

Access to Capital Meeting Minutes

11/21/2019

Attendance: Greg Feldmann, Sam English, Larry Hatch Jr, Scott Pleasants, Hal Irvin, Steve Turner, Sarah Snider

Staff: Ellen Plowman

Sam English kicked off the meeting with introductions around the room and welcomed new committee member [Scott Pleasants](#). Scott is active in the Lynchburg Technology Council.

Before the group dived into the agenda topics, Greg Feldmann shared an overview of the work underway and the proposed restructuring of the state's role in supporting the innovation/technology economy. The conversation focused on if/how it would help advance efforts in our region. Initiatives including VIC's work to strengthen the capital stack (this committee) and the broader entrepreneurial ecosystem were highlighted as examples of the types of programs that could be augmented with the restructuring. The restructuring could also augment other ecosystem programs, business accelerators like RAMP and angel groups like Common Wealth Angels. Because of the importance of the restructuring, Greg asked that individuals review the materials which will be circulated after the meeting. Details of the proposed Virginia Innovation Partnership Authority can be found at atcommerce.virginia.gov/innovation.

Sam: Based on the work over the last few meetings and with input from committee members, there were two areas of highest interest (priority topics): new financing programs and capital-focused events. Within the new financing programs are Revolving Loan Funds, Revenue Based Financing, and Equity Crowdfunding.

Ellen presented her research on Revolving Loan Funds (RLFs).

Ellen Plowman: **Revolving Loan Funds** (RLF's) are one method that we can use to finance and support local businesses. I've found a variety of sources online that explain and support the best methods for starting one and administering one. There are roughly 20 different RLF's around the state, but none are directly related to where we want to focus. See attached article describing RLFs.

Scott Pleasants: As an entrepreneur, I am not necessarily looking to take out loans (looking for equity financing). How does an entrepreneur find out about the perks and attractions in our region? Should we look at the Greater Richmond Partnership's communications and resources? What are the perks for me going to Roanoke? I can go to the best geographical location, but when I look at funding the budding entrepreneurs we are going to lose to other locations. How do we get people here? What are the benefits to setting up in this region?

Sam: From the entrepreneurial coalition meetings this is a common theme and a high priority. Part of it involves inventory of the entrepreneurial assets (programs, organizations, professionals, etc) in the region and then providing that information to entrepreneurs (and organizations that

support them). VIC has started that and will be advancing that work forward. Because the resources are constantly changing, maintaining the data is an ongoing challenge.

There was discussion revolving around entrepreneurs and supporting resources for them in the region. Larry and Scott asked about what's happening in the Roanoke-Blacksburg region and how the Lynchburg might fit.

Greg commented that we'd heard from the community the need for early-stage capital and specifically an angel group and so we have started one.

Steve Turner shared his perspective on the full-time effort required to raise capital for a startup. He also described his optimism and positive perspective on the potential for this region. It's virgin territory which is a great chance to grow. Steve suggested identifying capital sources from outside the area that fit with the needs of our local companies and begin to build some bridges. We can develop a database of these and target those that have the best fit. The region has great selling points with wins and successes whose stories need to be told. That will help others to come and invest.

In the conversation of the emerging health science & technology sector in the region, Steve went on to describe his company CytoRecovery and how it is an example of the cutting edge technology that the region has and the potential for new successful businesses.

Sam highlighted the 13 successful tech company exits in the last decade as evidence that the region has the right ingredients for success.

Scott and Larry wanted to know how they could best help the group and Greg offered to have a follow-up conversation to discuss that in more depth.

Sam: See separate presentation of **Revenue Based Financing**. most companies are not a fit for VC financing. And most successful companies do not have VC financing. Revenue based financing is essentially a loan but paid back as percentage of revenue. Since it is revenue based there are general criteria (ARR ~\$200k, with growth) that companies would need to meet for this to fit with them. Companies can borrow ~30% of the annual revenue. It's a cool idea. Kauffman is putting money behind exploring new investment vehicles like RBF.

Q&A regarding revenue based financing- it's another tool in the financing toolbox and works well for the right companies.

Sam: See attached presentation of **Equity Crowdfunding**. This is strictly for equity crowdfunding, not donations. Investments limits are complicated based on assets/income but not a huge number. Most investments ends up being a few thousand to contribute without expecting a payback. From a regulatory standpoint, the rules want to make sure that investors aren't being taken advantage of. It has taken off over the last few years. The investments are done through an investment platform. Those that tell a story get ground support. Similar to raising funds for a kick starter campaign.

There is also an exemption for investing within a state (up to \$10k annually). Advertising is permissible. At the moment there is no platform in Virginia for this type of thing.

There was very positive discussion about how a crowdfunding platform could be used to help local businesses obtain investments from non-accredited investors in the community.

Sam indicated that he had been asked to serve as VIC's designated co-chair for the A2C committee and asked that everyone consider nominees to also serve as co-chair. The expectations are to help coordinate/run the meetings and provide guidance to VIC staff as they advance the work between committee meetings. The follow-up email will ask for nominations.

The meeting was adjourned at 12:15pm.