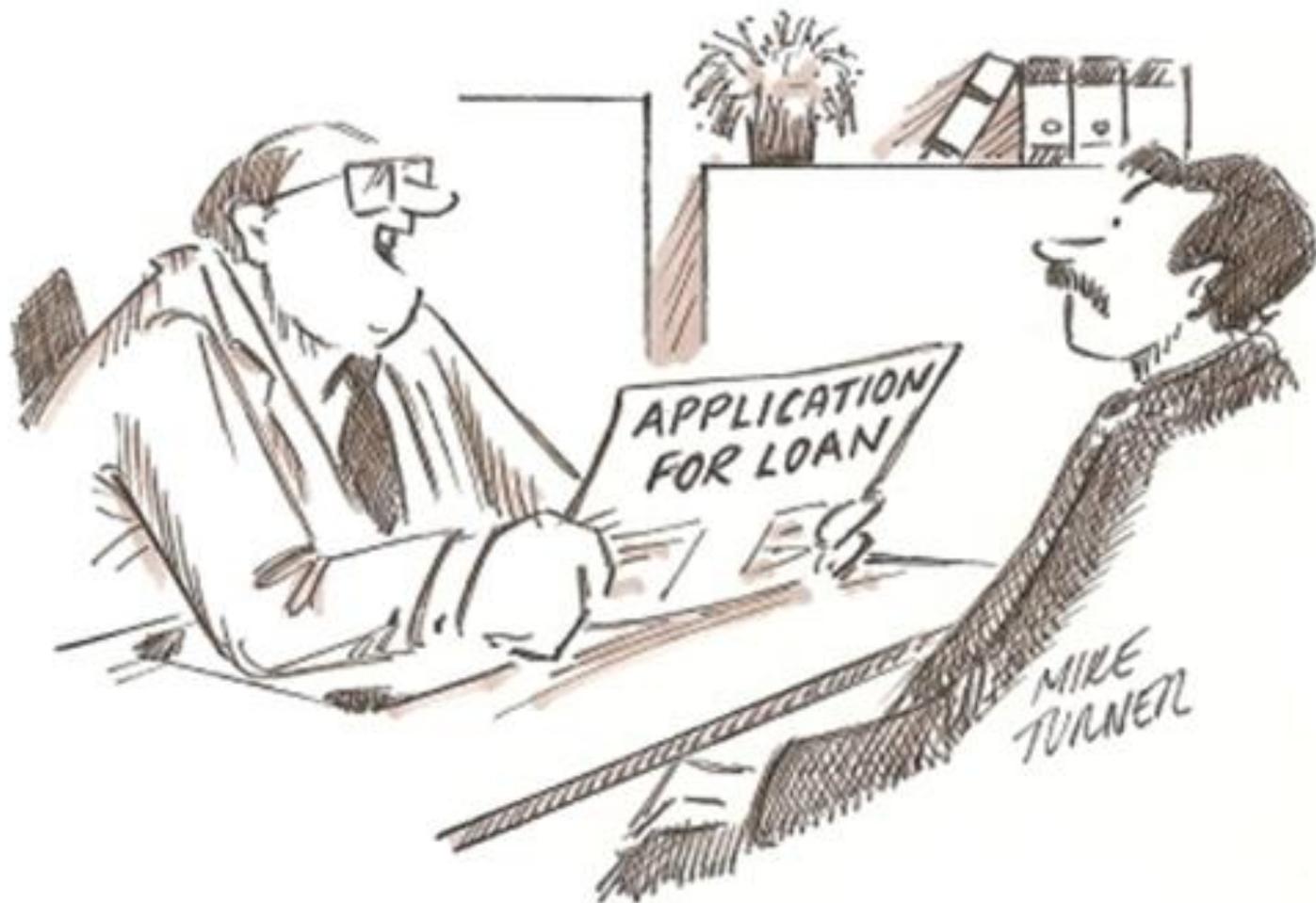


Entrepreneurship-Based Development Capital Sources

**Kyle Arganbright, Chief Operating Officer
and Co-Founder - Sandhills State Bank**

**Glennis McClure, Program Manager –
Nebraska Enterprise Fund**





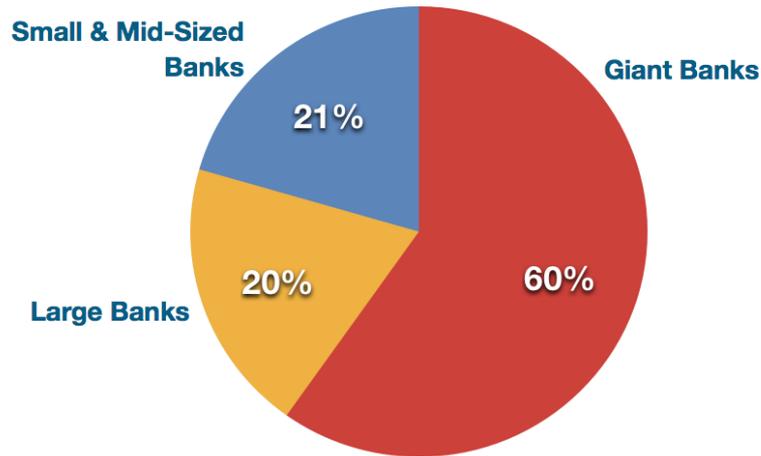
“I do admire a small business owner with a sense of humour.”

How do Banks work?

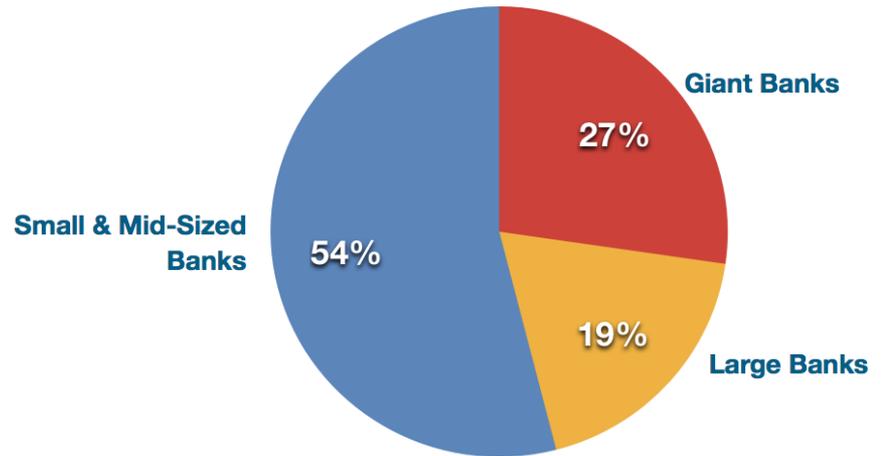
Banks take money in the form of deposits, increase the price, and sell that money in the form of loans.

Different models exist in banking, and all serve a purpose.

Share of Bank Assets



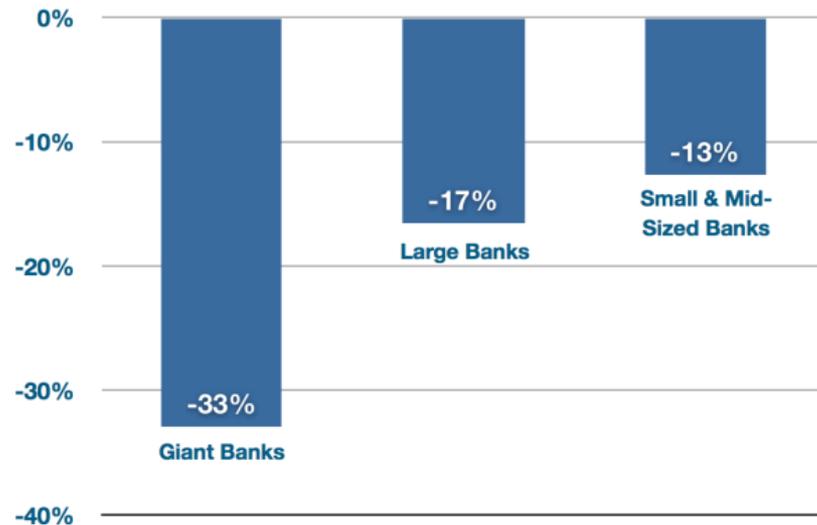
Share of Small Business Lending



Source: Federal Deposit Insurance Corporation Data, 2nd Quarter 2012

Notes: Small banks are defined as those with \$1 billion in assets or less; mid-sized banks as those between \$1 and \$10 billion in assets; large banks as those with \$10 to \$100 billion in assets; and giant banks as those with more than \$100 billion in assets.

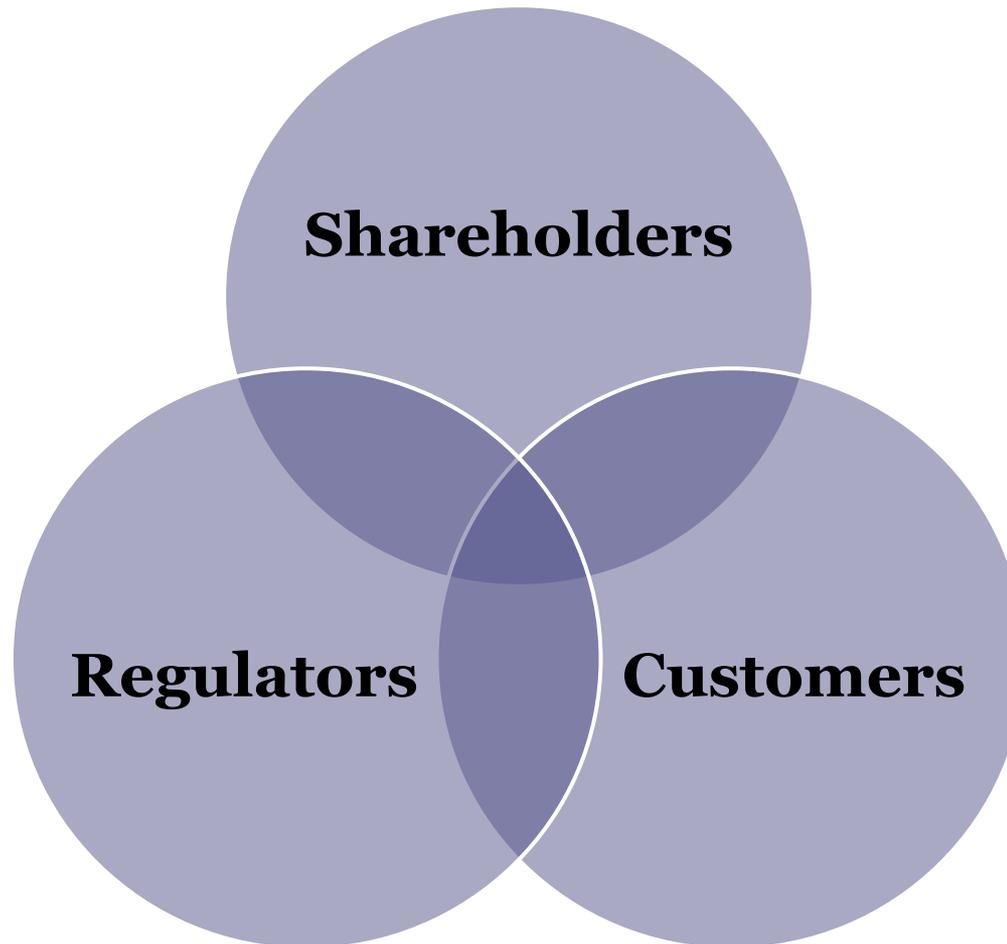
Change in Share of Assets Devoted to Small Business Lending, 2009-2012



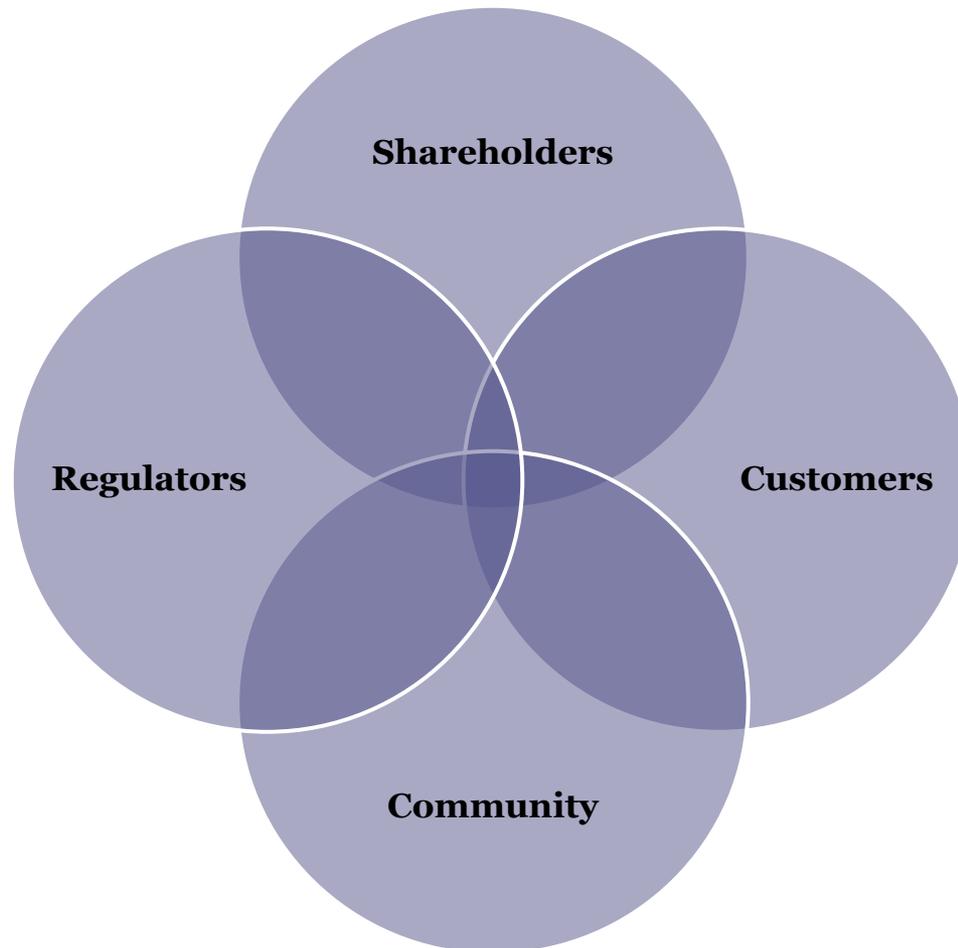
Source: Federal Deposit Insurance Corporation Data

Notes: Small banks are defined as those with \$1 billion in assets or less; mid-sized banks as those between \$1 and \$10 billion in assets; large banks as those with \$10 to \$100 billion in assets; and giant banks as those with more than \$100 billion in assets. (All size categories in 2009 dollars.)

Bank Stakeholders



Bank Stakeholders



What a Bank wants...

A bank wants comfortably margined loans that don't introduce unnecessary risk to the institution.

Most banks want to grow our economy, some banks want to grow local economies.

What a Bank needs.

Tangibles

- 20% Down Payment on Hard Assets
- Lines-of-Credit Vary by Ability to Repay

Intangibles

- Experience (Competency or Character)
- Market Opportunity (Need)
- Collateral

LOCAL Capital: A Gap Financing Tool

THEN

- Local Stock Exchanges
- Exclusively Local Banks
- Lightly Regulated

NOW

- International Public Stock Exchanges
- Fewer Local Banks
- A Few More Regulations

Will LOCALS Participate?

Next, from what you know or have heard, how would you rate economic conditions in each of the following areas -- as excellent, good, only fair, or poor? How about ...

	Excellent	Good	Only fair	Poor	No opinion
	%	%	%	%	%
In the city or area you live in	10	39	35	15	1
In your state	7	30	39	22	1
In the United States	5	20	44	30	2
In Europe	4	14	25	40	17
In the world as a whole	2	11	41	41	5

Gallup, June 11-12, 2012

GALLUP®

Next, from what you know or have heard, how would you rate economic conditions in each of the following areas -- as excellent, good, only fair, or poor? How about ...

% Excellent/Good minus % Poor, in percentage points

	Democrats	Independents	Republicans
In the city or area you live in	41	35	27
In your state	23	15	7
In the United States	8	-3	-27
In Europe	-7	-15	-49
In the world as a whole	-22	-20	-46

Gallup, June 11-12, 2012

GALLUP®

Where to find LOCAL Capital?

- Local Citizens & Businesses
- Local Investment Clubs
- Local Foundations
- Alumni

The How of LOCAL Capital

- Purpose and Pitch
- Solicitation
- Accredited Investors
- Crowdfunding
- Structure

What could Banks do better?

1. Familiarize themselves with alternative forms of financing.
2. DRIVE local investment vehicles – including revolving loan funds, community investment groups, and local “Angel” investors.
3. Aggressively support initiatives that minimize the startup costs in their communities.
4. Educate and cultivate.
5. Be creative.

How many entrepreneurs do you know that can “Grow their Own”?





- NEF - a Statewide Intermediary since 1994.
- Certified by the US Treasury as a Community Development Financial Institution (CDFI) in 1998.



Making sure that Nebraska micro and small businesses have access to capital, training and technical assistance. NEF's Mission

The Opportunity Finance Industry

- CDFIs are mission-driven - \$30B in assets – capital provided principally by the private sector.*
- CDFIs serve all 50 states (5 in NE)
- Currently more than \$5 billion annually in loans, investments, and financial services (both urban & rural)*

**Opportunity Finance Network, 2012*

Importance of Entrepreneurship / Business Development in Nebraska



85% of businesses are microenterprise (factoring in non-employers). Over 90% of businesses in rural counties are microenterprise.

In Nebraska, if 1 in 3.5 micro businesses hired one employee, the state would be at full employment.
(Association for Enterprise Opportunity, 2011)

Micro & Small Business Development Services are Key

Business training & planning

- Business plans
- Marketing plans
- Accounting
- Mentors & networking

May include one-on-one
technical assistance or
counseling

Financing

Micro /small business loans
Leverage private financing



Development Services ↑ Success

Entrepreneurs that worked with microenterprise development organizations and received micro business loans had:

- Higher business survival rate
- Higher revenues
- Employment growth
- Growth in owner's draw

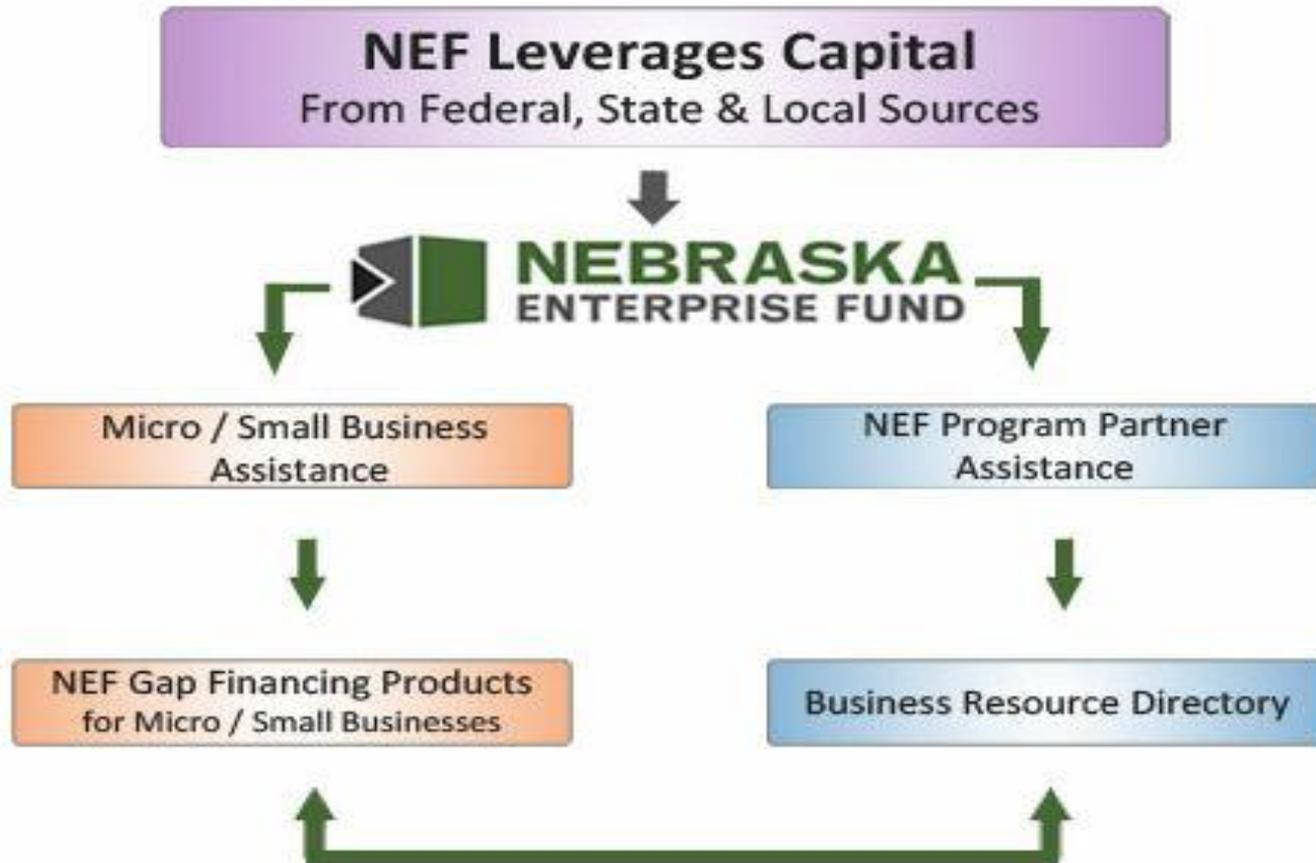


FIELD
at the Aspen Institute

2004-2009 five year outcomes study by

At the Five Year Mark: Outcomes Reported by US Microenterprise Clients

NEF's BUSINESS SUPPORT FLOW CHART



NEF Program Partners

- 9 Programs Statewide
- All provide business development services
- 2304 participants last year
- FY ending 6-31-12: 178 total loans for \$3.2M

Programs serving rural -



NEF Financing Assistance



- ✓ NEF CD Loan Guarantee
- ✓ NED Inc. loan
- ✓ First National NE Loan

*Rief Design & Mfg,
Bancroft, NE*

- ✓ NEF Direct Loan
- ✓ REAP Loan
- ✓ Local Revolving Loan Fund

*Chandler Sandhill Honey,
Anselmo, NE*



NEF Collaborates

- Common Purpose
 - **To facilitate assistance & financing or investments for small businesses success**
- Value each Partner
 - **It's not competition**
- Clear Communications
 - **Determine financing gaps**
 - **Minimize risk to lenders**





NEBRASKA **ENTERPRISE FUND**

Connecting Businesses to Resources

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