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Chairman

South Carolina Microenterprise  
Study Committee

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Gentlemen,

Pursuant to Act 102 of 2011, please find attached the final report of the Microenterprise Study Committee.

Yours very truly,



Representative Kenneth F. Hodges  
Chairman

On May 19, 2010, Governor Mark Sanford signed Joint Resolution No. 214<sup>1</sup> creating the Microenterprise Study Committee. On September 9, 2010, R. 214 became Act No. 344, which directs that the Committee “review, study, and make recommendations concerning the need to foster the development of microenterprises in this State” and submit a report with such recommendations to the General Assembly no later than January 20, 2011. Act 102 of 2011 extended this deadline to January 20, 2012, and R.127 of 2012 further extended the deadline to September 1, 2012. The Committee reached an early consensus that microenterprise is already an important component of the economy in South Carolina, employing nearly 400,000 citizens and accounting for 86 % of all businesses in the state.<sup>2</sup> For purposes of the Committee’s charge, “microenterprise” or “microbusiness” is defined as a sole proprietorship, partnership, or corporation that has fewer than five employees and generally lacks access to conventional loans, equity, or other banking services. Examining the reasons for lack of access to conventional loans, equity, or other banking services became a priority of the Committee, and proposing a potential course of action for the General Assembly to begin to address these issues is the focus of this report.

The nine-member Committee, which first met in May of 2011, included two members of the House of Representatives, members of the business community, two representatives from the private lending community, and a business consultant. In subsequent meetings, the Committee received testimony from the U.S. Department of Agriculture, Lowcountry Small Business Hub, South Carolina Department of Commerce, YEScarolina, Small Business Development Centers, South Carolina Bankers Association, Charlotte Branch of The Federal Reserve Bank of Richmond, Appalachian Development Corporation, and Charleston Local Development Corporation. These groups provided the Committee books, handouts, magazines, whitepapers, and summaries of their presentations.

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<sup>1</sup> Filed as H.4352 by Representatives Hodges and Dillard, the resolution is premised on the following finding by the General Assembly:

Whereas, small enterprise is the backbone of our economy and vital to our collective prosperity, and microenterprises in particular provide incomes, goods, and services to many who otherwise might be deprived of them; and

Whereas, in addition to providing incomes, goods, and services to those in need, microenterprises are critical to recovery for the disabled, often providing them with flexible work schedules, a greater sense of self worth, and access to networking avenues in the community that differ greatly from the medical or treatment mode to which they may have become confined due to their disability; and

Whereas, critical to microenterprise creation is the availability of start-up capital, which is frequently difficult to obtain because potential microenterprises typically lack sufficient access to the commercial banking sector.

<sup>2</sup> Haidee Clark Stith, The Case for a Microloan Intermediary for South Carolina, <http://www.allianceforwomen.net/public/files/docs/MicroloanCase.pdf>

Testimony and staff research revealed that problems facing South Carolina's microentrepreneurs, including the ongoing global recession that began in December of 2007 and difficulty accessing commercial credit, are problems faced by businesses of all sizes.<sup>3</sup> However, staff also found that many operating and aspiring microentrepreneurs face the additional burden of having little to no assets or collateral with which to secure credit, and have difficulty obtaining training that quickly translates into a successful business operation. The Committee found many different resources available for small businesses in South Carolina,<sup>4</sup> yet found few resources available for microentrepreneurs without assets or business experience.

The Committee found that a principal reason that microenterprises have difficulty obtaining capital for starting and expanding their operations is that a microloan provider (or prospective microloan provider) cannot provide a substantial volume of microloans without also maintaining a large portfolio of larger, more profitable loans or obtaining significant external financial subsidies. As one Committee member aptly noted, the cost of administration for microloans is the same as administrative costs on a higher value loan, but revenue from microloans alone (from interest, application fees, etc) is not enough to sustain an organization—it either has to offer a diverse portfolio of loan products or have other sources of funding for the operations. In other words, even if a lender dealing exclusively in microloans has a 0% default rate, the microlender's endeavor isn't sustainable, because administrative costs outpace revenue.

Given the above realities and resulting shortage of microloan providers, staff looked to existing programs that are operating in South Carolina. It took note of the Appalachian Development Corporation in the Upstate and the Charleston Local Development Corporation in the Lowcountry, which are the only two entities facilitating microbusiness loans in South Carolina through assistance from the United States Small Business Administration ("SBA") Microloan Program. As reiterated below, fostering the proliferation and expansion of microloan facilitators such as the Appalachian Development Corporation and the Charleston Local Development Corporation is a realistic strategy for increasing capital and technical assistance for microenterprises in South Carolina.

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<sup>3</sup> The Committee further notes that many of South Carolina's microentrepreneurs are situated within communities facing acutely depressed market conditions that limit the market for goods and services a microbusiness might wish to offer. While the Committee acknowledges that a varied approach to wholesale improvement of these markets is important, it also decided that submitting a narrowly tailored report with specific and attainable recommendations is the best current course of action for assisting the General Assembly in fostering development of microenterprises in South Carolina.

<sup>4</sup> The Committee wishes to emphasize that there are resources currently available to entrepreneurs in South Carolina (though less so to microentrepreneurs) and recommends that the state increase awareness of such programs. In terms of a guide to available resources, the most comprehensive information the Committee discovered was a document entitled "Key South Carolina Small Business Lending Resources" compiled by the South Carolina Department of Commerce and the Federal Reserve Bank of Richmond. Included in the Committee Report as **Appendix E**, the document is formatted as an easily accessible chart listing sixty programs sorted by program and sponsor. The chart provides information on each program, including allowable uses, eligible applicants, terms and conditions, and contact information. Other contributors to the chart include the U.S. Department of Agriculture, the U.S. Small Business Administration, the South Carolina Chamber of Commerce, the South Carolina Credit Union League, the National Federation of Independent Business, and the South Carolina Business Development Centers. One particular program of note is Michelin Development, whose Program Guide is attached as **Appendix D**.

The Appalachian Development Corporation (“ADC”)<sup>5</sup> is a non-profit corporation that primarily originates and provides loans to small businesses and microenterprises in the six upstate counties of Anderson, Cherokee, Greenville, Oconee, Pickens and Spartanburg, but will also work with prospective borrowers statewide. The ADC’s stated mission is to promote and assist the growth and development of business concerns, particularly small business concerns. In addition to three other larger loan programs, the ADC operates a Micro Loan and Entrepreneur Assistance Program, which facilitates loans from the USDA Rural Micro Entrepreneur Assistance Program and the SBA Micro Loan Program. The program is available to start-up or existing businesses with ten or fewer full time employees. Loans can range from \$2,500 to \$50,000, and loan terms can vary from 3-10 years, with a maximum interest rate of 9%. Collateral is required for the ADC’s Microloan Program, but this can be non-traditional collateral such as the borrower’s receipt of in-kind donations of office space or legal and consulting advice.

The most prolific microloan loan facilitator in South Carolina is the Charleston Local Development Corporation (“LDC”),<sup>6</sup> which primarily serves as a microlending resource to small businesses in Berkeley, Charleston, Colleton, and Dorchester Counties. The LDC has funded over 120 microloans in the past five years and partners with numerous funding resources which enables it to provide a variety of loans to microenterprises.

The loans made by the LDC have been utilized by small businesses in the Charleston area for start-up capital, to enable expansion, and as business continuation financing. The LDC makes its funds available to rural entrepreneurs, which are comprised in part by microenterprises. Each loan application is reviewed by the LDC’s Board of Directors which meets once a month. The LDC’s mission is “to be an economic development organization with a strategy for offering economic opportunity, combining human needs with revitalization (economic and physical) needs within defined service areas; to strive to eliminate blight; to maintain the identity of Charleston and the surrounding service areas.”<sup>7</sup>

To accomplish their mission the LDC offers and manages loan programs that include the SBA 504 and Microloan programs, the Façade and Corner Store Program, the Small Business Incentive Loan program, the Revolving Loan Fund, and the Small Business Disaster Relief Loan Program. The LDC serves as a SBA Microloan Intermediary by providing up to \$50,000 to small business owners or prospective owners of small businesses and microenterprises located in the four counties it serves. A SBA loan may be used for almost any business-related purpose except to refinance debt, acquire real estate, or improve owner-occupied real estate.

The LDC has developed the Small Business Incentive Loan Program (“SBILP”) which is designed to create job opportunities through development of commercial and industrial properties. The business must be located in Berkeley, Charleston, or Dorchester Counties,

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<sup>5</sup> <http://appalachiandevelopmentcorp.com/>

<sup>6</sup> <http://www.charlestonldc.com/about.html>

<sup>7</sup> *Id.*

must meet the SBA's definition of a small business, and may receive up to \$75,000 for the needs of their small business.

Another program advantageous to microenterprise the LDC operates is the Rural Revolving Loan Fund ("Rural RLF"). Eligible businesses must be located in the rural areas of Berkeley, Charleston, Colleton, and Dorchester Counties.<sup>8</sup> The business owners must be ineligible for conventional financing and meet the SBA's definition of a small business. The loan may be used for acquiring real estate, leasehold improvements, fixtures, machinery, equipment, working capital, inventory, gap financing, or collateral assistance for bank financing.

Based on testimony and multiple staff meetings and interviews, the Committee notes that the majority of South Carolinians have no access to local microlending comparable to the LDC and ADC. Neither the ADC nor the LDC competes with the traditional commercial lending sector, in that they will only qualify an applicant for a loan if conventional financing is unavailable. The SBA has at times looked into helping the Charleston LDC expand into a statewide program, but plans for such an expansion have never materialized. The ADC's programs are available statewide, but the practical matter of administering microloans statewide has proven sufficiently difficult that a statewide scope has yet to be realized. As such, the Committee notes that the General Assembly could work toward proliferation and expansion of SBA microloan intermediaries through incenting non-profit development corporations like LDC and the ADC in other areas of the state to expand the availability of working capital for microbusinesses state-wide.

Of particular importance is that the loan facilitator be a nonprofit corporation in the private sector. Public sector facilitators established as a direct division of a state or local governmental entity (such as the Department of Commerce) cannot qualify for most technical assistance grants offered by the federal government. As a result, the Committee recommends that fostering private facilitators is preferable to establishing a state-run facilitator.

Again, the most pervasive barrier to success as a microlending intermediary is that the cost of administration for a microloan is the same as the cost of administering a higher value loan, but the revenue from interest, application fees, etc. is not enough to sustain an organization committed solely to microlending. To succeed as an intermediary engaged in more than occasional microlending, an entity must offer a diverse portfolio of more profitable loan products (and subsidize microlending with the more profitable loans), or have other sources of funding for the operations. As discussed below, the Committee found a potential source of funding in the U.S. Small Business Administration.

Based on independently solicited and contributed written statements from Jody Raskind, Chief of the Microenterprise Development Branch of the U.S. Small Business Administration ("SBA Statement" incorporated into this report as **Appendix A**), and Sharon Brennan, Executive Director of the Local Development Corporation in Charleston ("LDC Statement"

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<sup>8</sup> Eligible areas are defined as those outside of cities with a population of 50,000 or more and their adjacent boundaries.

incorporated into this report as **Appendix B**), the Committee intensified its focus on federal funds available through the SBA Microloan program. While these funds do not alleviate the risk placed on the intermediary in the event of default, they are a potential source of capital for qualifying microenterprises in South Carolina.

As detailed in the SBA Microloan Statement, to be eligible as an SBA Intermediary Lender, a microlender must have been making and servicing microloans (loans of up to \$50,000) for at least one year, been directly providing business based training to its microborrowers, and be a private non-profit, quasi-public,<sup>9</sup> or tribally owned entity. Microlenders may receive SBA grant funding of up to 25% of the amount borrowed to assist with the cost of providing training and technical assistance, but, as mentioned above, these grants are not available public (governmental) intermediaries, and the Committee recommends that a public intermediary not be considered.

Intermediaries almost always are required to provide a 15% match against their loan and a 25% match against their grant. The SBA cites this requirement as the biggest hurdle for prospective intermediaries. The SBA statement goes on to stipulate that these matching funds are “placed into bank accounts on which SBA holds a lien and [are] considered part of the collateral against the loan,” and that “South Carolina Intermediaries could benefit from assistance by the State Government with a fund from which they could obtain matching dollars.” By way of example, by posting a match of \$75,000.00, an intermediary could secure \$500,000.00 from the SBA to capitalize a revolving loan fund from which the intermediary could then make loans of \$50,000 or less to small businesses that are otherwise unable to borrow. The SBA statement also clarifies that the state could and should consider providing only a partial match, such as 5% or 10%, to establish that the intermediary or another private source is more involved with the match. The SBA reports that loans associated with partial matches tend to be more successful.

The LDC Statement succinctly summarizes much of the testimony and anecdotal evidence received by the Committee and staff as to the state of microlending in South Carolina from the perspective of an intermediary. In addition to addressing other issues, the LDC points to providing matching funds for loan programs as a simple step that the state could take.

In an effort to develop a plan for the General Assembly, Committee staff researched the rest of the country and found that twenty-three states codify the definition of microenterprise in their state; eighteen states financially support microenterprise through Community Development Block Grants, and fourteen states provide microenterprise funding from their flexible general fund revenues.<sup>10</sup> The Committee found the most promising model for South Carolina in the State of Nebraska, whose program is detailed in the Summary Recommendation Below. Based on the all the testimony and comments received by the Committee and the SBA and LDC Statements in particular, the Committee submits the following Summary Recommendation.

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<sup>9</sup> The ten Councils of Government in South Carolina are examples of “quasi-public” entities. A state cabinet agency, such as the South Carolina Department of Commerce, does not qualify as quasi-public.

<sup>10</sup> See generally CORPORATION FOR ENTERPRISE DEVELOPMENT, 2009-2010 ASSETS & OPPORTUNITY SCORECARD.



### **Summary Recommendation**

1. The Committee recommends that the General Assembly incent the establishment of a private sector 501(c)(3) nonprofit corporation capable of acting as statewide microlending intermediary. The Committee proposes that this be accomplished by appropriating \$175,000.00 to the Department of Commerce in the Appropriations Act for the fiscal year beginning July 1, 2013. The Committee recommends that the General Assembly provide by proviso that the Department distribute at least \$150,000.00 of this amount as matching funds for intermediaries qualified by the U.S. Small Business Administration to administer loans under the SBA Microloan program, and further recommends that the proviso direct that the Department expend a portion of the balance of the appropriation (up to \$25,000.00), as necessary, to monitor and ensure that the matching funds are administered to at least one appropriate intermediary. As detailed above and in Appendices A and B, by making an initial appropriation to fund microenterprise, South Carolina could receive matching funds that exceed the annual appropriation, in that this 15% match will qualify any such intermediary for \$850,000.00 in SBA Microloan funding. The Committee further recommends that the General Assembly require by proviso that the Department of Commerce report back to the General Assembly in writing as to the use or non-use of the funds, and the reasons related thereto.
2. The Committee recommends passage of a Joint Resolution in January 2013 to reconstitute the Committee to monitor the allocation and use of any such state funding.
3. Given consistent testimony that education is a key component for enhancing the success rate of new microbusinesses, the Committee recommends that the General Assembly engage the South Carolina Department of Education to ensure inclusion of entrepreneur coursework in secondary school curriculums statewide.
4. The Committee recommends the General Assembly examine and consider a broader program similar to that in the state of Nebraska. Nebraska passed its Microenterprise Development Act in 1997, which called for its Department of Economic Development (“DED”) to establish a small business investment program to provide Microenterprise assistance. DED contracts implementation of the Act to a statewide microlending support organization that must provide a 25% match to state dollars. Nebraska appropriates approximately \$500,000 towards microenterprise annually. DED has selected the Nebraska Enterprise Fund (“NEF”),<sup>11</sup> a 501(c)(3) nonprofit, as the administrative contractor for each of the last 14 years. NEF administers the grant funds and loan capital appropriated by the Nebraska Legislature out of the state’s general fund. The “first tier” of statewide match is provided by the contractor and this combined amount is then leveraged a second time by a required “second tier” of 25% matching by the grantee Microlending Delivery Organizations (“MDO’s”). For the 2009-2010 year, \$451,102 was made available to ten MDO’s through the NEF. The NEF also raises grant and loan funds from other private and public sources, such as the U.S. Bank of Nebraska (a private lender), which announced that it would match annual appropriations

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<sup>11</sup> Formerly known as The Nebraska Microenterprise Partnership Fund



dollar for dollar. The Committee acknowledges that South Carolina could incorporate the ideas contained in Nebraska's Development Act into a plan for establishing a non-profit like NEF to administer and find funds for microenterprises. The Nebraska Enterprise Fund's 2011 Report to the Nebraska Legislature on the Nebraska Microenterprise Development Act is attached as **Appendix F**.

## **Appendix A: Statement and Additional Comments from Jody Raskind, Chief of the Microenterprise Development Branch of the U.S. Small Business Administration**

The Small Business Administration (SBA) Microloan Program provides direct loans and grants to eligible non-profit microlenders so that they may provide micro-level loans, and business based training and technical assistance to start-up, newly established and growing small business concerns. We have been operating the program now since 1992 (dollars on the street). The original law was PL102-140 which, of course, has been amended several times over the decades. It was passed in October of 1991. Our first loans to Intermediaries were made in June of 1992 for a total of about \$15 million. Intermediaries have defaulted at a rate of 3.03% over time. Microborrowers average about 11% defaults before recovery. We don't have data on recoveries as we have never collected it. We hope to start soon.

### **Loans to Microlenders (Intermediaries)**

To be eligible to apply to become an SBA Intermediary Lender, a microlender must:

- have been making and servicing microloans (loans of up to \$50,000) for at least one year;
- have been directly providing business based training to its microborrowers; and,
- be a private non-profit, quasi-public, or tribally owned entity.

The above three bullets are statutory. When we look at quasi-public, we are generally looking at Planning and Development Districts or Councils of Governments. Once in a blue moon an Economic Development Office might be eligible but it has to be a totally separate entity from the State or local government.

Eligible entities may apply for intermediary lender status and will be scored based on the documents submitted. Once selected, an intermediary may borrow up to \$750,000 at a time provided its total program debt does not exceed \$5 million at any given time. The limit on the first loan to an Intermediary is \$750,000. After that, we will make loans of up to \$1.25 million if the Intermediary warrants it based on pipeline (ability to deploy), performance, availability of funds, and so forth.

Interest is charged to the intermediary based on the 5-year Treasury Bill rate minus a 1.25% or 2.00% buy-down. However, the interest rate will not go below zero. The maximum loan term is ten (10) years. I provided a big explanation of the interest structure below.

### **Grants to Microlenders**

Microlenders may receive grant funding of up to 25% of the amount borrowed to assist with the cost of providing training and technical assistance.

- 75% of the grant funds must be used to provide such training to microborrowers.

- Up to 25% of the grant funds provided may be used to provide pre-loan training and technical assistance to potential borrowers.

We provide grant funds based primarily on the amount of money owed to the Agency by the Intermediary on a date certain each year. We also consider the number of microloans made in the previous year and, of course, the amount of funding received under the annual Federal Budget. Grant funds are used to help fund the provision of business based training and technical assistance for microborrowers and potential microborrowers.

Intermediaries must provide a match against these funds but it does not have to be cash as with the loan funds (see below). The match for a grant can be made up of cash or in-kind contributions such as space, equipment, volunteer time, and so forth. For instance, a bank might provide free space on its second floor to an Intermediary and might refer clients right upstairs when a bank loan can't be approved. Or, a lawyer may provide pro-bono advice to a small business borrowers which can be assigned a dollar value and used as an in-kind match.

### Matching Funds

Intermediary lenders are required to provide a 15% match against their loan and a 25% match against their grant. Unless otherwise stipulated by the Agency. This is often the hardest part of the program for the Intermediaries to meet. Particularly in difficult economic times, Intermediaries are subject to the giving limits of foundations, local charities, local investors, etc. The 15% match against the loan cannot be borrowed, cannot be other Federal Funds (except CDBG funds) and must be cash. That money is placed into bank accounts on which SBA holds a lien and is considered part of the collateral against the loan. Potential South Carolina Intermediaries could benefit from assistance by the State Government with a fund from which they could obtain matching dollars. The strength here is that Intermediaries would have the interest of the state and could show outcomes in response to taxpayer funds. The weakness is that if the state decides to stop providing funds (must be in grant form), then you, and we, are stuck with an entity that may be so weakened that it fails. We have seen this in the past but have generally managed to assist the Intermediary in working through the issue. Basically, if the Intermediary cultivates more than one source of matching funds, it has a better chance of surviving a hit than if not. So, if you are contemplating a state fund for matching funds you may want to protect your potential local lenders by limiting your contribution to a percentage of the full requirement. That way, they have your support but don't fully rely on you.

### Microloans

Intermediary lenders must use the funds loaned to them by SBA to capitalize a revolving loan fund from which they must make loans to small businesses in need of \$50,000 or less. Also, we allow intermediary lenders to do participation deals in which the microborrower can get up to 2X the amount of the microloan from other lending sources. This allows the microborrower to grow out of the program while maintaining access to technical assistance and training funded with our grant dollars to the Intermediary.

- The maximum loan term for a microloan is six (6) years. The law requires that intermediaries make short term fixed rate loans. This means that creative lending products are pretty much out of the question. Term-end Balloon payments, for instance, are not allowed. Most loans are for 90 days or more. The average loan maturity last year was just over 36 months.
- Intermediaries may not charge more than 7.75% over their cost of funds on microloans of more than \$10,000
- Intermediaries may not charge more than 8.50% over their cost of funds on microloans of \$10,000 or less. When an intermediary borrows Microloan Program funds from SBA, the base rate remains the same for the full 10 year life of the loan. (see above "Loans to Intermediaries). However, based on the average loan size in the Intermediary's portfolio the buy-down (discount) on our interest rate may change from year to year. The Intermediary then uses this cost of funds to determine the maximum that can be charged to a microlender. For example, if an intermediary were to be approved for a loan today, the actual interest rate would be less than 1%. Our discount on the funding would actualize to a zero interest rate. So, the Intermediary could charge zero plus 7.75 or 8.50 depending on the size of the microloan.

Generally organizations that don't want to charge the maximum interest rate to low-income borrowers are those that will not stay in the program for long. Some will ask, "How can you charge higher than market interest to a low-income person/business owner? The response is that if a person/business can go to a traditional institution and be approved for a loan, they should go there. If not, they should utilize this program or a program like it knowing that microloans are considered high risk, and thus pay interest as high risk borrowers. So, while low interest rates may be seen as altruistic, they are not necessarily realistic.

- The SBA does not review, underwrite, or have the authority to approve or deny a microloan. As such, each intermediary will, within the above parameters, determine the loan terms to the microborrower. SBA's relationship is with the Intermediary. We collect a significant amount of data on the microborrowers, but we do not get involved in their relationship with the Intermediary. Of course, if a complaint is filed we will generally work to research the issue should it escalate. However, this rarely happens. We do get involved if there is an EEO Complaint.
- Microloans are made to women, low-income, veteran, and minority entrepreneurs and others with the capacity to own and operate a small business. If a business/business owners in need of business capital of \$50,000 or less, and cannot get funding in the traditional commercial setting, this is a significant resource for him/her. Microloans are made in almost every NAICS category. The smallest loan I have ever seen reported was for \$125. It provided an in-home baker with a professional kitchen cleaning, a used mixer, an advertisement in the local "Penny Wise", and a couple of safety upgrades to satisfy OSHA requirements. Another loan for a very small amount equipped a Paralegal to take on private contracts at home. At the other end of the spectrum, I have seen larger loans made to, for instance, a company that was short a large account receivable and needed working capital. One

\$25,000 loan led to the establishment of a wireless phone company that was eventually sold for millions while creating more than 80 inner city jobs. Another series of loans led to the establishment of a baby equipment company, manufactured in the USA, and recently sold on the international market- again for millions. The owner of that company says that she has paid more in taxes since receiving her financing than she actually borrowed. In fact, her taxes over the years could fund this program for an entire year. So, while it is expensive to run, it is really a ground up financing approach to creating and growing small businesses.

## **Appendix B From Sharon Brennan, Executive Director of the Charleston Local Development Corporation: Microenterprise Development in South Carolina**

To own and operate a microenterprise in itself is difficult, but when there is a lack of access to capital, it is almost impossible to create, grow, or in some cases, even sustain a microenterprise. In South Carolina, the number of organizations that fund microloans or provide technical assistance to microenterprises is extremely limited. Many parts of the state are underserved, and as a result, there are lost opportunities in those areas.

As a result of the difficult economic times, the constrained traditional lending environment, and increased unemployment or underemployment, the Charleston Local Development Corporation (LDC) has experienced a heightened need for its funds by microenterprises over the past four years. Prior to this time, the LDC assisted more newly created businesses, but in the past four years, it has seen a change in the demographics of the client it serves. In fact, during the time, half of the loans funded have been made to existing businesses. So, in underserved areas, not only has there been a missed opportunity to create jobs with new businesses, but there has also been the potential that existing jobs have been negatively impacted due to operating businesses not being able to access needed capital.

There are vast areas of opportunity in South Carolina where there is not an entity serving the underserved and disadvantaged microenterprises. Weekly, the LDC receives calls and emails, from people located outside its service area, inquiring about microlenders in different parts of the state. The LDC will refer those people to one of the few microlenders, and when there is not one serving the particular locale, the individual will be directed to the Council of Governments and the SBDC serving the area. Most often, there is no microlender to which a referral can be made. Over the past several years, the LDC has had contacts in excess of 3,000 a year. Even if half of those contacts in any given year had been serious entrepreneurs and had been able to secure the necessary financing, in a worst case scenario, one job per business would have been impacted. The impact on 1,500 jobs, whether created or retained, in one year would be significant.

Over the past five years, the LDC has funded over 120 microloans totaling almost \$3.6 million which has resulted in a direct positive impact on 459 jobs. During the time, the LDC served four counties and experienced some capital constraints, during the early part of 2011, due to the increased demand for its funds. However, take the example of the LDC and consider if there had been ten organizations handling an average of four to five counties to provide full coverage in the state and each had operated and deployed capital similar to the LDC, there would have been a potential for a direct positive job impact on over 4,500 positions. Even in the best of times, 4,500 positions would be a significant number of jobs for South Carolina. In addition to the direct job opportunities, an outcome that should also be considered in this scenario is the number of indirect jobs that could have been impacted due to the funding of microenterprises.

With the nature of microlending, there are elevated financial needs for an organization in the field. In its 20 years of funding microloans, the LDC has borrowed funds, with rates

ranging from 1.0% to 7.5%, from various federal and private sources to provide the needed financial assistance. In addition, due to the heightened riskiness of microlending, it has established loan loss reserve accounts to help to offset losses that could be experienced in the loan portfolio. Also inherent with microlending, there has been a need to provide intensive technical assistance to microenterprise borrowers in an effort to avoid losses. Therefore, because microenterprise development organizations are typically small nonprofits that borrow funds for lending, (should) establish loan loss reserves, provide intensive technical assistance, and have a need to sustain operations, microlending is a difficult field. The difficulty in the industry is evidenced in South Carolina by the number of microlenders that have previously existed in the field but are no longer operating a microenterprise development program.

It is encouraging to the LDC that the Microenterprise Development Study Committee is giving serious consideration to the microenterprise industry and exploring ways in which assistance might be provided on the state level to grow and sustain it. More importantly, if the microenterprise field receives the assistance it needs in all parts of the state, South Carolina's economy would be elevated.

### **Recommendations:**

The following recommendations are simply ideas and are based on experience and observations of the microenterprise development industry. Any of the support efforts could prove helpful in expanding access to capital for microenterprises in the state.

Funds for operations – Because it is essential that microlending is paired with intensive technical assistance, some funding for operations could provide an incentive for new microenterprise development providers, the expansion into microlending by existing loan funds, and the retention of existing microlenders. Many organizations do not have the capacity to provide the technical assistance or find that providing it is restrictive on other aspects of their operations. Having funds for operational items could enable an organization to hire personnel or contract for the technical assistance.

Matching funds for loan programs – This would encourage organizations to seek the majority of funding from the federal or private sources but would enable the organizations to expand their microlending programs by whatever amount the state matched. This could be any amount from a dollar-to-dollar match to an amount based on a sliding scale. At the minimum, a match in the amount required by other sources would be helpful and would allow organizations to funnel their own money into operations and technical assistance. For example, if an entity applies to the SBA to be a microlender and is approved, the organization is required to provide a fifteen percent (15%) match for any funds it seeks from the SBA. This match can constrain the organization unless it has the ability to raise the funds from outside sources. Having a match by the state would help to mitigate the impact on an organization's operations, or in the case of an well-established and adequately capitalized microlender, it could simply expand the funds the organization has available for microlending.

Loan loss reserve funds – These funds would provide needed capital to set up loan loss reserves to help to offset losses due to loan defaults. Providing funds to organizations to establish loan loss reserves would serve much the same purpose as providing matching funds as it would help to lessen the impact on an organization in establishing the reserves and then would help to mitigate losses if they should occur.

Sponsor scholarships to training – To encourage new organizations, scholarship funds could provide the essentials for new lenders and help compress the learning curve. For existing organizations, scholarships would allow entities to maintain a current perspective through exposure to new techniques and methods. In both the existing and new organization scenarios, the networking that occurs in training sessions can lead to partnerships and collaborations that can help to promote and grow the industry. In lieu of scholarships, the state could provide free training by partnering with national organizations that offer microenterprise development training programs.

Other ideas would include: partnering with the Federal Reserve Bank to encourage local lenders to provide, on a regular basis, personnel to assist with evaluating credit for nonprofit lenders; sponsoring networking opportunities at no or very little cost to the microenterprise development organizations; providing public relation opportunities for microenterprise development organizations and the success stories of their recipients of microloans; educating the public of the benefits of the industry; and continuing to promote microenterprise development.



## Appendix C

### The Committee notes that the following examples of state action might be of interest to the General Assembly:<sup>12</sup>

1. Washington has enacted the Microenterprise Development Act which provides \$250,000 per year towards microenterprise development. Under the Act, the Department of Commerce provides organizational support and contracts with a statewide Microenterprise association to act as its agent in microenterprise development. The Washington State Microenterprise Association (“WSMA”), first formed in 2004, is the state’s intermediary. WSMA receives funding from public and private sources including the United States Small Business Administration to support its microenterprise development agenda.
2. Oregon has focused its efforts to develop microenterprise through CDBG Funding, specific funding for services to minority-owned businesses, an active Self-Employment Assistance Program and lending capital to start-up microenterprises. South Carolina should support microenterprise in a manner consistent with that done by Oregon. Oregon passed its Microenterprise Act in 2001 which codified the efforts of the Oregon Microenterprise Network (“OMEN”). OMEN subsequently became a state microenterprise intermediary and state microenterprise association under the Act, serving as an intermediary between Oregon’s Business Development Department and local microenterprise support organizations. OMEN’s funding comes from both public and private donors. It has received funding from Oregon’s Department of Economic Development. Between 2005 and 2007 OMEN received \$180,000 annually, and between 2007 and 2009, it received \$150,000 annually from the State of Oregon.<sup>13</sup> The main facets of OMEN’s operations appear to be its “Capitallink” loan program and its “Marketlink” market research program. The

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<sup>12</sup> Staff also looked at three additional federal sources which may be used to fund microenterprise development through training and capital for start-up microentrepreneurs: Temporary Assistance for Needy Families (TANF), the Workforce Investment Act (WIA), and the Community Development Block Grant (CDBG). The Committee notes the following in regard to each of these three sources:

1. In order to receive TANF funding, the state can allow participation in microenterprise training and self-employment to meet the work participation requirements. This will support very low-income microentrepreneurs as they start out. South Carolina may also use TANF block grant funding to provide the training and technical assistance.
2. South Carolina could describe its support for microenterprise in its WIA state plan. WIA provides that microenterprise training is considered an allowable activity and self-employment constitutes an allowable employment outcome for the purposes of receiving funding for each under WIA. South Carolina should take action to specifically include both.
3. The state could take advantage of Community Development Block Grant (“CDBG”) funds that will provide financial assistance to microenterprises via grants and loans. These funds may also be used for training, technical assistance, and support services for the microenterprises.

<sup>13</sup> The Committee wishes to thank Valerie Plummer, Executive Director of OMEN, for providing the Committee with these statistics.

Committee notes that South Carolina could implement its own plan to develop an intermediary consistent with that created in Oregon.

## Appendix D



### **MICHELIN Development**

## Michelin Development (MDU) Program Guide

**Industry:** All Socially or Economically Disadvantaged Businesses within the 10 counties of Upstate, SC focusing on creating/sustaining quality jobs.

**Value Proposition:** Business loans at Bank prime plus rate for companies which have situations that standard lending institutions may not be able to accommodate. Free of charge access to Michelin's Business Expertise.

**Client Benefits:**

- Favorable interest rates-Bank prime plus 2% rate
- No personal guarantees or personal assets pledged; 35% hard equity required
- Free of charge access to Michelin's Business Expertise
- Decisions made by Local Steering Committee
- Community Job Creation
- Accelerate success of business

**Competitive Positioning and Differentiation:**

- Non-traditional banking Terms and Conditions of Loans
- Decisions not to provide loans or feedback are at the discretion of the MDSC and the decision is final
- Community based and focused with additional interest in creating/sustaining jobs
- Free of Charge access to Michelin's Business Expertise (except for legal, websites, insurance and engineering) in addition to loan financing

**Target Audience**

- Socially or Economically Disadvantaged Businesses in Upstate, South Carolina
- Cash Flow capable of repayment
- Provide financial information upfront
- Recent Orders; Sales Contracts; Letter of Intent of Interest
- Business assets used as collateral, if applicable
- Financially committed; not less than 35% hard equity
- Management Experience in the industry
- Start-up or Small Businesses with a viable business plan
- Satisfactory personal/business credit
- Loans up to \$50K

### **Qualifying Questions:**

- Have you applied to any other financial institution?
- Are you aware this is a fully repayable reducing term loan?
- Can you provide Financial Statement and/or Cash Flow projections? When and who has prepared these?
- Do you have revenue and for how long? Who are your customers?
- Can you provide evidence of repayment capabilities for the term of the loan?
- Is your business located in and staying in Upstate, SC for the period of the loan?
- How many jobs will you create as a result of this loan?
- How much equity do you personally have in your business and/or towards this project or purchase?
- Will you provide a personal statement of Net Worth? (This does not mean you will be providing personal guarantees)

### **Michelin Development Financial Support Process:**

- Meet with MD representative to discuss program details and to explore opportunities to partner.
- If your product or service appears to be viable to MD and if you are interested in partnering with us to achieve your financial objectives, you will be directed to the MD website. You will be asked to provide the necessary company and financial information on the Loan Application, filled out electronically on the website.
- All loan applicants will be required to attend a SCORE business basics workshop.
- The project application will be assessed against agreed upon key parameters, including:
  - Development Stage of Project
  - Practicality of Project
  - Market
  - Product/Service
  - Strategy
  - Resources
  - Potential Customers
  - Sales Forecasts
  - Cash Flow Projections
  - Equity (from applicant)
  - Other Capital Funding
  - Employment Creation Potential
- MD then informs the MDSC of the interest shown. MD will provide access to all completed Loan Applications for the MDSC to review.
- In all cases the applicant will be required to present their project to MDSC.
- Following the recommendation from the MDSC, the MD Client will be advised of the decision. If the response is negative, MD will advise the client, and provide feedback, advice and mentorship. MD will also direct clients to other resources in the region, both financial and other types of support. If positive, MD will notify the client and begin the loan process with Banking Partner. Financial due diligence will be completed by a representative from Banking Partner.
- All approved loan clients will be required to attend a business financial literacy workshop prior to receiving loan proceeds and will be assigned a mentor/coach to work with them for 6-12 months.
- Clients, MD, and Banking Partner will enter into formal loan agreements.
- Typically the process averages 2-3 months.
- Decisions not to provide loans or business expertise are at the discretion of the local MDSC and their decision is final.

**Appendix E**

See Separate PDF entitled "Key South Carolina Small Business Lending Resources"

**Appendix F**

See Separate PDF entitled "The Nebraska Enterprise Fund 2011 Report"

**Information Assembled By:**



THE FEDERAL RESERVE BANK OF RICHMOND  
RICHMOND • BALTIMORE • CHARLOTTE



South Carolina  
Department of Commerce



SOUTH CAROLINA  
CHAMBER OF COMMERCE



LEADER UNION



South Carolina  
Bankers Association



Revised 6/18/11 11/11

**Key South Carolina Small Business Lending Resources**

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
General 7a Loans	Loan Guarantee	Working capital, machinery and equipment, furniture and fixtures, land and building, leasehold improvements, and debt refinancing	Must be for-profit and meet SBA size standards; show good character, credit management and ability to repay. Must be an eligible type of business.	Maximum loan amount \$5,000,000 Maximum guaranty to one borrower \$5,750,000 Maximum guaranty percentage 85% for loans of \$150,000 or less	Theresa Singleton, Deputy District Director 1835 Assembly St. Columbia, SC 29201 Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a>
SBA Express Loans	Express Loans Guarantee	Streamlined and expedited loan procedures; revolving lines of credit (up to 7 year maturity) or for a term loan same as 7a	Must be for profit and meet SBA size standards. Same as 7(a)	\$1,000,000 through September 26, 2011; \$350,000 maximum, thereafter. Maximum 50% guaranty	Theresa Singleton, Deputy District Director 1835 Assembly St. Columbia, SC 29201 Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a>
Non-7a Microloans	Direct Loan (provided through intermediary)	Working capital or the purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment. Cannot be used to repay existing debt or purchase real estate.	Small businesses and certain types of nonprofit child-care centers needing small-scale financing and technical assistance for start-up or expansion	Maximum loan amount is \$50,000. Term of loan cannot exceed 6 years.	Theresa Singleton, Deputy District Director 1835 Assembly St. Columbia, SC 29201 Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a>

**U.S. SMALL BUSINESS ADMINISTRATION**

Co-sponsorship Authorization # 11-0464-142. SBA's participation in this cosponsored activity is not an endorsement of the views, opinions, products or services of any cosponsor or other person or entity. All SBA programs and services are extended to the public on a nondiscriminatory basis

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
504 Loan	<p><b>Direct Loan</b> (Provided through Certified Development Companies – CDCs licensed by SBA)</p>	<p>Fixed-asset projects such as purchasing land, improvements, construction, renovating of facilities or purchasing long-term machinery and equipment</p>	<p>For-profit businesses: Applicants must not have a tangible net worth in excess of \$15 million and cannot have an average after-tax net income in excess of \$5 million.</p>	<p>Loan maximum ranges from \$5 million to \$5.5 million  Loan maturity can be 10 or 20 years</p>	<p>Theresa Singleton, Deputy District Director 1835 Assembly St. Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a></p>
Patriot Express	<p><b>Loan Guarantee</b></p>	<p>Equipment, inventory, working capital, expansion, start up costs, deployment absence costs and real estate. Same as 7a.</p>	<p>Same as 7a. In addition, business must be owned and controlled by veteran, active duty military, National Guard member or spouse of any of these or a widowed spouse of a service member or veteran who died during service or of a service connected disability.</p>	<p>Maximum loan amount \$500,000 Maximum guaranty percentage 85% for loans of \$150,000 or less  75% for loans greater than \$150,000</p>	<p>Theresa Singleton, Deputy District Director 1835 Assembly St. Columbia, SC 29201 Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a></p>
Community Advantage	<p><b>Loan Guarantee</b></p>	<p>Same as 7a</p>	<p>Same as 7a</p>	<p>Maximum loan amount \$250,000  Other terms &amp; conditions same as 7a</p>	<p>Theresa Singleton, Deputy District Director 1835 Assembly St. Columbia, SC 29201 Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a></p>
Export Working Capital Program (EWCP)	<p><b>Loan Guarantee</b></p>	<p>Short-term, working capital loans for exporters. May be transaction based or asset-based. Can also support stand-by letters of credit.</p>	<p>Small business looking to develop or expand their export activities</p>	<p>Maximum loan amount \$5 million  90% loan guaranty (Up to \$4.5 million maximum guaranteed amount)</p>	<p>Theresa Singleton, Deputy District Director 1835 Assembly St. Columbia, SC 29201 Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a></p>

**U.S. SMALL BUSINESS ADMINISTRATION**

## Key South Carolina Small Business Lending Resources

<b>U.S. SMALL BUSINESS ADMINISTRATION</b>					
<b>Small/Rural Lender Advantage</b>	<b>Loan Guarantee</b>	Designed to accommodate the unique loan processing needs of small community/rural-based lenders by simplifying and streamlining loan application process and procedures	Local communities, particularly those facing the challenges of population loss, economic dislocation, and high unemployment	Maximum loan amount \$350,000 Maximum guaranty percentage 85% for loans of \$150,000 or less 75% for loans greater than \$150,000	Theresa Singleton, Deputy District Director 1835 Assembly St. Columbia, SC 29201 Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a>
<b>Small Loan Advantage</b>	<b>Loan Guarantee</b>	Working capital, machinery and equipment, furniture and fixtures, land and building, leasehold improvements, and debt refinancing	Must be for-profit and meet SBA size standards	Maximum loan amount \$250,000	Theresa Singleton, Deputy District Director 1835 Assembly St. Columbia, SC 29201 Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a>
<b>International Trade Loans</b>	<b>Loan Guarantee</b>	Acquisition, construction, renovation, modernization, improvement and expansion	Small businesses that can expand existing export markets or develop new export markets and that have been adversely affected by international trade	Maximum loan amount \$5 million Maximum loan guaranty \$4.5 million	Theresa Singleton, Deputy District Director 1835 Assembly St. Columbia, SC 29201 Phone: (803) 253-3121 Email: <a href="mailto:theresa.singleton@sba.gov">theresa.singleton@sba.gov</a> Web: <a href="http://www.sba.gov/sc/">www.sba.gov/sc/</a>

**SMALL BUSINESS LENDING PROGRAMS, [www.sba.gov](http://www.sba.gov)**



## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
<p><b>Business and Industry Guarantee Loans</b></p>	<p><b>Loan Guarantee</b></p>	<p>Most legal business purposes except production agriculture. Include acquisition, start-up and expansion of businesses that create rural employment</p>	<p>Apply through federal or state chartered banks, credit unions, or savings and loan associations</p>	<p>Lender and borrower negotiate terms Interest rate tied to published rate that may change no more than on a quarterly basis</p>	<p>Gregg White, Program Director 1835 Assembly Street Columbia, SC 29201 Phone: (803) 765-5881 Email: <a href="mailto:gregg.white@sc.usda.gov">gregg.white@sc.usda.gov</a> Web: <a href="http://www.rurdev.usda.gov/sc/">www.rurdev.usda.gov/sc/</a></p>
<p><b>Intermediary Relending Program Loans</b></p>	<p><b>Direct Loan</b></p>	<p>Community development projects, establish or expand businesses, create or save rural jobs</p>	<p>Public bodies, nonprofit corporations, Native American tribes, and cooperatives</p>	<p>The intermediary makes loans to businesses from revolving loan fund on terms consistent with security offered. Intermediary pays 1% for 30 years</p>	<p>Gregg White, Program Director 1835 Assembly Street Columbia, SC 29201 Phone: (803) 765-5881 Email: <a href="mailto:gregg.white@sc.usda.gov">gregg.white@sc.usda.gov</a> Web: <a href="http://www.rurdev.usda.gov/sc/">www.rurdev.usda.gov/sc/</a></p>
<p><b>Rural Business Enterprise Grants</b></p>	<p><b>Grant</b></p>	<p>Buy/develop land, establish a revolving loan fund, construct buildings, equipment, access streets and roads, parking areas, utility and service extensions and rural distance learning networks</p>	<p>Public bodies, private nonprofit corporations, and federally recognized Native American tribal groups</p>	<p>When grant funds are used for revolving loan fund, the intermediary makes loans to businesses from its RLF on terms consistent with security offered.</p>	<p>Gregg White, Program Director 1835 Assembly Street Columbia, SC 29201 Phone: (803) 765-5881 Email: <a href="mailto:gregg.white@sc.usda.gov">gregg.white@sc.usda.gov</a> Web: <a href="http://www.rurdev.usda.gov/sc/">www.rurdev.usda.gov/sc/</a></p>
<p><b>Rural Economic Development Loans and Grants</b></p>	<p><b>Direct Loan Revolving Loan Fund Grant</b></p>	<p>Promote rural economic development and/or job creation projects including feasibility studies, startup costs, and business incubators</p>	<p>Electric and telephone utilities eligible for financing from the Rural Utilities Service</p>	<p>The intermediary makes loans to profit or nonprofit businesses and public bodies for rural economic development and/or job creation projects. Loans are 0% for 10 years</p>	<p>Gregg White, Program Director 1835 Assembly Street Columbia, SC 29201 Phone: (803) 765-5881 Email: <a href="mailto:gregg.white@sc.usda.gov">gregg.white@sc.usda.gov</a> Web: <a href="http://www.rurdev.usda.gov/sc/">www.rurdev.usda.gov/sc/</a></p>

**U.S. DEPARTMENT OF AGRICULTURE**

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
<b>U.S DEPARTMENT OF AGRICULTURE</b>					
9007 Rural Energy For America Program	Loan Guarantee and Grant	Construction, improvements, purchase and installation of equipment, energy audits, permit fees, professional service fees, business plans and feasibility studies	Agricultural producers and rural small businesses	Applicants must meet specific selection criteria Loans cannot exceed 50% of eligible project costs Grant cannot exceed 25% of eligible project costs	Gregg White, Program Director 1835 Assembly Street Columbia, SC 29201 Phone: (803) 765-5881 Email: <a href="mailto:gregge.white@sc.usda.gov">gregge.white@sc.usda.gov</a> Web: <a href="http://www.rurdev.usda.gov/sc/">www.rurdev.usda.gov/sc/</a>
Rural Energy for America Program Grants	Grant	Grants for energy audits and renewable energy development assistance	Farmers, ranchers, rural small businesses, agricultural producers, rural electric cooperatives	Grants awarded on a competitive basis and can be up to 25% of total eligible project costs Grants are limited to \$50,000 for renewable energy feasibility studies	Gregg White, Program Director 1835 Assembly Street Columbia, SC 29201 Phone: (803) 765-5881 Email: <a href="mailto:gregge.white@sc.usda.gov">gregge.white@sc.usda.gov</a> Web: <a href="http://www.rurdev.usda.gov/sc/">www.rurdev.usda.gov/sc/</a>
(RMAP) Rural Micro Entrepreneur Assistance Program	Loan/Grant	Provide funds for micro-lending and technical assistance for micro-enterprise development	Non-profit, tribe or institute of higher learning, less than 10 employees	Low interest, 20 year loans or two-year deferral payment Preference to areas of outmigration, with racially or ethnically diverse populations Maximum loan amount \$500,000 Maximum grant amount \$100,000	Gregg White, Program Director 1835 Assembly Street Columbia, SC 29201 Phone: (803) 765-5881 Email: <a href="mailto:gregge.white@sc.usda.gov">gregge.white@sc.usda.gov</a> Web: <a href="http://www.rurdev.usda.gov/sc/">www.rurdev.usda.gov/sc/</a>
<b>U.S DEPARTMENT OF AGRICULTURE, <a href="http://www.usda.gov">www.usda.gov</a></b>					

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
<b>Appalachian Development Corporation (ADC)</b>	<b>ADC administers the 504 Loan Program USDA B&amp;I Loan USDA IRP Loan</b>	Acquisition and/or renovation of capital assets including land, buildings and equipment  Various general business purposes depending upon which loan is applied for	The six counties of the upstate and a secondary area of anywhere in the state of South Carolina	Loan maximum ranges from \$1.5 million to \$5 million Loan maturity can be 10 or 20 years  Loans from \$25,000 to \$10,000,000	David Mueller Appalachian Development Corporation 3531 Pelham Road, Suite 100 Greenville, SC 29615 Phone 864-382-2350 appalachiandevelopmentcorp.com
<b>BCI Lending Services, also known as Business Carolina, Inc.</b>	<b>BCI administers SBA 504 SBA 7(a) Express Loan USDA B&amp;I Loan USDA IRP Loan</b>	Various general business purposes depending upon which loan is applied for	Specific eligibility requirements depending upon loan applied for.  Small for-profit businesses, veterans, rural businesses, widowed spouse of service member	Fully amortizing (no balloon)  Guarantees: if less than \$150,000 up to 85% or if over \$150,000 up to 75%	Ed Kesser, Loan Specialist 1523 Huger Street, Suite A Columbia, SC 29201 Phone: (803) 461-3831 Web: <a href="http://www.beilending.com">www.beilending.com</a>
<b>Business Development Corporation (BDC) of South Carolina/Certified Development Corporation of South Carolina (CDC)</b>	<b>SBA 7 (a) and 504 Loans Loan Loss Reserve for the SC Capital Access Program (CAP) and for the SC State Small Business Credit Initiative Capital Access Program (SC SSBCI CAP)</b>	7(a) loans are for various general business purposes, including fixed assets and working capital. 504 Loans are for fixed assets (land, buildings, machinery and equipment).	Specific eligibility requirements in accordance with SBA eligibility criteria.  For-profit business that conducts business in the state of South Carolina	7(a) Guaranty loans up to \$5,000,000. 504 loans up to \$5,000,000, or \$5,500,000 for manufacturing firms  7(a) loans - 5 to 20 years, depending on the purpose of the loan. 504 loans - 10 years for machinery and equipment, or 20 years for real estate.	Thomas Richardson, Vice President PO Box 21823 Columbia, SC 29221 Phone: (803) 744-0305-ext106 Email: <a href="mailto:thr@businessdevelopment.org">thr@businessdevelopment.org</a> Web: <a href="http://www.businessdevelopment.org">www.businessdevelopment.org</a>
<b>Jobs-Economic Development authority (JEDA)</b>	<b>Bond issuance. Statewide conduit issuer of special obligation revenue bonds</b>	Largely fixed-asset financing	Any for-profit or nonprofit business or institution. JEDA determines tax-exempt eligibility.	Does not underwrite a credit, simply provides tax exempt status  All terms and conditions are the lenders.	Harry Huntley 1201 Main Street, Suite 1600 Columbia, SC 29201 Phone: (803) 737-0627 Email: <a href="mailto:hhuntley@scjeda.com">hhuntley@scjeda.com</a> Web: <a href="http://www.scjeda.com">www.scjeda.com</a>
<b>Provident Business Financial Services</b>	<b>SBA 504 Loan guaranty</b>	Land acquisitions, construction, machinery and equipment renovations (generally fixed assets)	For-profit small businesses, as defined by the SBA, with a demonstrated need  Net worth less than \$7 million and net profit less than \$2.5 million	Long-term financing ranges from 10 to 20 years with fixed note financing and low down payment	Keith Black, President 3937 Sunset Blvd., Suite D West Columbia, SC 29169 Phone: 803-791-0071 Email: <a href="mailto:kblack@providentbfs.com">kblack@providentbfs.com</a> Web: <a href="http://www.providentbfs.com">www.providentbfs.com</a>

## NON-BANK LENDERS

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
<p><b>SC Capital Access Program (SC CAP)</b>  <b>And</b>  <b>South Carolina State Small Business Credit Initiative Capital Access Program (SC SSBICI CAP)</b></p>	<p><b>These are Bank Lending Programs, with a Loan Loss Reserve managed by BDC</b></p>	<p>For either program, any business loan (short or long-term) to a corporation, partnership, joint venture, sole proprietorship, cooperative or other entity that carries on a business activity for-profit in the state of South Carolina</p>	<p>For the SC CAP, Retail/service with annual sales not exceeding \$2,000,000. Wholesale with annual sales not exceeding \$5,000,000. Manufacturing with no more than 50 employees.</p> <p>For the SC SSBICI CAP, any business with no more than 500 employees.</p>	<p>Both the SC CAP and the SC SSBICI CAP are bank loan programs. Under the SC CAP, the maximum loan amount shall not exceed \$100,000 and the aggregate principal amount of all enrolled loans to the borrower shall not exceed \$250,000.</p> <p>Under the SC SSBICI CAP, the maximum loan cannot exceed \$5,000,000.</p>	<p>Connally Bradley, Vice President            111 Executive Center Drive            Columbia, SC 29210            Phone: (803) 744-0308            Email: <a href="mailto:cbRADLEY@businessdevelopment.org">cbRADLEY@businessdevelopment.org</a>            dl.org</p> <p>Web: <a href="http://www.businessdevelopment.org">www.businessdevelopment.org</a></p>

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
<p><b>Charleston Angel Partners (CHAP)</b></p>	<p><b>Angel capital (equity investment) generally \$100,000 - \$200,000 in round of \$1-\$2 million</b></p>	<p>Could support any business need (working capital, fixed assets, renovations, construction, etc.) Helping companies get started and grow to the next level</p>	<p>For-profit businesses. CHAP has stated application process Generally, company has been in operation three to five years Invests in Southeast only</p>	<p>Equity investment terms vary with each agreement</p>	<p>Andrea Marshall, Executive Administrator 5 Liberty Street Charleston, SC 29424 Phone: (843) 881-5623 Email: <a href="mailto:andrea@charlestonangels.com">andrea@charlestonangels.com</a> Web: <a href="http://www.chapsc.com">www.chapsc.com</a></p>
<p><b>InvestSC, S. C. Venture Capital Program</b></p>	<p><b>Venture capital equity investment through four firms with dedicated fund usage for SC companies.</b></p>	<p>Could support any business need (working capital, fixed assets, renovations, construction, etc.) Helping companies get started and grow to the next level</p>	<p>For profit companies operating in South Carolina</p>	<p>Contact organization for terms and conditions</p>	<p>Harry Huntley, Executive Director 1201 Main Street, suite 1600 Columbia, SC 29201 Phone: (803) 737-0627 Email: <a href="mailto:hhuntley@investisc.org">hhuntley@investisc.org</a></p>
<p><b>SC Launch!</b></p>	<p><b>Professional expertise, business counseling, commercialization, financial assistance.</b></p>	<p>Assistance with professional expertise, (e.g. accounting, legal, finance, marketing, etc.). Loan and equity financing for business start-up and growth</p>	<p>For profit SC companies. Need to have IP secured. Generally in start-up and growth phase. To be included company must have SC Launch Board approval</p>	<p>Counseling and financing provided on a case by case basis</p>	<p>Dave McNamara, Executive Director 1000 Catawba Street Columbia, SC 29201 Phone: (803) 343-9070 Email: <a href="mailto:mcnamara@scslaunch.org">mcnamara@scslaunch.org</a> Web: <a href="http://www.scslaunch.org">www.scslaunch.org</a></p>
<p><b>Upstate Carolina Angel Network</b></p>	<p><b>Angel capital (equity investment) generally \$100,000 - \$200,000 in round of \$1-\$2 million</b></p>	<p>Could support any business need (working capital, fixed assets, renovations, construction, etc.) Helping companies get started and grow to the next level</p>	<p>For-profit businesses. UCAN has stated application process Generally, companies that have been in operation three to five years</p>	<p>Equity investment. Each venture capital firm has a different market focus – from early stage to mature market</p>	<p>Matt Dunbar, Managing Director 411 University Ridge Greenville, SC 29601 Email: <a href="mailto:matt@upstateangels.org">matt@upstateangels.org</a> Web: <a href="http://www.upstateangels.org">www.upstateangels.org</a></p>

## PRIVATE EQUITY FINANCING

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
<b>Berkeley-Charleston-Dorchester (BCD) Council of Governments</b>	<b>Revolving Loan Fund</b>	Land, building construction, building expansion, machinery, equipment and working capital	Business must be located in the Berkeley-Charleston-Dorchester area	Terms and conditions will vary with each loan application and are based on a review of the collateral finances and market risk associated with each request	<p>Jacquelyn Dickerson Ideozu, Technical Assistance Specialist 1362 McMillan Avenue N. Charleston, SC 29405 Phone: (843) 529-0400 Email: <a href="mailto:jaqueylnd@bcdcoo.com">jaqueylnd@bcdcoo.com</a> Web: <a href="http://www.bcdcoo.com">www.bcdcoo.com</a></p>
<b>Lower Savannah Council of Governments, Economic Development</b>	<b>Revolving Loan Fund</b>	Land, building, equipment and working capital, manufacturing, industrial and service	Must be located in the lower Savannah region and be credit worthy, submit financially sound proposals, and provide adequate collateral to secure the loan and personal guarantees	Available in amounts from \$10,000 to \$150,000 based on the number of jobs created or retained by the business	<p>Frances Proveaux, Finance Manager PO Box 850 Aiken, SC 29802 Phone: (803) 649-7981 Email: <a href="mailto:frveaux@iscoo.org">frveaux@iscoo.org</a> Web: <a href="http://www.iscoo.org">www.iscoo.org</a></p>
<b>Pee Dee Regional Council of Governments</b>	<b>Revolving Loan Fund</b>	Land, building, equipment and working capital and can assist manufacturing, industrial, service and some retail firms	Have primary financing commitment from bank or other lender. Project must create new jobs or retain permanent jobs	Loan amounts \$10,000 – \$175,000 Loan amount cannot exceed 33% of total project cost	<p>Phil Goff, Asst. Executive Director PO Box 5719 Florence, Sc 29502 Phone: (843) 669-3138 Email: <a href="mailto:pegoff@peedeeco.org">pegoff@peedeeco.org</a> Web: <a href="http://www.peedeeco.org/service.html">www.peedeeco.org/service.html</a></p>
<b>Upper Savannah Council of Governments</b>	<b>Revolving Loan Fund</b>	Variety of general business purposes	Individuals looking to start-up or expand upon business in the counties of Abbeville, Edgefield, Greenwood, Laurens, McCormick and Saluda	One third of the total project cost up to \$200,000 Interest rates generally range from prime to two points above prime Loan origination fee of \$500	<p>Sam Leaman, Asst. Director PO Box 1366 Greenwood, SC 29648 Phone: (864) 941-8056 Email: <a href="mailto:sleaman@uppersavannah.com">sleaman@uppersavannah.com</a> Web: <a href="http://www.uppersavannah.com">www.uppersavannah.com</a></p>

## COUNCILS OF GOVERNMENT

Co-sponsorship Authorization # 1-0464-142 SBA's participation in this cosponsored activity is not an endorsement of the views, opinions, products or services of any cosponsor or other person or entity. All SBA programs and services are extended to the public on a nondiscriminatory basis

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
Waccamaw Regional Council of Governments	Revolving Loan Fund	Variety of general business purposes with an emphasis on job creation in the region	Available to businesses and industries within the three-county area of the Waccamaw region  Serving Horry, Georgetown, Williamsburg counties	Amount of loan cannot exceed 75% of the value of applicant's security or collateral  Maximum loan allowable is \$250,000	David Essex, Executive Director 1230 Highmarket Street Georgetown, SC 29440 Phone: (843) 546-8502 Email: <a href="mailto:dessex@wrcog.org">dessex@wrcog.org</a> Web: <a href="http://www.wrcog.org">www.wrcog.org</a>
Catawba Regional Development Corporation (CRDC)	SBA 504 Loans EDA Revolving Loan Fund USDA Intermediary Relending Program Community Lending Program SC DHEC Brownfields Cleanup Revolving Loan Program	Variety of general business purposes, primarily for fixed asset acquisition, with an emphasis on job creation in the region  Brownfields Cleanup RLF is used exclusively for environmental remediation of former industrial or brownfield sites	SBA 504 available statewide  EDA RLF, USDA IRP and Community Lending Program available within the four county Catawba Region: Chester, Lancaster, Union and York  SC DHEC Brownfields RLF available statewide	SBA 504 - \$5 million - \$5.5 million maximum; up to 40% of project as 2 <sup>nd</sup> mortgage financing  EDA RLF, USDA IRP: Funds from \$50,000 to \$250,000 – gap financing for fixed assets and working capital needs  Brownfield Cleanup RLF: Generally \$1 million maximum per project. Exceptions approved per project.  Interest rate is fixed and the term is negotiable  Legal fees may vary	Sue Higgins, Loan Officer Cathy Rose Hicklin, Loan Officer  Candace Barnes, Loan Officer PO Box 450 Rock Hill, SC 29731 Phone: (803) 327-9041 Email: <a href="mailto:shiggins@catawbacog.org">shiggins@catawbacog.org</a> <a href="mailto:Chicklin@catawbacog.org">Chicklin@catawbacog.org</a> <a href="mailto:Cbarnes@catawbacog.org">Cbarnes@catawbacog.org</a>  Web: <a href="http://www.catawbacog.org">www.catawbacog.org</a>
Santee-Lynches Regional Development Corporation	Revolving Loan Fund	Start, expand, modernize, wholesale, manufacturing or service business	Must be for-profit business and demonstrate management expertise related to the industry and a minimum value commitment of at least 10% of the project total	Project total from \$75,000, RDC portion cannot exceed \$200,000 or 33% of the project total  Term up to 15 years, 1% fee or \$500	Walter Dunlap, Development Banking Director 36 West Liberty Street Sumter, SC 29151 Phone: (803) 775-7381 Email: <a href="mailto:slrdc@slcog.org">slrdc@slcog.org</a> Web: <a href="http://www.slcog.org">www.slcog.org</a>

## COUNCILS OF GOVERNMENT

**SOUTH CAROLINA COUNCILS OF GOVERNMENT, [www.state.sc.us/cogs](http://www.state.sc.us/cogs)**

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
Appalachian Development Corporation	Appalachian Loan Fund (ALF) – (revolving loan fund)	Land, building, machinery, equipment, real property improvements, etc.	Businesses located in Anderson, Cherokee, Greenville, Oconee, Pickens, and Spartanburg counties Restaurants and similar retail food-related firms are not eligible	ALF loans cannot exceed \$200,000, or be for less than \$20,000 Maximum loan term for fixed assets is 15 years and 5 years for working capital Interest rates may be less than market or prime rate with comparable repayment terms	David Mueller Executive Director Appalachian Development Corporation 3531 Pelham Road, Suite 100 Greenville, SC 29615 Phone 864-382-2350 Website: appalachiandevelopmentcorp.com
Appalachian Development Corporation	USDA Rural Business-Cooperative Service B&I Loan Program	Fixed asset, equipment financing, debt financing and working capital financing	Areas outside the boundaries of cities of 50,000 or more in population and adjacent urbanized areas Priority is given to communities with populations of 25,000 or less	Loans up to \$7,500,000 with an RBS guaranty Guarantees up to an 80% for loans of \$5 million or less 70% for loans between \$5 million and \$10 million	David Mueller Executive Director Appalachian Development Corporation 3531 Pelham Road, Suite 100 Greenville, SC 29615 Phone 864-382-2350 Website: appalachiandevelopmentcorp.com
Appalachian Development Corporation	ADC administers the 504 Loan Program	Acquisition or renovation of capital assets including land, buildings and equipment	The six counties of the upstate and a secondary area of anywhere in the state of South Carolina	Loan maximum ranges from \$1.5 million to \$5 million Loan maturity can be 10 or 20 years	John Hudson Executive Director Appalachian Development Corporation 3531 Pelham Road, Suite 100 Greenville, SC 29615 Phone 864-382-2350 Website: appalachiandevelopmentcorp.com
Benedict Minority Revolving Loan Fund(BMRLF)	Revolving loan Fund	Fixed assets, working capital, start-up costs, rental payments, interest expense during construction and professional fees related to the project	Must be a certified minority owned business through the US SBA. Located in Calhoun, Fairfield, Kershaw, Lexington, Newberry, Richland, and Saluda Counties	Borrower must contribute 5% equity. Loans from up to \$15,000. Collateral and personal guaranties may be required. up to 5 year terms.	John Hudson Columbia, SC 803-705-4515 Email: <a href="mailto:hudsonj@benedictl.edu">hudsonj@benedictl.edu</a> Web: <a href="http://www.benedictl.edu">www.benedictl.edu</a>



## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
Charleston Local Development Corporation (LDC)	SBA Micro Fund	Working capital, inventory, supplies, fixtures, furniture, machinery and equipment	The business must be located in Charleston, Berkeley or Dorchester county and must be SBA's definition of a small business	Loan amount is up to \$50,000 with no minimum amount Loan term can be as long as six years with no pre-payment penalty	Cindi Rourke, Loan Officer 75 Calhoun Street, 3 <sup>rd</sup> floor Charleston, SC 29401 Phone: (843) 965-4089 Email: rourke@cici.charleston.sc.us Web: www.charlestonldc.com
Charleston Local Development Corporation (LDC)	Rural Revolving Loan Fund (RRLF)	Real estate, leasehold improvements, fixtures and furniture, machinery and equipment, working capital, inventory, gap financing or collateral assistance for bank financing	The business must be located in or be locating to the rural areas of Berkeley, Charleston, Colleton or Dorchester county. Eligible areas are defined as those outside of cities with a population of 50,000 or more and their adjacent boundaries	Maximum loan amount is \$50,000 with a term maximum of 10 years Interest rates will be set based on project viability and the borrower's ability to repay	Cindi Rourke, Loan Officer 75 Calhoun Street, 3 <sup>rd</sup> floor Charleston, SC 29401 Phone: (843) 965-4089 Email: rourke@cici.charleston.sc.us Web: www.charlestonldc.com
Charleston Local Development Corporation (LDC)	Revolving Loan Fund (RLF)	Purchase or improve property, equipment, machinery, inventory and working capital	Business must be located within city limits of Charleston	Terms range up to a maximum of 10 years depending upon the purpose of the loan Maximum loan amount of \$75,000	Cindi Rourke, Loan Officer 75 Calhoun Street, 3 <sup>rd</sup> floor Charleston, SC 29401 Phone: (843) 965-4089 Email: rourke@cici.charleston.sc.us Web: www.charlestonldc.com
Charleston Local Development Corporation (LDC)	Small Business Disaster Relief Program (SBDRLP)	Securing damaged buildings, purchasing generators, replacing perishable inventory, paying salaries, etc.	The business must be located in Berkeley, Charleston or Dorchester county and must have suffered a loss due to the occurrence of a natural disaster	Maximum loan amount is \$10,000 with a maximum term of 180 days or due upon receipt of proceeds from insurance All funds, principal and interest are due at maturity All loans will require collateral and personal guaranties	Cindi Rourke, Loan Officer 75 Calhoun Street, 3 <sup>rd</sup> floor Charleston, SC 29401 Phone: (843) 965-4089 Email: rourke@cici.charleston.sc.us Web: www.charlestonldc.com
Charleston Local Development Corporation	Small Business Incentive Loan Program (SCILP)	Real estate, leasehold improvements, fixtures and furniture, machinery and equipment, working capital, inventory, gap financing or collateral assistance for bank financing	The business must be located in Berkeley, Charleston or Dorchester county. For-profit retail, manufacturing, wholesale and service businesses are eligible for assistance	Maximum loan amount \$75,000 with a maximum term limit of 10 years The LDC will obtain sufficient and adequate collateral to secure the loan All loans must be personally guaranteed	Cindi Rourke, Loan Officer 75 Calhoun Street, 3 <sup>rd</sup> floor Charleston, SC 29401 Phone: (843) 965-4089 Email: rourke@cici.charleston.sc.us Web: www.charlestonldc.com

## REGIONAL/LOCAL PROGRAMS

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
City of Columbia Office of Business Opportunities	Commercial Revolving Loan Fund (CRLF)	Purchase or improve property, equipment, machinery, inventory or working capital	Business must be located within city limits of Columbia	Terms range up to a maximum of 25 years depending upon the purpose of the loan Maximum loan amount cannot exceed one third of the project total or \$200,000	Josephus Howard, Business Loan Officer 1225 Lady Street, 1 <sup>st</sup> floor Columbia, SC 29201 Phone: (803) 545-3957 Email: <a href="mailto:jihoward@columbiasc.net">jihoward@columbiasc.net</a> Web: <a href="http://www.columbiacool.biz">www.columbiacool.biz</a>
Pee Dee Community Development Corporation	USDA B&I Loan	Most legal business purposes except production agriculture. Include acquisition, start-up and expansion of businesses that create rural employment	Businesses in Chesterfield, Clarendon, Darlington, Dillon, Florence, Georgetown, Lee, Marlboro, Marion, Sumter, and Williamsburg Counties	Intermediary Relending Program funds to stabilize and revitalize business and industry located the Pee Dee Loans will be extended to legal entities, both public and private.	Aubrey Crosland PO Box 4131 1951 Pisgah Road Florence, SC 29502 843-615-7743 Email: <a href="mailto:a.crosland@peedeecdc.org">a.crosland@peedeecdc.org</a>
Small Business Assistance Corporation	Financing for new and existing businesses through the SBA Section 7(A), 7(M) and 504 Loan Programs, Micro Loan, and the United States Department of Agriculture (USDA) Loan Program.	Various general business purposes depending upon which loan is applied for	Businesses in Beaufort, Jasper, Hampton Counties	Depending on loan- Working Capital: 10 years, Equipment: 10 years or useful life, Real Estate: 25 years maximum. Job creation may be required.	111 East Liberty Street, Suite 100 Savannah, Georgia 31401 888-287-2137 Email: <a href="mailto:space@sbacsav.com">space@sbacsav.com</a> Web: <a href="http://www.sbacsav.com">www.sbacsav.com</a>
Michelin Development Company	Revolving Loan Fund (RLF)	Funding working capital and fixed assets for small business	Socially and economically disadvantaged companies within upstate (Abbeville, Anderson, Cherokee, Greenville, Greenwood, Laurens, Oconee, Pickens, Spartanburg and Union). Must be accepted by advisory committee	Maximum loan amount of \$100,000 and a minimum loan amount of \$10,000. Term limit of five years Technical assistance available; at Prime rate; job investment required	John Tully, President PO Box 2567 Greenville, SC 29601 Phone: (864)751-4809 Email: <a href="mailto:john.tully@us.michelin.com">john.tully@us.michelin.com</a> Web: <a href="http://www.michelindevelopment.us">www.michelindevelopment.us</a>

**OTHER GOVERNMENT FINANCING, [www.sccommerce.com/](http://www.sccommerce.com/)**

Key South Carolina Small Business Lending Resources					
Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
Carolinas Minority Supplier Development Council (MSDC)	Networking organization connecting MBEs (Minority Business Enterprises) with corporate buyers	Connecting MBEs to larger pool of suppliers. Helping buyers achieve supplier diversity. Access to national MSDC database	MBE's - Must be for-profit 51% minority owned business active located in the United States. Buyers - with diversity supplier programs	Membership charge for both MBEs and buyers	Robyn Hamilton, President 200 South Tryon Street Charlotte, NC 28202 Phone: (704) 549-1000 Email: <a href="mailto:cmsdcinc@bellsouth.net">cmsdcinc@bellsouth.net</a> Web: <a href="http://www.carolinasmcdc.org">www.carolinasmcdc.org</a>
MBDA Business Center-Columbia, SC	Promotes the growth and global competitiveness of Minority Business Enterprises (MBEs), businesses that are minority-owned by offering strategic deal-making and business consulting services	Strategic business consulting and planning for business growth, access to contract, finance opportunities, global market opportunities, strategic business growth alternatives (i.e. mergers, acquisitions, teaming and/or joint ventures)	Minority Business Enterprises that achieve higher levels of growth and competitiveness; target clients include eligible MBEs with one or both of the following characteristics: (1) annual revenues of over \$1,000,000 or (2) participant in a high-growth industry (e.g., green technology, clean energy, health care, infrastructure and broadband technology, among others).	Client investment/fee/membership is based on the annual gross receipts of MBE business.	Cheryl Salley, 1515 Richland Street Columbia, SC 29201 Phone: (803) 743-1154 Email: <a href="mailto:csalley@scmbdc.com">csalley@scmbdc.com</a> Web: <a href="http://www.mbda.gov">www.mbda.gov</a>
BizBuilderSC Fast Trac/NxLevel	Suite of education programs that help educate a business	New venture for those interested in starting a business growth venture. Helps streamline and analyze existing company strengths and weaknesses.	New to business; those with a business idea; companies moving to the next level	30 to 39 hour classes with homework 12 to 18 businesses per class Coaching sessions, course fee (with state supplement)	Laura Williams PO Box 975 Charleston, SC 29402 Phone: (843) 805-3102 Email: <a href="mailto:williams@charlestonchamber.org">williams@charlestonchamber.org</a> Web: <a href="http://www.bizbuildersc.com">www.bizbuildersc.com</a>
SCORE	Business counseling to prospective and established small businesses. Also includes various in-person and video workshops	Assists individuals with startup plans, reviews existing business plans and offers full range of small business counseling sessions	Open to all small businesses and prospective small businesses	No cost for counseling service SBDCs located throughout the state	Norman Paige, State Director 1835 Assembly St., suite 1425 Columbia, SC 29201 Phone: (803) 253-3124 Email: <a href="mailto:nmpaige@aol.com">nmpaige@aol.com</a> Web: <a href="http://www.score.org">www.score.org</a>
Small Business Development Center (SBDC)	Counseling and network services, seminars and webinars for new and existing businesses	Assists with business planning, preparing for financing, government contracting, market analysis and strategic planning	Open to all small businesses. General interaction is through seminar events and one-on-one counseling. Preference that client has written up some form of business plan	No cost for counseling service SBDCs located throughout the state	Michele Abraham, 817 Calhoun Street Columbia, SC 29201 Phone: (803) 777-3130 Email: <a href="mailto:michele.abraham@moore.sc.edu">michele.abraham@moore.sc.edu</a> Web: <a href="http://scsbdc.moore.sc.edu">http://scsbdc.moore.sc.edu</a>

**TECHNICAL ASSISTANCE - STATEWIDE**

**STATEWIDE TECHNICAL ASSISTANCE**

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
<b>Benedict College Small Business Development Center</b>	<b>Houses incubator and technical assistance center. Offers Fast Track First Steps program</b>	Business counseling, hands on training by college staff Incubator offers space, clerical help, print shop and loan fund	African-American focus. Must be certified as minority business by SBA. Serving Midlands region	Application process through center director Depends on area of service: incubator, technical assistance or revolving loan fund	Darlene Booth-Bell, Professor 1600 Harden Street Columbia, SC 29204 Phone: (803) 705-4348 Email: belltd@benedict.edu Web: www.benedict.edu
<b>NEXT Greenville</b>	<b>Flexible office space, basic administrative and office services</b>	Physical start-up and growth mode space. Proximity to other entrepreneurs. Center manager for counseling opportunities	Tenants who are entrepreneurial, growing firms with an emphasis on innovation on technology. Companies who would benefit from and contribute to a collaborative community	Application and contractual agreements through NEXT director Serving Greenville and upstate region	Brenda Laakso, Vice President 411 University Ridge Greenville, SC 29601 Phone: 864-250-1040 Email: blaakso@greenvillechamber.org Web: www.greenvillext.com
<b>Charleston Digital Corridor</b>	<b>Infrastructure, real estate, education, venture capital, professional resources and a trained workforce</b>	Access to community of experienced entrepreneurs and professionals. Ability to lease office space, access to the digital corridor, reduced rates on city licenses and company profile on the website	Corridor Membership is available to knowledge-based companies in the Charleston area who offer new or incrementally beneficial product	There is an annual dues structure for Corridor members Members approved by Digital Corridor staff	Ernest Andrade, Director 475 East Bay Street, A Charleston, SC 29403 Phone: (843) 724-3773 Email: ernest@charlestondigitalcorridor.com Web: www.charlestondigitalcorridor.com
<b>EngenuitySC</b>	<b>Cleantech initiatives, nano polymers research, entrepreneurial programs</b>	Creating support structure and opportunities for a variety of technology based businesses; connecting science and technology with entrepreneurship and talent development	Entrepreneurs, scientists and visionaries from around the world with ultimate Midlands focus Geared toward initiatives that are influencing the future	Each initiative is entered into through correspondence with Engenuity staff	Neil McLean, Director PO Box 50768 Columbia, SC 29250 Phone: (803) 783-1507 Email: nmclean@sageaciouspartners.co Web: www.engenuitysc.com

### TECHNICAL ASSISTANCE - LOCAL

## Key South Carolina Small Business Lending Resources

Program and Sponsor	Product Details	Uses	Eligible Applicants	Terms & Conditions	Contact Information
Spartanburg Community College – Center for Business and Entrepreneurial Development	Offering space and basic office services for new and existing businesses that are in start-up phase	Member companies have access to volunteer business partners, who provide professional assistance, including: legal advice, accounting, credit management, financial planning and product development	New businesses in the early start-up phase and existing businesses that are reorganizing for greater success	Arranged individually between the client company and Spartanburg Community College Incubator  Serving Spartanburg and upstate region	Mike Forrester, Director of Economic Development 1875 East Main Street Duncan, SC 29334 Phone: (864) 592-6200 Email: <a href="mailto:sbf@scsc.edu">sbf@scsc.edu</a> Web: <a href="http://www.scsc.edu/econDev/business">www.scsc.edu/econDev/business</a>
ThinkTEC	Facilitate start-up companies, grow existing businesses and attract new business in high tech field	Opportunity to exchange ideas with other entrepreneurs and technology-oriented companies. Referral services for executive counseling. Continuing education offerings	Start-up companies and existing businesses. Technology and knowledge –based companies. Allies that support technology businesses	There is an annual dues structure for ThinkTEC members. Members are approved by Digital Corridor staff  Generally serving in Lowcountry area	Pennie Bingham, Senior Vice President 2750 Speissegger Drive North Charleston, SC Phone: (843) 805-3073 Email: <a href="mailto:PBingham@charlestonchamber.com">PBingham@charlestonchamber.com</a> Web: <a href="http://www.thinktech.com">www.thinktech.com</a>
University of South Carolina (USC)/Columbia Technology Incubator	Opportunities for entrepreneurs to commercialize their ideas and produce successful, financially viable businesses	Office space and support, product development services and business consultation. Facilitate interaction with USC and/or Midlands Technical College resources (e.g. student interns, faculty/staff expertise, facilities and business management expertise)	High-tech, high-growth companies with technology-based products and services  Entrepreneurial capabilities and growth potential	Arranged individually between the client company and the Incubator  Serving Midlands of South Carolina	Ron Loewen Executive Director 1225 Laurel Street Columbia, SC 29208 Phone: (803) 540-3463 Email: <a href="mailto:rloewen@mailsouth.net">rloewen@mailsouth.net</a> Web: <a href="http://www.incubator.research.sc.edu">www.incubator.research.sc.edu</a>
Erskine College, Department of Business, Small Business Support Center (SBSC)	A resource for sharing ideas where small businesses may benefit in cutting costs using technology, finding new markets, growing customer base through better utilization of mailing lists, or other best practices	Showcase the latest technologies for running a small business, including demonstrations by appointment  Incubation spaces where companies can apply for up to \$10,000 of free resources such as cubicle space, phone, copier, free hours of consulting etc.	Small businesses wanting to grow their business and customer bases using the latest technology	Counseling and any contractual arrangement for space are coordinated through the Center director  Serving Abbeville, Greenwood and Anderson region	Anthony P. Santella, Associate Professor 2 Washington Street Due West, SC 29639 Phone: (864) 379-9948 Email: <a href="mailto:santella@erskine.edu">santella@erskine.edu</a> Web: <a href="http://www.erskine.edu/SBSC">www.erskine.edu/SBSC</a>

### LOCAL TECHNICAL ASSISTANCE

Rep. Kenneth F. Hodges, District 121

Chairman

South Carolina Microenterprise  
Study Committee

P.O. Box 11867

Telephone: (803) 734-3015

Columbia, S.C. 29211

October 12, 2012

*Rep. Kenneth F. Hodges*  
*Rep. Mac Toole*  
*Jerry Moore*  
*Jeannette Perna*  
*Andy Fiffick*  
*Chief Counsel*

*Thomas Raub*  
*Lauren Schlueter*  
*Haidee Stith*  
*John Tully*  
*Jamey Goldin*  
*Assistant Counsel*

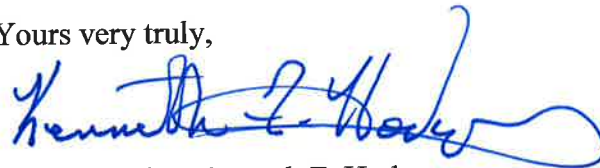
Mr. Charles Reid  
Clerk of The House  
213 Blatt Building  
Columbia, SC 29211

Mr. Jeff Gossett  
Clerk of the Senate  
401 Gressette Building  
Columbia, SC 29211

Gentlemen,

Pursuant to Act 102 of 2011, please find attached the final report of the Microenterprise Study Committee.

Yours very truly,



Representative Kenneth F. Hodges  
Chairman

Nebraska Department of Economic Development

The 13<sup>th</sup> Annual  
**Report to the Legislature**  
on the  
**Nebraska**  
**Microenterprise Development Act**  
(LB 327)

January 2011

*Report period: July 2009 through June 2010*



**This Report is submitted by the Department of Economic Development in compliance with Nebraska Revised Statutes, Section 81-12,104 (LB 327, Sec. 10), which requires the Department to submit to the Governor and Legislature a yearly report on the previous fiscal year's activities under the Microenterprise Development Act.**

**This Report is prepared by the Nebraska Enterprise Fund (NEF), a private, non-profit organization. As authorized under the Act, NEF serves under contract as the Act's statewide support organization and leverages appropriated funds by providing non-state match.**

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Department of Economic Development

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 **NEBRASKA**  
**ENTERPRISE FUND**  
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# Report Contents

<b>Executive Summary</b>	<b>1</b>
<b>Microenterprise Development Act Funding Background</b>	<b>2</b>
<b>Performance Measures – Participants And Businesses Served</b>	<b>4</b>
a. Microloans – Clients served	<b>4</b>
b. Training / Technical Assistance – Clients Served	<b>7</b>
c. Micro Businesses Provide Valuable Jobs	<b>8</b>
<b>NEF – State Intermediary Update</b>	<b>9</b>
Uses of \$1.25M Additional State Funding (2008-2009)	<b>10</b>
<b>Conclusion</b>	<b>11</b>
<b><u>Appendix</u></b>	
<b>Map - Participants and New Microloans from July 2009 through June 2010*</b>	<b>A-1</b>
<b>Business Profiles –</b>	
Rief Design & Manufacturing, LLC – Cuming County	A-2
Rider Chiropractic, P.C. – Lancaster County	A-2
Robinette Farms – Lancaster County	A-2
Technology First, LLC – Holt & Valley Counties	A-3
Front Street Auto Glass – Lincoln County	A-3
Hild’s Insurance Agency – Colfax County	A-3
Efficiency Counts – Adams County	A-4
Melina’s Mexican Salsa and Chips – Sarpy County	A-4
Alotta Brownies – Dodge County	A-4
Beatrice Collision Center – Gage County	A-5
Margaritas Restaurant & Dos Margaritas – Douglas & Saunders Counties	A-5
Piedmont Auto Care – Lancaster County	A-5
Three Brothers Vineyard and Winery – Dawson County	A-6
ERH Studio – Lancaster County	A-6
Coggsmith, Inc. dba Buenz Gifts – Keith County	A-6
Mike Mennard – Lancaster County	A-7
Victory Hill Farm – Scotts Bluff County	A-7
Flores Auto Service – Sarpy County	A-7
<b>Directory of Microenterprise Programs</b>	<b>A-8</b>



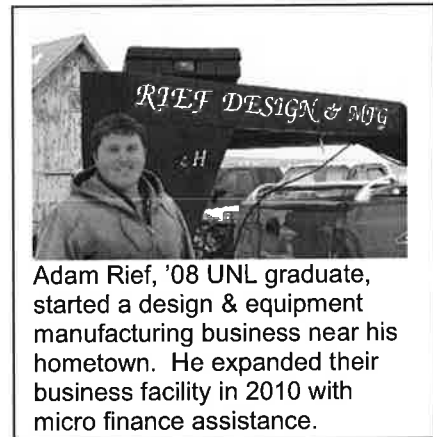
## Executive Summary

**This is the thirteenth (13th) Annual Report to the Legislature under the Nebraska Microenterprise Development Act (LB327), which became law on June 10, 1997 (Nebraska Revised Statutes, Sections 81-1295 to 81-12,105).** The Nebraska Legislature has made an investment in supporting microenterprise development by approving appropriations for this Act for fourteen years, through June 2011.

Utilizing FY '10 LB327 funding, ten programs were funded, facilitated by the services of the Nebraska Enterprise Fund. In most cases, programs utilized State funds as important match to operate and provide microenterprise development assistance to 3,739 participants (including 122 new loans) during the year. Micro business development services including micro loans, business planning, financial analysis, management and /or marketing strategies, helped create and/or retain 1012 jobs across the State of Nebraska.

Microenterprise Development Act funding has helped businesses of all types, including entrepreneurs that were just launching start-ups or expansions, to innovators and potential high growth businesses, to local service type businesses, manufacturers, retailers and wholesalers.

The number of new micro loans originated during FY '10 is up 21% over a year ago, with over \$1.4M loaned, and over \$2.7M in loans leveraged from other capital sources (banks, public agencies, revolving loan pools.)



Adam Rief, '08 UNL graduate, started a design & equipment manufacturing business near his hometown. He expanded their business facility in 2010 with micro finance assistance.

Nebraska Enterprise Fund (NEF), formerly the Nebraska Microenterprise Partnership Fund, has served Nebraska as its statewide intermediary organization for microenterprise development for the last 17 years. DED has contracted with NEF to administer the Microenterprise Development Act funds for each of the last 14 years. NEF collects funding requests from programs and performance reports before passing thru State funds to the MDOs. NEF assists with raising and leveraging additional resources for microenterprise development work. NEF's mission as intermediary is to make sure that micro and small business owners in all areas of the State have access to loans, training and technical assistance.

## Microenterprise Development Act Funding Background

The stated purposes of the Microenterprise Development Act include (Sec. 81-1297):

- To better assure that micro businesses are able to realize their full potential to create jobs, enhance entrepreneurial skills and activity, and increase low-income households' capacity to become self-sufficient;
- To facilitate the development of a permanent, statewide infrastructure of microlending support organizations;
- To leverage additional non-state funds for the support of microenterprise development.

### The Act's definitions include:

1. **Microenterprise/micro business** means any business with five or fewer employees.
2. **Microloan** means any business loan up to \$35,000.
3. **Microloan delivery organization (MDO)** means any community-based or nonprofit program that has developed a viable plan for providing a combination of any of the following three services to microenterprises: training, access to financing, and technical assistance.
4. **Statewide microlending support organization** means any nonprofit organization which has a demonstrated capacity and a plan for providing and administering grants or loans to micro loan delivery organizations.

The Nebraska Microenterprise Development Act (LB327) authorizes the Nebraska Department of Economic Development (DED) to contract implementation of the Act to a statewide microlending support organization provided that such an organization provides a 25% match to LB 327 funds. DED has selected the Nebraska Enterprise Fund (NEF) as that contractor for each of the last 14 years.

NEF is a private, nonprofit 501(c)3 organization, and certified CDFI, whose mission it is to make sure that Nebraska micro and small businesses have access to capital, training and technical assistance. The "first tier" of statewide match is provided by the contractor and this combined amount is then leveraged a second time by a required "second tier" of 25% matching by the grantee Microlending Delivery Organizations (MDOs). This approach leverages non-state dollars significantly and is an important factor in helping to bring outside funding (Federal, local, private) to support business development services in Nebraska.

For the 2009-2010 year, \$451,102 was made available to ten programs (Chart 1) in operational funding (NEF received 11 requests totaling \$703,695 for this period). Over the history of the LB327 funding, NEF received 10% for

administration of the funding or \$44,775 during 2009-2010.

**Chart 1: LB 327 Program Awards – FY 2010  
(Used as operational funding for micro-lending, training and technical assistance services)**

Catholic Charities -Microbusiness Training & Development Program	Omaha	\$ 75,000
Center for Rural Affairs – REAP	Lyons	\$129,000
Community Development Resources	Lincoln	\$ 16,700
EDGE – Center for Applied Rural Innovation	Lincoln	\$ 25,000
GROW Nebraska	Holbrook	\$ 72,000
Ho-Chunk Community Development Corporation	Winnebago	\$ 16,702
Midlands Latino Community Development Corporation	Omaha	\$ 16,700
NED Inc. – Northeast Economic Development District	Norfolk	\$ 65,000
NeighborWorks Omaha – (formerly NCDC)	Omaha	\$ 15,000
West Central Nebraska Development District	Ogallala	\$ 20,000

See Directory of Microenterprise Programs (last page of Appendix) for specific program contacts, program services and area served.

The annual selection of MDOs involves a two-tier approval process with initial recommendations by a review committee, made up of experts in Nebraska economic development granting processes, and a second level approval by the Nebraska Enterprise Fund Board of Directors. Nine of the 10 awardees provide microlending assistance; one provides micro business training assistance only and refers businesses to other MDOs for loans. Awards were obligated in October 2009. All awards were distributed in performance-based quarterly installments.

LB 327 dollars were combined with additional dollars raised by programs from multiple sources to cover program budgets. For the reporting period, programs recorded combined qualifying match for operations of \$2,816,038. As statewide intermediary, NEF provided match of \$112,000 (25% of \$447,750)

NEF also helped fill financing gaps direct to micro businesses during 2010 and loaned capital funds from funding years 2008 & 2009, when \$1.25M was made available to NEF from LB327 additional appropriations. Accounting for these funds is noted on page 10 of this report. \$1.25M of State loan capital made it possible for programs to leverage an additional \$3.8M from other sources from 2008 through December, 2010 and during this same period, NEF raised an additional \$1,482,293 from non-state sources for use in lending to programs and businesses.

This report includes a sampling of brief business profiles (Appendix pages A-2 to A-7) from micro businesses that have been assisted during the past year by MDOs that received state funding. The businesses are quick to share the impacts MDO services have on their development. As shown in the business profiles included with this report, MDOs assist various business types all across Nebraska, including: auto body, glass, repair and service, technology /computer services, insurance, health professionals, design and manufacturing, value added agriculture businesses, food production, retail sales, artists, food service, bakeries and restaurants, insurance agencies, business services and consulting. The NEF website, [www.nebbiz.org](http://www.nebbiz.org), and various program websites include complete business profiles from this past year (as submitted by MDOs) and stories from business clients served in recent years.



## **Performance Measures - Participants and Businesses Served**

Nebraska Enterprise Fund (NEF) has gathered thirteen years of data collected from MDOs that have been funded through the Act.

The Nebraska county map in the report appendix provides information about each county covered by LB327 MDOs. The numbers in the map represent where new loans were made and technical assistance / training participants were located from July 2009 through June 2010.

NEF requires that program recipients of LB 327 funding submit quarterly reports using a data collection system which is updated on an ongoing basis by program directors and/or their staff. In addition, NEF requires a written report each quarter from programs. The NEF data base serves as a cross check of written quarterly information and allows participation and comparisons on a national basis using Aspen Institute's MicroTest program and Association for Enterprise Opportunity standards. AEO is the national trade organization of microenterprise programs in the United States.

### **a. Microloans – Clients served**

Services provided by MDOs are helping to meet the capital needs of businesses as they start-up and grow. MDOs may provide financing when the client's credit score or business experience doesn't meet traditional banking standards. Six programs involved in micro lending activities reported an average of 74.8% of

their clients (both loan and TA) were from low to moderate income (LMI\*) households. The AEO national standard is that microenterprise program client portfolios include 50% or more low to moderate income (LMI) individuals.

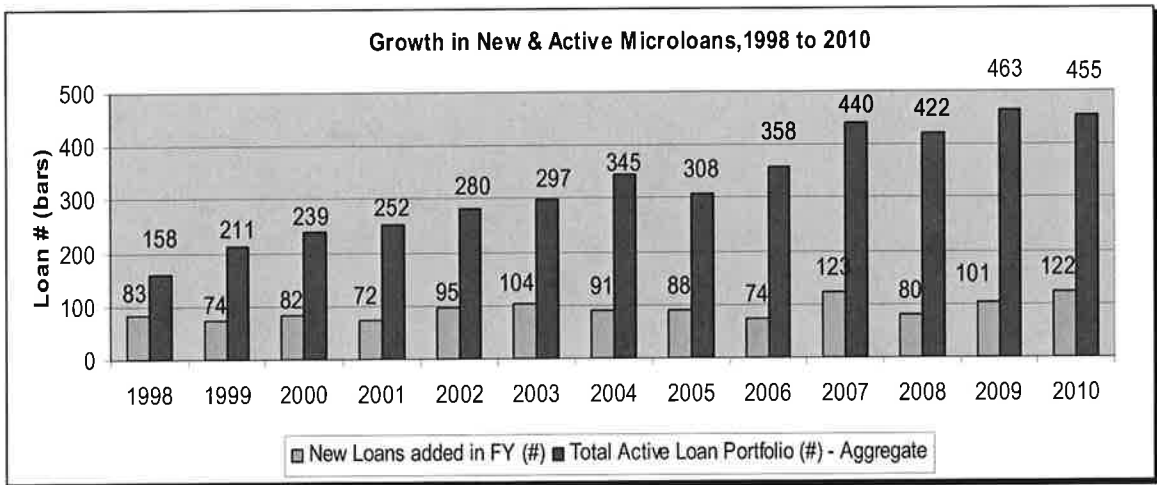
*\*LMI is 80% of county median income, and a client is defined as an individual who received ten hours or more of training, technical assistance or a micro loan during the year.*

From a lending standpoint, the business may rely on personal savings, credit cards, friends, and family when starting up. MDOs make it possible for the business to develop a long-range plan, learn critical management skills, and **acquire necessary capital for expansion.**

MDOs are committed to both maintaining sound loans and making new loans. During FY '10 the loan loss rate reported by nine micro lending programs averaged 4.95% which is below the AEO national standard which calls for loan loss rates to be at or below 7%. Making the loan is only the start of meeting the technical assistance needs of the businesses. MDO staff time is divided between making new loans and servicing existing loans. Programs continue to increase loan numbers and loan size while keeping loan losses low.

Chart 2 below shows how micro loan volume has grown historically in Nebraska. The average number of new loans originated equals 100 loans per year over the last five years.

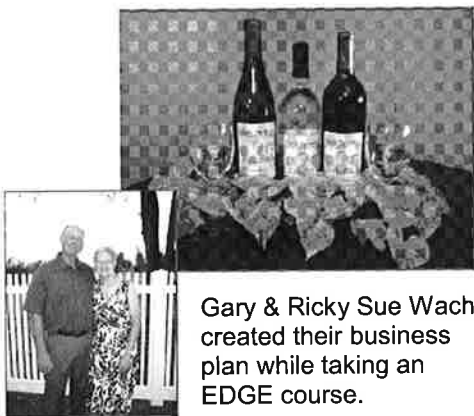
Chart 2



The following chart (*Chart 3*) details data relating to the microloans made by MDOs to micro businesses:

**Chart 3**      **2009 - 2010 Aggregate Micro Program Loan Performance Data**

Loans on books (#) June 30, 2010	455
Loans on books (\$) June 30, 2010	\$7,537,280
Average loan size (\$)	\$16,565
Loan Loss Rate FY'10	4.95%
New loans (#) originated in FY '10	122
New loans (\$) originated in FY '10	\$1,487,300
Jobs recorded for businesses receiving loans FY '10	264
Avg. size of new micro loans in FY '10	\$12,191
Number of clients linked to other lenders FY '10	32
Amount of loans from above links FY '10	\$2,771,244
All loans' value (since 1998)	\$12,345,492
Counties (#) served by all clients (since 1998)	93



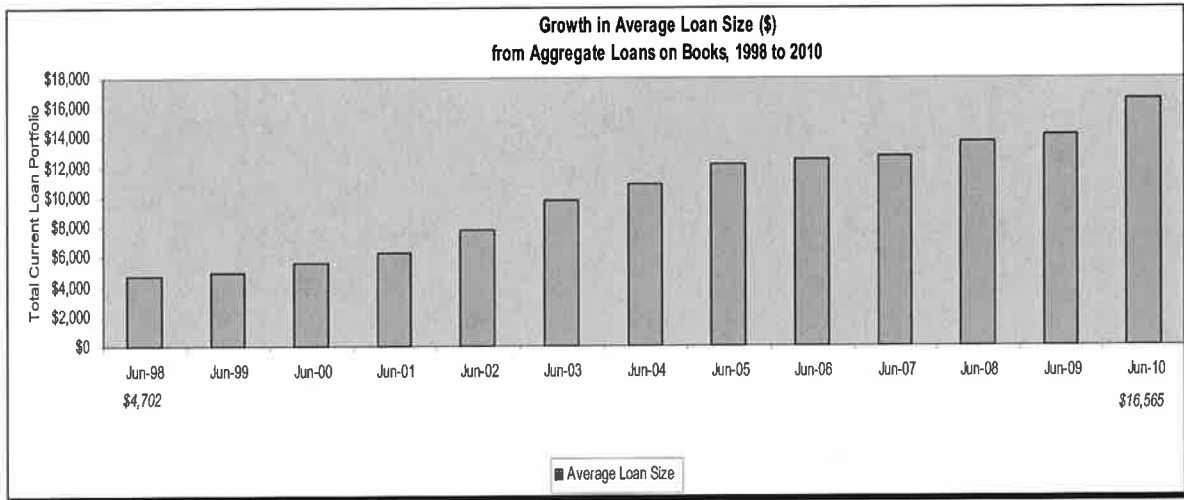
Gary & Ricky Sue Wach created their business plan while taking an EDGE course.



GROW's workshops and marketing assistance are helping Elizabeth Ricke-Hefley make ERH Studio her full-time job.

The average aggregate loan size has steadily increased from \$4,702 in 1998 to \$16,565 in 2010. (Chart 4 below.) The average loan made in FY '10 was for \$12,191.

**Chart 4**



**b. Training/Technical Assistance – Clients Served**

The following data is a report on LB 327 MDO Training/Technical Assistance.

**Combined Micro Program Training & Technical Assistance Data  
2009-2010**

All participants FY '10	3,739
Counties served – FY '10 participants	89

Each LB327 MDO designs and delivers its unique training and/or technical assistance program. Some of those offerings for businesses include ten- and four-week management courses, single topic advance training for those that have already completed a business plan, networking meetings, annual conferences, site visits, and one-on-one technical assistance to answer day-to-day questions that may arise. Business plan writing is typically a component of any training or technical assistance. During FY '10, programs offering training courses that involved business plan development recorded a 67% business plan completion rate which is right on track with the national AEO standard of 65% completion rate.

Management and/or marketing assistance provided to micro businesses may:

- ✓ provide stabilization strategies for a business that has encountered problems,
- ✓ help a business implement plans to grow to the next level,
- ✓ help an entrepreneur sort out an idea and consider business feasibility before investing money,
- ✓ assist a business with identifying new markets and strategizing on how to reach those new markets,
- ✓ help a business improve its overall financial and cash flow position and strengthen its potential to pay back business loans successfully.

**c. Micro Businesses Provide Valuable Jobs**

MDOs report that micro businesses served have added jobs as a result of loans or technical assistance. For the year ending June 30, 2010, the average number of jobs created and/or retained per new loan was reported at an average 2.2 for a total of 264 jobs. Jobs represented in businesses or participants that received training and/or technical assistance totaled 748.5 (total 1012 jobs).

NEF Data Collection System

NEF has worked during 2010 to update and test its system for data collection from programs. The updated /new NEF data base system was built to collect data points used by MicroTest so Nebraska MDOs can readily compare program performance and efficiency measures to similar MDOs nationally.

During 2010, the historical data from programs was converted to the new database system. NEF believes that in the long run, the system and data entry will be more user friendly to programs as they can allow multiple staff to enter "real" time contact, participant and business data along with technical assistance tracking, training information, loan and jobs data while in the field. Data collection and timeliness of reporting overall will be improved.



Rachelle Rider started her own business and is self-employed with the help of a bank loan and a NEF CD Guarantee.



## NEF – State Intermediary Update

The Nebraska Enterprise Fund (NEF), a 501(c)3, nonprofit organization, serves as Nebraska's statewide microenterprise intermediary. NEF is a certified Community Development Financial Institution (CDFI), as set out by the US Department of Treasury. Serving in this capacity, NEF fills multiple **roles that contribute to the ongoing growth and sustainability of the microenterprise industry**. NEF's primary focus is to assist microenterprise development organizations (MDOs).

NEF has utilized additional capital opportunities in the last two years to partner with programs to provide gap financing directly to businesses and with several banks to pilot a CD guarantee loan for business borrowers. These guarantees provide a credit enhancement to make more business loans possible.

Programs use NEF Evergreen loans in their loan pools as capital for micro businesses. Capital funds from NEF may be used in revolving loan programs for direct business loans or as loan loss reserve funds. NEF capital provided to programs is often used as valuable match, therefore enabling programs to obtain additional loan capital from other sources in order to meet micro loan demands. NEF has provided \$2,604,000 total loan capital to programs over its history. As noted in Chart 3, since 1998, Nebraska microenterprise programs have loaned a total of \$12,345,492 to micro businesses across the State.

NEF was successful in obtaining CDFI Fund capital, USDA Rural Microenterprise Assistance Program capital and SBA Prime funding during this past year. These funds will make it possible to assist programs in developing capacity, making resource connections for businesses, and increasing the volume of micro loans in Nebraska.

As a statewide microenterprise intermediary, NEF provides the following in working with MDOs and the State:

- **Leverages dollars** from other public sources, such as SBA, USDA, CDFI Fund, and from private sources (banks). Historically, these dollars have matched the state funds a minimum of 8 times.
- Requires **accountability** for funding from the programs through its evaluation processes. This evaluation is linked to national standards for the industry and helps provide program goals for growth.
- Through **capacity building training**, NEF assists programs in growing to meet the needs of businesses, i.e. the state now has two additional CDFIs as a result of NEF training with a third in the planning stages. Program trainings also provide an opportunity for networking and the coordination of resources.

- Identifies and fills gaps through the design and implementation of new products.** For example, the new CD Loan Guarantees and direct loan listed on the prior page came about as a result of NEF staff facilitated discussions with bankers, economic developers, micro programs and businesses to provide additional vehicles for programs and banks to make deals happen.

**Uses of \$1.25M Additional State Funding (2008 and 2009)**

In the 2008 and 2009 State Appropriations for the Microenterprise Development Act, a total of \$1,250,000 was designated by the Nebraska Department of Economic Development for NEF to deploy as micro loan capital. As a result of these new funds and program innovation, 2010 has been an active year for NEF in making loans to programs for their use in lending to businesses, piloting new direct lending options for businesses and providing loan guarantees in cooperation with banks. In addition, \$224,000 of the remaining loan capital was granted to programs for operations for the period, October 1, 2010 to March 31, 2011. The accounting of the \$1,250,000 is as follows:

Evergreen Loans to Micro Programs for		
Business Revolving Loan Capital - 6 loans		\$560,000
Loan Loss Reserve Loans to programs - 5 loans		322,500
CD Guarantees for businesses w/banks 5 loans		126,100
Direct loan to business 1 loan		15,000
Loan Plus Grant 1 grant		2,400
Pass thru grants to programs for operating (Oct. 2010 – March 2011)		
	<u>9 programs</u>	<u>224,000</u>
Total		\$1,250,000

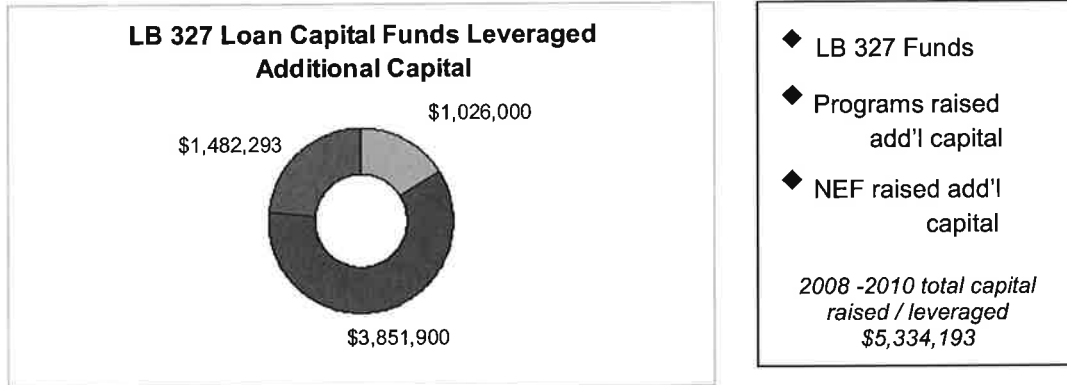
*The financial statements of Nebraska Enterprise Fund are audited annually by an independent public accounting firm. A copy of the audited financial statement may be obtained by contacting the NEF office.*

NEF drew down the additional funds from DED during fiscal years 2008 and 2009. Following practices in the CDFI industry, NEF responsibly invested the capital funds until loans were disbursed. Interest earned was used to assist in covering operational costs related to loan underwriting, technical assistance, capacity building, evaluation and product development. The total \$1,250,000 was deployed by December 30, 2010. In 2010, NEF added direct lending and CD guarantees (partnering with banks) to their product offerings in order to help fill financing gaps for micro businesses statewide.

**Leverage – The additional state funds were key in helping to leverage over \$5M for microenterprise lending from 2008 through 2010.** The capital funds from the state made it possible for programs to leverage an additional \$3,851,900 in loan capital from other sources. During this same time, NEF

raised another \$1,482,293 for use in lending to programs and businesses (Chart 4).

Chart 4



## Conclusion

**Microenterprise development work provides an entry point for assisting start-up or existing businesses of any type to reach their full potential as a business.** On any given day a micro program will receive calls from businesses that cover the full spectrum, starting from a new business idea in someone's head, to aggressively growing a business and making plans to add employees. Micro programs have an open door whereby whoever contacts them will either receive services from the program or be connected to other resources that can meet their needs.

There is a business development continuum whereby some enterprises continue to grow to full-time, major contributors to the financial well being of the owner and community and others elect to remain small, part-time, supplemental financial contributors. As businesses grow along the development continuum they have an ongoing need for resources (loan capital, technical assistance and/or business management training). Microenterprise Development Organizations work in regions and communities across the State and are near-by with field staff that can assist early stage and growing businesses. The cumulative experience of staff, from programs that have matured thru the microenterprise development program network, currently totals approximately 175 years. MDO staff understand the role they can provide in the development continuum and they are familiar with additional resources as the continuum of needs is assessed.



**BUSINESS PROFILE**

**Rief Design & Manufacturing, LLC**  
 UNL Mechanized Systems Grad Stays in State - Grows Rural Business

**Owners:** Adam & Steve Rief  
**Location:** Cuming County  
**Business website:** www.riefdesign.com  
**Business phone:** 402.372.1951

**Program Contact:** Jeff Christensen and Holly Quinn, Business Loan Specialists, North-east Nebraska Economic Development District, www.nenedd.org and Glennis McClure, Nebraska Enterprise Fund, www.nebbiz.org



Adam Rief is a 2008 graduate of the University of Nebraska. He chose to stay in Nebraska to grow a design, welding, and manufacturing business. Two programs helped provide gap financing in a package with a local bank to provide a building loan to assist in business expansion. Potential growth for this business is huge. After displaying at a nearby power & equipment show, Rief sold out of their current inventory and have production orders to keep them busy for several months ahead.

**BUSINESS PROFILE**

**Rider Chiropractic**  
 Young Professional Starts New Business after Assessing Need

**Owners:** Rachelle & Dana Rider  
**Location:** Waverly  
**County:** Lancaster  
**Business phone:** 402.786.0257  
**Program Contact:** Glennis McClure, Program Manager, Nebraska Enterprise Fund  
 www.nebbiz.org



A professional assessment of the need for this business in this community was completed before the bank considered this loan. This micro business CD guarantee loan to the Rider's made it possible for the Pinnacle bank loan to be approved. Working collaboratively, the bank and NEF helped this young professional and her family to locate in Nebraska and start a business.

**BUSINESS PROFILE**

**Robinette Farms**  
 Business Started with a Micro-loan, Created Jobs

**Owners:** Alex McKiernan and Chloe Diegel  
**County:** Lancaster  
**Business website:** www.robinettefarms.com  
**Business phone:** 402.875.1343  
**Program Contact:** Rick Wallace, Exec. Director, Community Development Resources, www.cdr-nebraska.org



**Community Development Resources (CDR)** provided Robinette Farms technical assistance and a \$5,000 loan for start-up purposes. This assistance helped create an entity which will provide sustainable produce to support a family and the community for generations to come. This business produces 80 varieties of produce and plans to grow. It now employs two full time and one part-time worker.

## BUSINESS PROFILE

### Technology First, LLC

Tech service and sales business has offices in three rural communities and has grown to employ 10 in three years.

**Owners:** Dave Fredrick  
**Location:** Atkinson, O'Neill and Ord  
**County:** Holt & Valley  
**Business website:** [www.tech1st.biz](http://www.tech1st.biz)  
**Business phone:** 402.925.5858  
**Program Contact:** Center for Rural Affairs / Rural Enterprise Assistance Project (REAP) [www.cfra.org/REAP](http://www.cfra.org/REAP)



This growing business fits a local business niche, helping businesses and personal computer users with technical support and sales. This business added a 2nd located in 2009 (O'Neill) and is expanding into Ord with the help of several financing sources, including bank, local economic development LB 840 loan and REAP loan.

## BUSINESS PROFILE

### Front Street Auto Glass

Entrepreneur takes prior experience into business for herself and employs one full-time installer

**Owners:** Gwen Gail Wonch  
**Location:** North Platte  
**County:** Lincoln

**Business phone:** 308.532.7777  
**Program Contact:** West Central Nebraska Development District, Inc. [www.west-central-nebraska.com](http://www.west-central-nebraska.com)



After several years of experience and assessing the need for another competitive auto glass repair business in the area, Gwen started this business using her own savings supplemented by a micro loan to purchase a service vehicle and for working capital.

## BUSINESS PROFILE

### Hild's Insurance Agency

Micro financing and technical assistance helped new owners keep this business in Schuyler

**Owners:** Dave & Holly Hild  
**Location:** Schuyler  
**County:** Colfax  
**Business website:** <http://online2.statefarm.com/b2c/sf/agent/27/6183>  
**Business phone:** 402.352.3076  
**Program Contact:** Northeast Nebraska Economic Development District  
[www.nenedd.org](http://www.nenedd.org)



Holly Hild worked as an Agency Field Specialist for State Farm Insurance in western Nebraska while Dave Hild was in banking. When the opportunity arose thru a retirement to obtain the agency in Schuyler, the Hild's received assistance with business planning and micro financing from NENEDD. This business provides 3 full time jobs in this rural community.

## BUSINESS PROFILE

### Efficiency Counts

**Business Helps Other Businesses - added two employees**

**Owners:** Connie Harvey  
**Location:** Hastings  
**County:** Adams  
**Business website:** [www.encycounts.com](http://www.encycounts.com)  
**Business phone:** 308.340.7584  
**Program Contact:** Center for Rural Affairs / Rural Enterprise Assistance Project (REAP)  
[www.cfra/REAP.org](http://www.cfra/REAP.org)



A **woman owned business** that provides accounting and computer application training services to businesses. Has utilized microenterprise training, networking opportunities and women's business support and funding. The business has grown now with two employees in addition to the owner.

## BUSINESS PROFILE

### Melina's Mexican Salsa and Chips

**Growing Business Moved to Nebraska from Illinois (8 employees)**

**Owners:** Elia Rivera  
**Location:** Gretna  
**County:** Sarpy  
**Business website:** [www.melinamexsalsa.com](http://www.melinamexsalsa.com)  
**Business phone:** 877.441.6929  
**Program Contact:** Catholic Charities—Microbusiness Training & Development Program  
[www.ccomaha.org](http://www.ccomaha.org)



Utilizing an authentic family recipe, Elia started this business during 2001 in Illinois. The business outgrew the space there and made plans to open a manufacturing facility in the Omaha area. With the help of the microenterprise program, the business received bank financing and began operations in Gretna, now with eight employees.

## BUSINESS PROFILE

### Alotta Brownies

**Bakery Added 1.5 Employees after Relocation**

**Owners:** Michelle and Jess Kaiser  
**Location:** Fremont  
**County:** Dodge  
**Business website:** [www.alottabrownies.com](http://www.alottabrownies.com)  
**Business phone:** 402.721.9400  
**Program Contact:** Northeast Nebraska Economic Development District  
[www.nenedd.org](http://www.nenedd.org)



This entrepreneur brought experience from a New York City bakery to start this business after moving to Nebraska to raise her family here. Kaiser worked with the microenterprise program and Midland Lutheran College to develop a business plan. Micro-financing was obtained to relocate the business to Fremont and now has 4.5 employees.

## BUSINESS PROFILE

### Beatrice Collision Center

Prior California resident finds business opportunity in Nebraska

**Owners:** Dave Fredrick Charles (Chuck) McKay  
**Location:** Beatrice  
**County:** Gage



**Business phone:** 402.228.0295  
**Program Contact:** Center for Rural Affairs / Rural Enterprise Assistance Project (REAP) [www.cfra.org/REAP](http://www.cfra.org/REAP)

This experienced business owner and teacher is glad to be back in Nebraska. He utilized microenterprise planning assistance in order to obtain a loan from a bank to finance a building purchase to re-open a body shop business. A micro loan provided gap financing to purchase equipment, and for operating expenses to launch the business.

## BUSINESS PROFILE

### Margaritas Restaurant & Dos Margaritas

Entrepreneur started business in Kansas and now has two in Nebraska

**Owners:** David Valadez  
**Location:** Omaha & Wahoo  
**County:** Douglas & Saunders



**Business website:** [www.margaritasrestaurants.com](http://www.margaritasrestaurants.com)  
**Business phone:** 402.393.7515 or 402.277.5500  
**Program Contact:** Catholic Charities—Microbusiness Training & Development Program [www.ccomaha.org](http://www.ccomaha.org)

This business has grown to two locations in Nebraska after three years with fifteen employees now. David Valadez has utilized microbusiness training and technical assistance to register his business, get food permits and licenses. Assistance has also been provided on advertising and human resources issues in order to grow his business.

## BUSINESS PROFILE

### Piedmont Auto Care

Micro finance helped this business become established and again for additional equipment purchase to help offer some special services

**Owners:** Matthew Richards  
**Location:** Lincoln  
**County:** Lancaster  
**Business e-mail:** [modracerlr@yahoo.com](mailto:modracerlr@yahoo.com)  
**Business phone:** 402.467.2690  
**Program Contact:** Community Development Resources [www.cdr-nebraska.org](http://www.cdr-nebraska.org)



This Lincoln business provides fuel and auto care services. CDR has helped this business with micro loans to get started and again this past year when the business was ready to add equipment to help it offer some specialized services to the community. The latest micro loan helped the business retain three employees.



## BUSINESS PROFILE

### Three Brothers Vineyard and Winery

Various training opportunities have helped this business from the start

**Owners:** Gary & Ricky Sue Wach  
**Location:** Farnam  
**County:** Dawson  
**Business website:** [www.3brothersvineyard.com](http://www.3brothersvineyard.com)  
**Business phone:** 308.569.2501  
**Program Contact:** Nebraska EDGE Program [www.nebraskaedge.unl.edu](http://www.nebraskaedge.unl.edu)



It takes time and patience to grow a vineyard and start a winery. The Wach's utilized the EDGE course at the Nebraska College of Technical Agriculture to help them plan the business. These entrepreneurs have valued training opportunities to help them continue to develop and improve their business. Their wines have received Mid-American Wine Competition medals.

## BUSINESS PROFILE

### ERH Studio

Art studio in Lincoln has increased sales by utilizing marketing assistance.

**Owners:** Elizabeth Ricke-Hefley  
**Location:** Lincoln  
**County:** Lancaster



**Business website:** [www.erhstudio.com](http://www.erhstudio.com)  
**Business phone:** 402.617.4514  
**Program Contact:** GROW Nebraska [www.grownebraska.org](http://www.grownebraska.org)

ERH Studio has utilized GROW workshops and forums to learn continuously about new market strategies. Sales have grown enough to allow the owner to operate the studio on a full-time basis and make it her full-time job.

## BUSINESS PROFILE

### Coggsmith, Inc. dba Buenz Gifts

A micro loan provided important, timely capital when they needed it to by a high tech kiosk.

**Owners:** Matthew Richards Shawna Knudsen & Kelly Coggins-Ervin  
**Location:** Ogallala  
**County:** Keith  
**Business phone:** 308.284.2242  
**Program Contact:** West Central Nebraska Development District, Inc.  
[www.west-central-nebraska.com](http://www.west-central-nebraska.com)



Photo development services contribute significantly to business sales and is an important drawing card for customers coming in and shopping for gifts in the store. When the shop's photo development equipment broke down, the business had to act quick to install a new kiosk. A micro loan provided an alternative financing option and was completed quickly to help keep sales on track.

## BUSINESS PROFILE

### Mike Mennard

Recording artist has grown with the help of GROW

**Owners:** Mike & Michelle Mennard  
**Location:** Lincoln  
**County:** Lancaster  
**Business website:** [www.mikemennard.com](http://www.mikemennard.com)  
**Business phone:** 402.204.0537  
**Program Contact:** GROW Nebraska [www.grownebraska.org](http://www.grownebraska.org)



This business owner stated, "It's a tough environment for the small-scale operator and business owner, and I am so grateful for organizations who believe in us and our products." Mennard has produced five family-friendly CD's and performs more than 170 shows each year. GROW has assisted with the overall growth of this business through its marketing training and outreach.

## BUSINESS PROFILE

### Victory Hill Farm

Business plan training thru EDGE helped them win a business plan contest and \$25,000 to boost their business.

**Owners:** Elizabeth Ricke-Hefley Sarah & Lee Pinet  
**Location:** Scottsbluff  
**County:** Scotts Bluff

**Business website:** [www.vhfarm.com](http://www.vhfarm.com)  
**Business phone:** 308.630.0530  
**Program Contact:** Nebraska EDGE Program [www.nebraskaedge.unl.edu](http://www.nebraskaedge.unl.edu)



Entrepreneur attributes the start of her business to planning her business through the Nebraska EDGE program. "It not only helped me fine tune the idea for my business, but also helped me with my financing and grant ventures."

## BUSINESS PROFILE

### Flores Auto Service

Mechanic opens for business in Bellevue after business planning / microenterprise development assistance.

**Owners:** Antonio Flores  
**Location:** Bellevue  
**County:** Sarpy

**Program Contact:** Midlands Latino Community Development Corporation  
[www.midlandslatinocdc.org](http://www.midlandslatinocdc.org)






This entrepreneur has actively attended monthly educational programs and networking breakfasts to learn more about business management. He has utilized program support and technical assistance to prepare a business plan and opened his auto service shop in May, 2010. Customers are from all ethnic backgrounds and car dealerships in the area.



# NEBRASKA ENTERPRISE FUND

Connecting Businesses to Resources

			
			
			
			
			
			<p>Nebraska-wide open to Native Americans, primarily those living on reservations including Thurston and Knox Counties</p>
			<p>Douglas County, with emphasis in the Latino community</p>
			<p>Statewide</p>
			<p>Douglas, Sarpy</p>
			<p>Knox, Madison, Nance, Pierce, Platte, Rock, Stanton, Thurston, Washington, and Wayne</p>
			
			<p>Furnas Counties</p>
			