthcare related companies that are already public, as long as their market capitalizations are under \$150 million.

Seaport Capital

1 Seaport Plaza
199 Water St., 20th Floor
New York, NY 10038
212.847.8900

info@seaportcapital.com

<http://www.seaportcapital.com>

Sterling Partners (see also Sterling Venture Partners in Venture Capital section)
650 S. Exeter St. Ste.1000
Baltimore, MD 21202
443.703.1700

<http://www.sterlingpartners.us>

Triangle Capital Corp.

3700 Glenwood Ave., Suite 530
Raleigh, NC 27612
919.719.4770

<http://www.tcap.com>

Updata Partners (see also Venture Capital section)

Two Freedom Square
11955 Freedom Dr., Suite 7000
Reston, VA 20190
703.736.0020

info@updata.com

<http://www.updata.com>

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

Vaxa Capital Partners, LP

6201 Fairview Rd., Suite 200
Charlotte, NC 28210
704.522.9932

partners@vaxacapital.com

<http://www.vaxacapital.com>

Note: Additional office in Greenville; Vaxa does not invest in start-ups, biotechnology firms, or technology companies or concepts with high development risks or unproven markets.

Warburg Pincus LLC

466 Lexington Ave.
New York, NY 10017
212.878.0600

info@warburgpincus.com

<http://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: <http://www.nasaa.org>.

Assistance with Filings:**NC Department of the Secretary of State**

Securities Division

POB 29622

Raleigh, NC 27626-0622

919.807.2000 or 800.688.4507

<http://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 BankingNC Firms that handle IPOs & related transactions:**The Capital Corporation**

84 Villa Rd.

Greenville, SC 29615

Toll Free 800.259.0119 / 864.672.8400

<http://www.thecapitalcorp.com>**Cary Street Partners**

Wachovia Tower

300 North Greene St., Suite 860

Greensboro, NC 27401

336.275.8080

<http://www.carystreetpartners.com>**Deutsche Banc**

100 N. Main St., Suite 2400

Winston-Salem, NC 27101

336.724.6921 or 800.553.6015

<http://www.db.com>**Morgan Keegan & Company**

3700 Glenwood Ave., Suite 250

Raleigh, NC 27612

Telephone: 919.784.8300

<http://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

<http://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

<http://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.

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.

North Carolina Biotechnology Center

15 T. W. Alexander Dr.

POB 13547

Research Triangle Park, NC 27709-3547

919.541.9366

info@ncbiotech.org

<http://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

Small Business Research Loan Program

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 \$350,000. The availability depends, in part, upon successfully meeting research milestones. To date, the program has provided over \$6.7 million in seed capital to 53 small companies for early stage research and development. In fiscal year 2005-2006, 2 loans were made, totaling \$300,000.

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 CFG Program, sponsored jointly by the NCBC and the Kenan Institute for Engineering, Technology & Science at NC State University, is designed to promote long-term cooperation among North Carolina universities, nonprofit research institutes, and biotechnology companies, as well as generate discoveries that the company partner might develop further to stimulate economic development and create jobs. The program accomplishes these goals by helping fund company-directed research at university campuses. The funds are used to support a graduate student or postdoctoral fellow in a university research laboratory who will perform a project of commercial interest under the guidance of a principal investigator.

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. Awards are made for one to three years. In the 2005-2006 fiscal year, the CFG Program made five awards disbursing a total of \$480,000. Continued funding is available.

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/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
<http://www.brecnc.com>

Council for Entrepreneurial Development (CED)

CED Entrepreneurship Center
Alexandria Technology Center
100 Capitola Dr., Suite 101
Durham, NC 27713
POB 13353
Research Triangle Park, NC 27709
919.549.7500

Coastal Region office
404 North 3rd St.
Wilmington, NC 28406
910.549.7500
<http://www.cednc.org>

Piedmont Triad Entrepreneurial Network (PTEN)

AirPark East
7025 Albert Pick Rd., Suite 303
Greensboro NC 27409
336.605.4777
<http://www.pten.org>

NorthEastern Entrepreneurial Roundtable (NEER)

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

SouthEastern Entrepreneurs Roundtable (SEER)

Methodist University
5400 Ramsey St.
Fayetteville, NC 28311
910.630.7642

NC Rural Economic Development Center**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
<http://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
<http://www.lenoir.cc.nc.us/nsite/ecodev/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
<http://www.mountainbizworks.org>

NC Institute of Minority Economic Development

114 W. Parrish St.
 Durham, NC 27701
 919.956.8889
 Type Individual
 Counties: All 100
<http://www.ncimed.com>

NC REAL Enterprises

3739 National Dr., Suite 110
 Raleigh, NC 27612
 919.781.6833 x125
 Type: Individual

Counties: active programs in 74 counties
<http://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
<http://www.rivercitycdc.org>

Roanoke Electric Co-op

POB 440
 Rich Square, NC 27869
 252.539.2236
 Type: Individual
<http://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
<http://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. 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 and the Appalachian Regional Commission. 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

Ashley Crane, Program Coordinator, Capital Access Program

4021 Carya Dr.

Raleigh, NC 27610

919.250.4314

<http://www.ncruralcenter.org>

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.

North Carolina Rural Economic Development Center

4021 Carya Dr.

Raleigh, NC 27610

919.250.4314

<http://www.ncruralcenter.org>**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

919.605.5210

Director: Don Stewart

dstewart@ncruralcenter.org.http://www.ncruralcenter.org/entrepreneurship/ruralvent_fund.pdf

NC IDEA (Innovative Development for Economic Advancement)

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

4505 Emperor Blvd.

Suite 130

Durham, NC 27703

919.941.5600

<http://www.ncidea.org>

Self-Help

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 made \$151 million in loans to 2,000 small businesses resulting in over 13,000 jobs saved or created. Self-Help focuses on segments underserved by traditional loan sources: minority-owned businesses have accounted for 48 percent of the loan proceeds, rural borrowers have been the beneficiaries of 46 percent, and women-owned businesses have received 50 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. Self-Help has loaned over \$15 million to 122 of these targeted firms since the program's inception.

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 state⁸, 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: <http://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.

⁸ 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
<http://www.selfhelp.org>

Regional 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
800.774.7966

Greensboro

122 North Elm St., Suite 1016
Greensboro, NC 27401
800.269.7426

Greenville

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

Wilmington

272 North Front St., Suite 215
Wilmington, NC 28401
877.559.4284

Winston-Salem

500 W. Fourth Street
Ste 200B
Winston-Salem, NC 27101
800.269.7426

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. The interest rate on loans is 13 percent.

Good Work, Inc.

POB 6013
Raleigh, NC 27628
919.682.8473
johnp@goodwork.org
<http://www.goodwork.org>

NC Economic Opportunities Fund / Dogwood Equity

The NC Economic Opportunities Fund is a federally backed and licensed Small Business Investment Company (SBIC) intended to increase financial business investment in North Carolina's rural communities. Dogwood Equity, a private, limited liability company founded in 2001, serves as the general partner and manager of the fund. The total available capital of the NC Economic Opportunities Fund under management is approximately \$74 million. With additional leverage from the SBIC program of the U.S. Small Business Administration, the fund has the ability to increase to over \$110 million. Initial individual investments are intended to be primarily in the \$1 million to \$3 million range, with total investment not exceeding \$7 million.

NC Economic Opportunities Fund (an SBIC) c/o Dogwood Equity, LLC

316 W. Edenton St., Suite 110

Raleigh, NC 27603

919.256.5000

<http://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 under the program.

Business Consortium Fund, Inc.

305 Seventh Ave., 20th Floor

New York, NY 10001

212.243.7360

<http://www.bcfcapital.com>

Carolinas Minority Supplier Development Council

Lincoln Center at Mallard Creek

10400 Mallard Creek Rd., Suite 206

Charlotte, NC 28262

704.549.1000

<http://www.carolinasmsdc.org>

The Conservation Fund 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 \$35,000 - \$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

In North Carolina / Tennessee:

POB 271

Chapel Hill, NC 27415

919.967.2223 Ext. 213

NC Program Director: Rick Larson (rlarson@conservationfund.org)

<http://www.ncifund.org>

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.

810 Acquoni Rd./GLWC

POB 1200

Cherokee, NC 28719

828.497.1666

<http://www.sequoyahfund.org>

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.

Southwestern Commission Region A

125 Bonnie Lane
Sylva, NC 28779
828.586.1962

<http://www.regiona.org>

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

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.

Town of Carrboro

Community and Economic Development
301 W. Main Street
Carrboro, NC 27510
919.918.7319

<http://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
<http://www.ci.charlotte.nc.us>

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

Business Development Office
City Hall, Suite 158
101 North Main St.
POB 2511
Winston-Salem, NC 27102
336.727.2741
http://www.cityofws.org/development/Business_Development/Economic_Development_Revolving/economic_development_revolving.html

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

Business Development Office

City Hall, Suite 158

101 North Main St. / POB 2511

Winston-Salem, NC 27102

336.727.2741

http://www.cityofws.org/development/Community_Development/Target_Area_Business_Assistanc/target_area_business_assistanc.html

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

<http://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

<http://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

Administrative Services Department

City of Raleigh

222 West Hargett St.

POB 590

Raleigh, NC 27602

919.890.3673

http://www.rada-nc.com/RADA_loans.html

Microfinance and Peer to Peer Lending

Peer-to-peer lending, in which individuals make loans to entrepreneurs through matchmaking Web sites such as Lending Club and Kiva, is also taking off, despite some recent regulatory challenges. Celent, a global research firm focused on the financial services industry, estimates that peer-to-peer loans will total \$3 billion in 2009, up from \$1.6 billion in 2008.

Does it cost more to borrow from nontraditional lenders? Often, yes. Alternative lenders typically charge interest rates higher than 13%-greater than the current rate of about 8% on Small Business Administration 7(a) loans but cheaper than many credit cards. At Lending Club, for instance, the average rate is 13.5%.⁹ Peer-to-peer lending may be useful when small amounts of funds are needed, and banks are not interested in investing at that level.

⁹ Source: [Crain's New York Business](#); 7/13/2009, Vol. 25 Issue 28/29, p16.

Peer-to-Peer Lending Sites**ACCION USA**

115 East 23rd Street, 7th Floor
New York, NY 10010
866. 245.0783

info@accionusa.org

<http://www.accionusa.org/default.aspx>

GlobeFunder Ventures, Inc.

125 S. Kalamazoo Mall, Suite 300
Kalamazoo, MI 49007
800.494.8657

www.globefunder.com/Default.aspx

Lending Club

440 North Wolfe Road
Sunnyvale, CA 94085
866. 754.4094

www.lendingclub.com/home.action

Pertuity Direct

2 Gateway Center
603 Stanwix St., Suite 300
Pittsburgh, PA 15222

<http://pertuitydirect.com/>

Prosper Marketplace, Inc.

111 Sutter Street, 22nd Floor
San Francisco, CA 94104
866.615.6319

www.prosper.com

Virgin Money

60 Hickory Drive
Waltham, MA 02451
800.805.2472

www.virginmoneyus.com/Home/tabid/36/Default.aspx

CHAPTER 8: FINANCIAL ASSISTANCE SERVICES

NC Small Business & Technology Development Center

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 <http://www.sbtcdc.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 2006, the SBTDC helped clients leverage over \$170 million in capital with over one-half of this amount representing equity capital.

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 2006, the SBTDC helped small businesses in-state obtain more than \$1.2 billion in government contracts.

Export Financing Services — SBTDC is North Carolina's City-State Partner for the US Export-Import Bank.

Boating Industry Services – The SBTDC provides business and regulatory services to marinas, boatyards, boat dealers, boat builders, marine construction firms, and product/service providers.

Technology Development and Commercialization – SBTDC technology specialists assist technology-based businesses to commercialize innovative technology. In 2006 SBIR/STTR funding in NC reached \$44.2 million

State Headquarters at NCSU

5 West Hargett St.
Suite 600
Raleigh, NC 27601
919.715.7272
info@sbtcdc.org
<http://www.sbtcdc.org>

Regional Offices:

SBTDC at WCU

Asheville Office
68 Patton Ave., Suite 1
Asheville, NC 28801
828.251.6025

SBTDC at NC Central University

G08 Willis Building
Durham, NC 27707
919.530.7386

SBTDC at Appalachian State University

Walker College of Business
POB 32114 / 2125 Raley Hall
Boone, NC 28608-2114
828.262.2492

SBTDC at Elizabeth City State University

K. E. White Graduate Center
Box 874
Elizabeth City, NC 27909-7806
252.335.3247

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

SBTDC at Fayetteville State University

POB 1334
Fayetteville, NC 28302-1334
910.672.1727

SBTDC at UNC Charlotte

The Ben Craig Center
8701 Mallard Creek Rd.
Charlotte, NC 28262-9705
704.548.1090

SBTDC at NC A&T State University

Nussbaum Entrepreneurial Center
2007 Yanceyville St., Suite 300
Greensboro, NC 27405
336.334.7005
828.227.3504

SBTDC at Western Carolina Univ.

WCU School of Business
204 Forsyth Bldg.
Cullowhee, NC 28723-9646

SBTDC at UNC Greensboro

POB 2617
1111 Spring Garden Street
Suite 3708
Greensboro, NC 27402
336.334.5724

SBTDC at East Carolina University

300 East First St., Willis Building
Greenville, NC 27858-4353
252.737.1835

SBTDC at Appalachian State Univ.

Hickory Office
905 Highway 321 NW, Suite 354
Hickory, NC 28601-4745
828.345.1110

SBTDC at UNC Pembroke

POB 1510
115 Livermore Dr.
Pembroke, NC 28372-1510
910.775.400

SBTDC at NCSU

5 West Hargett Street
Suite 600
Raleigh, NC 27601
919.715.7373 x627

SBTDC at UNC-Wilmington

5051 New Centre Dr.
Wilmington, NC 28403-3297
910.962.3744

SBTDC at Winston-Salem State University

POB 19483
Winston-Salem, NC 27110-0001
336.750.2030