

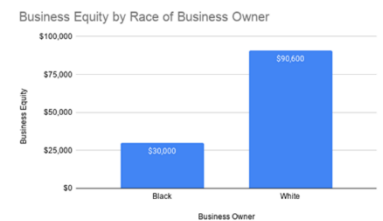
Economic Equity Venture Capital Fund

The Economic Equity Venture Capital Fund concept was developed to respond to studies that found that barriers to non-interest-bearing capital significantly impeded the creation of sustainable minority-owned businesses. Designed to overcome the hurdles of traditional lending models, the fund will provide patient, non-interest bearing capital. Targeting small (but established) minority-owned companies, the Fund's goal is to grow 10 firms, by 10 or more employees each, within five years.

This uniquely conceived fund, administered by the 501 (c) (3) Community Development Foundation (CDF) will go beyond funding capital needs such as equipment and inventory. Participating companies will benefit from business counseling provided by local partners including the Center for Economic Empowerment & Development (NCCEED), Fayetteville Technical Community College (FTCC), the Fayetteville State University Regional Entrepreneur & Business Hub (FSU), the North Carolina Small Business Technical Development Center (NCSBTDC) and volunteers from locally owned private sector companies.

Secondary Goals:

In 2018, a joint supply chain mapping project, led by the Fayetteville Public Works Commission (PWC), the City of Fayetteville, Cumberland County, FSU, FTCC, and the Cape Fear Valley Regional Hospital system, identified more than \$600 million of local spending for which local vendors could compete. Despite significant interest, our community has not been able to reach its goals for local procurement. This fund will strategically partner with small businesses to pursue these opportunities, leveraging both our community's policy goals and approved legislation supporting local procurement. Working with procuring partners will substantially increase the likelihood of sustainable success by providing the client businesses a low risk and motivated customer base.



About the CDF:

The 501 (C) (3) Community Development Foundation was founded in 2009 for the express purpose of improving the economic prosperity of our citizens through job creation and business expansion. Comprised of business professionals, the Board of Directors is diverse in terms of ethnicity, gender, and business type. In addition to supporting the general economic development of the community, the CDF is facilitating more than \$5 million of local projects including the HR Talent Portal Project (serving transitioning soldiers, military spouses and veterans) and the new City-County supported Black Voices History Project.

Funding:

The Fund will be launched with at least \$5 million in total assets. The State of North Carolina has approved \$2.5 million, which requires an equal match. Currently, Cumberland County and the City of Fayetteville are discussing providing up to \$1.25 million each (\$2.5 million total). The CDF is actively pursuing additional public and institutional investment to increase the capacity and longevity of the fund.

Minimum Criteria:

- Business must be established within the state of North Carolina and operating.
- A business/expansion plan (if none – assistance will be provided to create one).
- First priority will be given to businesses owned by residents in low to moderate income census tracts.
- Second priority will be given to businesses operating within, and employing residents of, the aforementioned census tracts.
- The fund will initially focus on recruiting businesses that provide goods or services in demand by institutional partners (City, County, PWC, Hospital, etc.).
- Companies shall be required to create a certain number of full time jobs, paying above the average wage for Cumberland County (see Attachment A for additional information)
- The standard engagement will be 36 months or less
- Applications will be reviewed by an investment committee made up of Fund investors, CDF Board Members, and local business support professionals (SBTDC, CEED, FCEDC, etc.).

Structure of the Engagement:

The CDF will work with each business to craft a final package, depending on the client's specific needs and growth strategy. Upon meeting agreed-upon performance goals and, assuming compliance with all reporting requirements, companies will be eligible for the CDF's investment to be converted into a grant (see Attachment "A" for additional information).

Should a company fail to meet documentation or performance standards, full repayment of the investment will be required. If not repaid within 30 days of notification, the investment shall convert to a 7-year amortizing loan at prime + 3.75%. Repaid funds will be reallocated upon receipt and made available to qualifying businesses.

In most cases:

- The CDF's first preference will be to provide partial or complete funding for the acquisition of capital equipment and inventory (See Attachment "B" for a list of funding priorities).
- On a project-by-project basis, the CDF will consider providing working capital to cover a portion of operational costs associated with secured contracts.
- It is anticipated that most investments will be between \$100,000 and \$750,000.
- Prior to disbursing funds, the CDF and Company will agree to job creation and/or financial performance goals.
- Once performance goals are met, the company's debt may be converted to a grant. Any remaining investment by the CDF will be repaid per the agreement.
- The CDF shall secure their interests through legally binding agreements, ensuring reimbursement should the business or equipment be sold prior to goals being met.
- Client companies will be required to participate in scheduled financial reviews and business counseling sessions while the funds are invested.
- Client businesses will commit to partnering in entrepreneur educational events and educational outreach.

Application, Fund Administration, and Accountability:

Applicants:

- Applicant companies must be registered with the State of North Carolina Secretary of State and of good standing.
- The Company and officers shall provide a business plan and three (3) years of certified, CPA prepared financial statements, or similar documentation as may be required to adequately review the capacity of the Company.
- The Company shall be required to create an agreed upon number of new full-time jobs, complying with the laws of North Carolina. The Company shall allow for review of their NCUI 101 forms, as may be required to document employment performance.
- Repayment forgiveness will be offered upon successful verification of the required job creation and satisfaction of all performance criteria.

Fund Administration:

- The funds will be administrated by an “Investment Committee” of no less than six members and no more than ten. At inception, two will be appointed by Cumberland County, two appointed by the City of Fayetteville, one appointed by FCEDC, and one appointed by the CDF. The CEO of FCEDC shall serve as an ex-officio, non-voting member.
- Additional members may be added by a vote of the Investment Committee in order to include participation by additional funding partners.
- The CDF shall secure its interests, through reasonable means, which may include promissory notes, deeds of trust, legally binding contracts or other forms of collateral. Should the Company fail to meet conditions set in the Agreement, the CDF shall use all reasonable efforts to facilitate repayment.

Accountability:

- The CDF will separately account for all income, expenses and disbursements related to Fund, contracting with a qualified CPA firm for bookkeeping, ensuring compliance and appropriate financial controls.
- Distribution of funds shall require an affirmative vote by a majority of the Investment Committee.
- All funding partners shall receive a “project summary” for each investment approved.
- At a minimum, the CDF shall complete an annual audit, a copy of which shall be provided to the funding partners, for each year during which the Fund is active.
- The above requirements shall be in addition to those set by the State of North Carolina, as a condition of funding.
- If the CDF is unable to secure the committed funds awarded by the State of North Carolina by March 1, 2023, all funds received from the City and County will be returned.

“Attachment A”

A primary goal of the fund is to facilitate a net increase in equity for the participating companies while increasing employment in Cumberland County. Upon meeting the criteria below, companies will be eligible to have 100% of the equity investment converted to a grant. The maximum amount eligible for conversion will be determined by the source of funds provided.

In order to receive funds provided by the City of Fayetteville or Cumberland County, Companies shall be required to create an agreed upon number of full-time jobs. The City and County shall provide no more than \$12,500 per job created (\$25,000 combined). In order to qualify for grant conversion, the jobs created (Qualifying Jobs) must be fulltime positions (more than 35 hours per week) and provide the same benefits available to other fulltime employees. The average wage of the jobs created must exceed the Cumberland County Average Wage, as established by the NC Department of Commerce.

As of January 1, 2023, the CDF anticipates the following (assuming compliance with all reporting requirements and performance measures):

Funds Received from the City of Fayetteville:

The CDF anticipates receiving \$1.25 million from the City of Fayetteville. Upon documenting the agreed upon number of Qualifying Jobs and maintaining them for an additional six (6) months, up to \$12,500 per Qualifying Job created will qualify for grant conversion.

Funds Received from Cumberland County:

The CDF anticipates receiving \$1.25 million from Cumberland County. Upon documenting the agreed upon number of Qualifying Jobs and maintaining them for an additional six (6) months, up to \$12,500 per Qualifying Job created will qualify for grant conversion.

Funds Received from the State of North Carolina:

The CDF anticipates receiving \$2.5 million from the State of North Carolina. The CDF will work with the Company to establish project specific performance metrics as requirements for grant conversion.

Funds Received from Private Donors and Institutions:

The CDF is actively recruiting additional investments. Repayment will recapitalize the fund for redeployment. Eligibility for grant conversion will vary.

Repayment required in the event of non-performance:

Should the Company fail to create the required number of Qualifying Jobs, cease operations, or otherwise fail to comply with the agreed upon terms, repayment of the investment shall be required within 30 days. If the company is unable to return the funds within 30 days, all outstanding debt will be restructured in to 7-year amortizing loan, fixed at prime +3.75% (rate set as of the day of notification).

Attachment "B"

The following are examples of capital investments preferred by the CDF:

- Purchase of machinery and equipment
- Acquisition or Capital Lease of commercial vehicles
- Purchase of computer equipment and/or systems
- Purchase of materials, supplies, furniture, fixtures, or equipment
- Purchase of inventory (not for resale)
- Real estate (except for real estate acquired and held primarily for sale, lease, or investment)
- Improvements and/or expansion of facilities in order to accommodate additional employees