

Business Finance Guide

Local Connection Points for Small & Existing Businesses

Overview

Greenville County offers businesses numerous benefits, including a favorable business climate, a diverse workforce and a vibrant small business community. These attributes are just a few that keep Greenville County’s economy thriving.

Many of our local businesses take advantage of the valuable connections the community brings. However, often many may overlook the valuable expertise of state and local resources that could ultimately add value to their growing enterprises.

The purpose of this guide is to educate any business owner of the financing resources that are available. With this information, GADC hopes that it may lead to opportunities to grow your business and create new endeavors.

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Financing Resources

Appalachian Development Corporation

The Appalachian Development Corporation is an economic development corporation founded by the members of the Appalachian Council of Governments. The corporation is organized for the purpose of the economic development and social welfare in the counties of Anderson, Cherokee, Greenville, Oconee, Pickens, and Spartanburg; specifically, to promote and assist with growth and development of business concerns, particularly small concerns, and to benefit the area as measured by increased employment and payroll, business volume, increased tax base, and similar factors. To achieve these goals, the corporation provides a variety of services that include business lending programs. The primary lending program is the SBA 504.

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Business Development Corporation (BDC) of S.C.

BDC is a privately owned, non-bank financial institution organized for the purpose of promoting economic development in S.C. It provides term loans to both new and expanding businesses that are unable to obtain financing through normal banking sources. Loans can be obtained for most business purposes and by various types of businesses except for investment, speculative and benevolent ventures. Primary lending programs are the SBA 504 and SBA 7(a).

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Carolina Center for Foreign Investments, LLC

Carolina Center for Foreign Investments is a South Carolina limited liability company, whose primary focus is job growth through sustainable LEED® Certified development opportunities across the state of South Carolina. CCFI successfully utilizes the EB-5 law to assist immigrants in their goal to earn permanent residency in the U.S. while also generating economic growth within the Regional Center.

Companies seeking equity investment must comply with all the guidelines and meet the credit worthiness of such a program. Investments should fall within the following categories: Technology; Health Services; Tourism & Hospitality; Manufacturing & Trade; Automotive Research; and Mixed Use (Retail, Office, Hotel & Residential).

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Provident Business Financial Services

Provident Business Financial Services provides economic development financing to small businesses by participating in the SBA 504 debenture program. The essence of this program is to make long-term, low down payment, reasonably priced fixed-rate financing available by providing second mortgage loans. These second mortgage loans are subordinated to conventional first mortgage loans from traditional lenders, stimulating the private sector investment in long-term fixed assets which, in turn, increase productivity, create new jobs and increase the local tax base. The primary lending program is the SBA 504.

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S.C. Capital Access Program (SC CAP)

The purpose of SC CAP, a newly enacted lending program, is to promote economic development and job creation through small businesses in the state of S.C. by providing financial institutions with a flexible and non-bureaucratic resource.

SC CAP is based on a reserve fund concept and is fundamentally different from traditional insurance or guarantee programs, which guarantee individual loans. Rather, SC CAP works on a portfolio concept. In other words, if a financial institution participates in SC CAP, a special reserve fund, which is owned by the state but managed by Business Development Corporation (BDC) of S.C., is set up to cover future losses from a portfolio of loans that the institution makes under the program. The SC CAP reserve fund is not specific to individual loans, but is used to offset losses on any loan in the participating financial institution's SC CAP portfolio.

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S.C. Venture Capital Program, InvestSC

The Venture Capital Investment Act of South Carolina was created to increase the availability of venture capital for businesses and to support the economic development goals of the State. InvestSC, Inc. was formed by the Jobs–Economic Development Authority (JEDA) at the specific request of the Venture Capital Authority (VCA), an agency formed within the Department of Commerce, for the purpose of assisting the VCA in meeting the goals and objectives of the program. InvestSC is a tax-exempt 501(c)(3) entity.

InvestSC could best be described as a fund of funds. The VCA solicited proposals and selected four venture capital funds which would invest in S.C.-based companies. The funds selected were Azalea Capital (Greenville), Frontier Capital (Charlotte), Nexus Medical Partners (Charleston and Boston) and Noro-Moseley Partners (Atlanta). Since the state cannot make direct investments into companies, InvestSC is funded through a line of credit with Deutsche Bank and secured by tax credits issued by the VCA. While the main goal of the program is to promote economic development, the investments should also generate enough cash flow to repay the bank and create revenue to establish a self-sustaining program for future investments.

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Upstate Carolina Angel Network (UCAN)

UCAN is a group of accredited investors located in Upstate South Carolina who invest in and support start-up and early-stage, high-growth businesses in the Southeastern United States.

Its members have a broad array of business experiences and skills they bring in helping to screen and evaluate potential portfolio companies. They also serve as a valuable resource for guidance and advice to entrepreneurs and their businesses once an investment is made.

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Overview of Select Financing Programs

EB-5 Program

Congress created the fifth employment-based preference (EB-5) immigrant visa category in 1990 for qualified foreigners seeking to invest in a business that will benefit the U.S. economy and create or save at least 10 full-time jobs. The basic amount required to invest is \$1 million, although that amount is reduced to \$500,000 if the investment is made in a rural or high unemployment area. Of the approximately 10,000 EB-5 green cards available each year, 3,000 are reserved for foreign nationals who invest through a Regional Center.

Companies seeking equity investment must comply with all the program's guidelines and credit worthiness requirements.

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New Market Tax Credit Program

The NMTC is a federal program created under the Community Renewal Tax Act of 2000 to stimulate economic and community development in America's low-income communities. The program provides investors with federal tax credits for making investments in a wide range of businesses located in low-income communities. The credit provided to the investor totals 39% of the investment cost and is claimed over a 7-year period.

Two entities in South Carolina serve the Greenville area with NMTC. Greenville New Markets Opportunity LLC serves and provides investment capital for real estate development projects in low-income communities in Greenville, South Carolina. Carolina First Community Development Corporation serves the entire state of South Carolina.

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SBA 504 Program

Overview

Under the SBA 504 Program, the maximum debenture in most cases runs towards \$1.5 million. If the program meets Federal Economic Development Objectives, debenture amounts of \$2 million are permissible. Loans that qualify as a "small manufacturer," debentures up to \$4 million are allowed, but review of eligibility from the lender must be met.

Debenture maximum is no more than 40% of project, subject to the limitations addressed above. The debenture secured by 2nd mortgage with first mortgage lender may be unlimited based upon the financing scope. A change in ownership transaction is eligible under this program.

Equity Requirements

Business must provide 10% to 20% of project equity towards the project. Parameters for equity contribution are expressed in the following categories:

- *If business over 2 years old and general purpose real estate: 10%*
- *If business over 2 years old and special purpose real estate: 15%*
- *If business less than 2 years old and general purpose real estate: 15%*
- *If business less than 2 years old and special purpose real estate: 20%*

Use of Proceeds

Purchase of major fixed assets such as land, buildings, improvements, long-term equipment, construction and renovation. Soft costs are acceptable, such as: architect and engineering fees, interim interest, environmental studies, equipment setup and delivery, and certain legal fees related to the loan. Ineligible uses include the following: general working capital, accounts receivable, inventory, debt refinancing, franchise fees and vehicles.

Terms

10 years on equipment & 20 years + on real estate.

Rates

Rates are generally slightly above the long term Treasury Rate. Rates are based on current market at time of funding for 5 and 10 year Treasury Issues plus an increment above the Treasury Rate.

Fees

Approximately 3% of the debenture amount and financed with the debenture and funded with debenture proceeds.

Eligibility

Most independently owned businesses are eligible for SBA loan assistance. It must be a for-profit business with tangible net worth not in excess of \$6,000,000. Job creation or retention requirement with one full-time equivalent job created or retained for each \$50,000 of debenture amount, except 1 job per \$100,000 for "small manufacturers."

Select Participating Institutions

Appalachian Regional Council of Governments
Business Development Corporation (BDC) of S.C.

SBA 7(a) Program

Overview

The SBA loan program is the largest, whereby loans are made to assist small businesses by private lenders under guarantees from the Small Business Administration. These loans may be for short-term and/or long-term financing needs. The borrower works with the lender, who arranges the guarantee with the SBA.

Equity Requirements

Business must provide 10% to 20% of project equity towards the project. Management must be experienced and of good character. There must be demonstrable cash flow to repay the loan, and the debt to equity ratio must be reasonable for the industry. Adequate collateral must be obtained.

Use of Proceeds

Purchase of major fixed assets such as land, buildings, improvements, long-term equipment, construction and renovation. Uses may also include: expanding a business; purchasing an existing business; and augmenting working capital.

Terms

Working capital, receivables, inventory: usually 5 to 7 years.

Machinery, equipment, and fixtures: usually 7 to 10 years.

Real estate: up to 25 years.

Rates

Generally 100 to 275 basis points over prime. The rate is based on the monthly variable rate traditionally tied to the lowest printed *Wall Street Journal* prime rate.

Fees

An SBA fee of approximately 2% - 2.5% is charged on the loan amount. This fee can be financed as part of the loan and is paid to the SBA upon closing the loan. A borrower may be charged a packaging fee of \$500 to \$2,500 depending on size of loan.

Eligibility

Most independently owned businesses are eligible for SBA loan assistance. The business must be for-profit and not dominant in its field.

Loan assistance may be provided dependent upon the SBA guidelines for maximum annual revenues on a company based upon industry criteria. Maximum revenues vary but are traditionally less than \$14 million for most companies.

Trade Credit Express (TCS)

TVS is a business-to-business payment system that provides companies the advantages of accepting credit from customers while having a safe & secure process of collections. The advantages to businesses are that it may increase sales by offering business customers credit and flexible business terms. The business also increases its cash flow by receiving secure deposits on the credit lines within 2-4 business days.

The process works through FTRANS credit authorization process that either approves or declines the credit of a buyer. Companies participating in the program do not have to follow-up with collections – this process is handled by Trade Credit Express.

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Tax-Exempt Industrial Revenue Bond (IDB)

In a Tax-Exempt Industrial Revenue Bond (IRB) transaction, a state or local governmental entity issues bonds and loans the proceeds from the sale of the bonds to a private entity for an authorized project. In South Carolina, cities, counties and, at the state level, the South Carolina Jobs-Economic Development Authority (“JEDA”) may issue IRBs. Because the bonds are issued by a governmental entity, the holder of the bond may exclude the interest thereon from gross income for federal tax purposes as well as under South Carolina tax law. Such “tax exemption” results in a lower interest rate on the bonds, which the issuer passes along to the company on behalf of which the bonds were issued.

Many of the limitations regarding IRB financing stem from federal tax law, which limits the type of IRBs discussed herein to manufacturing projects, except for solid waste disposal facilities communities which receive a federal designation as an “enterprise zone” or “enterprise community.” “Manufacturing” is defined to include those projects used in the manufacturing, processing or assembling of any agricultural or manufactured product.

IRBs may be used to finance the acquisition of land and buildings as well as other improvements to real property; machinery, apparatus, equipment, office facilities and furnishings; interest during construction; and cost of issuance. IRBs may also be used to expand existing projects. IRB funds cannot be used for inventory or working capital.

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