

**REPORT OF THE
COMMISSION STUDYING**

**Capital Financing Needs
of Small Businesses
in Virginia**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 82

**COMMONWEALTH OF VIRGINIA
RICHMOND
1993**

Members of the Commission

The Honorable Clarence E. Phillips, **Chairman**
The Honorable William C. Wampler, Jr., **Vice Chairman**
The Honorable John J. Davies III
The Honorable Joseph P. Johnson, Jr.
The Honorable Clinton Miller
James A. Baldwin
Virginia Chewning
William Confroy
Anthony Flaccavento
Gerald L. Hughes, Jr.
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**Report of the
Commission Studying Capital Financing Needs of
Small Businesses in Virginia**

**To
The Governor and the General Assembly of Virginia**

Richmond, Virginia
May 1993

To: The Honorable L. Douglas Wilder, Governor of Virginia,
and
the General Assembly of Virginia

I. Authority for Study

In response to the difficulties currently faced by small businesses in meeting capital financing needs, the 1992 General Assembly adopted House Joint Resolution No. 24 (Appendix A), calling for the creation of the Commission Studying Capital Financing Needs of Small Businesses in Virginia (Commission on Capital Financing). The resolution established a 14-member commission composed of four members of the House of Delegates, appointed by the Speaker of the House; two members of the Senate, appointed by the Senate Committee on Privileges and Elections; the Chairman of the Virginia Small Business Financing Authority or his designee; the Director of the Virginia Department of Economic Development or his designee; and six members at large representing the banking community, the Small Business Development Centers, the Coalition for Jobs and the Environment, the Center on Rural Development, Forward Southwest Virginia, and the planning district commissions, all appointed by the Governor.

The Commission was directed by HJR 24 to examine the following issues:

- The formation of a new, state-funded revolving loan fund to meet the special financing needs of rural small businesses;
- The restructuring of existing regional or statewide financing programs to provide greater access for small businesses;
- Methods of removing structural obstacles, such as taxes and subsidies, to ecologically healthy economic development;
- Special technical assistance needs of small, ecologically healthy business enterprises;

- The effectiveness of support for small business in comparison with the recruitment of larger, externally based employers; and
- Methods for encouraging private sector support for local small business.

Delegate Clarence E. Phillips served as Chairman of the Commission, with Senator William C. Wampler, Jr., acting as Vice Chairman. The Commission met four times. In addition, the Commission was split into two subcommittees for the purpose of holding public hearings. The resolution directed the Commission to submit its findings and recommendations to the 1993 Session of the General Assembly.

II. Background

A. RELATED STUDIES

There have been numerous studies in recent years which have examined some facet of economic development or the problems of small businesses. The following is a brief summary of several studies related to economic development in Virginia which have been published since 1991.

House Document No. 39 (1991)

Review of Economic Development in Virginia, Report by JLARC

The 1989 General Assembly directed the Joint Legislative Audit and Review Commission to "review the Commonwealth's economic development policies and the organization, operations, management, and performance of the Department of Economic Development." JLARC issued a report of over 150 pages with various recommendations including development by the Secretary of Economic Development of a formal, written, comprehensive economic development policy to guide the state's economic development efforts. JLARC also concluded that Virginia had established a diverse set of economic development programs which provide high quality services. However, the report went on to say that these programs could be improved with better policy direction and improved program administration and accountability.

House Document No. 42 (1991)

Commission to Propose Recommendations to Improve and Enhance the Economic Development of the Southside Region of the Commonwealth

The 1990 General Assembly established this 23-member Commission to propose recommendations to improve and enhance economic development in the Southside region of the Commonwealth. The Commission was specifically directed to consider community development, expansion and diversification of existing industry, strategies to attract new industries to Southside, initiatives to increase educational levels of the workforce, and individual and regional efforts and activities which might be conducted in partnership with state government, educational institutions, and the private sector. One recommendation of the Commission was that the Department of Economic Development assist businesses in the regulatory permit process so as to create "one-stop permitting." The work of this Commission has been continued through 1994.

House Document No. 54 (1992)

The Incentives and Obstacles Facing Businesses When Making Location Decisions in Virginia

This joint subcommittee was established in 1991 to study the incentives and obstacles facing businesses when making location decisions in Virginia. The subcommittee was directed to (i) evaluate the incentives offered by the Commonwealth to encourage businesses to locate in the Commonwealth, (ii) review the various permitting processes involved in establishing businesses in Virginia and identify ways in which the permitting process may be expedited, and (iii) review laws related to business operations as they affect the expansion of existing facilities.

The subcommittee found that the business incentives offered by the Commonwealth were generally effective in recruiting new industry and encouraging existing business to expand in Virginia. However, the subcommittee did find that economic development efforts could be improved, in part, by better assisting businesses in defraying initial start-up costs. Among the legislative proposals of the subcommittee was the establishment of a Governor's discretionary or contingency fund for infrastructure and other improvements for new industry and the expansion of existing business.

House Document No. 60 (1992)

Commission to Propose Recommendations to Promote and Stimulate Economic Development in the Blue Ridge Region of Virginia

The 1991 General Assembly adopted HJR No. 451 which established a 23-member commission to propose recommendations to promote and stimulate economic development in the Blue Ridge region of the

Commonwealth. The Commission issued an interim report in 1992 and its studies are continuing. Specific issues addressed by the Commission include (i) partnerships between state and local governments, educational institutions and the private sector, (ii) marketing strategies to promote business and industry, (iii) expansion and diversification of existing industry, (iv) strategies to promote tourism and market local attractions, (v) initiatives to enhance the education and training of the workforce, and (vi) regional data collection and analysis, information services and communication needs.

Although the Commission's studies are ongoing, one area of study which was of particular interest to the Commission on Capital Financing is a proposed Blue Ridge Region Development Bank. Three types of loans such a bank may be involved with include (i) small business expansion loans, (ii) venture capital for rural job creation, and (iii) home loans to low and moderate income families.

House Document No. 37 (1992)

Joint Subcommittee to Study the Measures Necessary to Assure Virginia's Economic Recovery

The Economic Recovery Commission was created in 1991 and chaired by Lieutenant Governor Donald S. Beyer, Jr. The stated mission of the Commission was to help position Virginia as the best state in the nation in which to do business. The Commission made a variety of recommendations in subject areas such as international trade, new technology, capital formation, education, workforce quality, and government productivity. Among the specific recommendations was the creation of the "Virginia Reinvestment Program", intended to make small businesses more profitable and to stimulate the reinvestment of corporate profits in new business activity. Also, the Commission recommended that VEDCORP be encouraged to broaden its mission and dedicate three million dollars of VEDCORP assets to a seed capital program with a loan limit of \$100,000.

B. EXISTING PROGRAMS

There are various financing and investment programs currently available to small businesses in the Commonwealth. (See *Virginia: A Guide to Business Incentives*, prepared by the Virginia Department of Economic Development, 1990.) Those programs which may provide direct assistance to small businesses are summarized as follows.

VEDCORP, Inc. VEDCORP is a private, for-profit venture capital firm which makes investments in small businesses located in certain areas of Virginia. VEDCORP's eligible investments are those in which funds are used in regions of the State other than the Richmond, Hampton Roads, and Northern Virginia metropolitan areas.

Investments that are attractive to VEDCORP may include rapidly growing companies whose capital needs exceed senior bank debt capacity, plant acquisitions, ownership transitions, and additional investments in portfolio companies. In general, VEDCORP provides mezzanine level financing and does not anticipate making investments in start-up situations or in real estate projects.

VEDCORP prefers interest-bearing securities which are senior to equity, but which provide equity-linked returns through warrants, options, or conversion features. Typical investments may range between \$100,000 and \$700,000 on a subordinated note basis with a term of five to eight years. Repayments are scheduled to match the cash flow expectations, together with an appropriate interest rate and an equity participation in the business. In transactions requiring larger amounts, VEDCORP has the capability to bring in other venture capital investors.

VEDCORP was founded in 1991 and has committed funds in excess of \$12 million from its investors--financial institutions, utilities, and other large corporations throughout Virginia.

Virginia Coalfield Economic Development Authority. The Virginia Coalfield Economic Development Authority (VCEDA) is designed to enhance the economic base of the seven counties and one city of far southwestern Virginia (Counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise counties and the City of Norton).

The authority provides financial assistance to qualified new or expanding industries through a revolving loan program. The loans may be used for real estate purchases, construction or expansion of buildings, and the purchase of machinery and equipment.

To be eligible for the VCEDA loans, private businesses must be basic employers (any employer or job that brings new income to Virginia) who will bring new income to the area. Loans are limited to \$10,000 per permanent job created, and the average minimum hourly wage should equal or exceed 1.5 times the current federal minimum wage rate at the end of six months of employment. Any project providing at least 25 jobs within 12 months of start-up will be given priority.

Funds for the program were estimated to exceed three million dollars for fiscal year 1992. The funds are derived from the local coal and gas road improvement tax and the natural gas severance tax.

Virginia Small Business Financing Authority. In order to be eligible for financing assistance from VSBFA for any of the programs listed below, a Virginia business must have either (i) fewer than 250 employees, (ii) \$10 million or less in annual gross revenues over each of the last three years, or (iii) a net worth of two million dollars or less.

Export Guaranty Program. Under the Export Guaranty Program, VSBFA will guarantee short-term bank loans extended to small businesses primarily for pre-export working capital. This includes loans to finance inventory, labor, marketing, and other services needed for processing orders prior to actual shipment. VSBFA's maximum guaranty is \$150,000 or 50 percent of the loan amount, whichever is less. The guaranty may apply to a short-term loan, a revolving line of credit, or a standby letter of credit.

Industrial Development Bonds and the Umbrella IDB Program. VSBFA issues tax-exempt industrial development bonds (IDBs) to finance the land, building, and capital equipment needs of small manufacturing businesses statewide. In addition, VSBFA offers an Umbrella IDB Program which provides a means for these small firms to sell their IDBs in the public tax-exempt bond market.

Loan Guaranty Program. The VSBFA Loan Guaranty Program assists small businesses in obtaining short-term capital to improve and expand their operations. VSBFA will guarantee up to \$150,000 or 50 percent of a bank loan, whichever is less. Typical borrowing includes revolving lines of credit to finance accounts receivable and inventory, and short-term loans for working capital and fixed asset purchases, such as office equipment.

III. Work of the Commission

A. PUBLIC HEARINGS

The commission held public hearings in Abingdon and in Farmville. Combined, there were approximately 14 speakers at the hearings, most of whom operate or are trying to start a small business. Several of the speakers were from area economic development agencies or small business development centers.

One remark, repeated several times throughout the hearings, expressed the need for a toll-free hotline to answer questions for those involved in small businesses or to act as a clearinghouse for information. The type of information needed, according to some of the speakers, includes requirements for general paperwork, taxes, types of licenses required, and other requirements for starting a business.

A number of speakers described the difficulty in obtaining capital financing from their local banks, whether large regional banks or small community banks, and the overemphasis on the requirement of collateral. It was stated that banks are no longer able to deal with people but look only at numbers, with no regard for the importance of a business to a community or other unique circumstances. It was also stated that the application process was too cumbersome and complicated. In response to questions from commission members, several speakers noted that they felt that the availability of credit at market or above-market rates was more important than loan subsidies or grants.

B. CURRENT LENDING AND REGULATORY CLIMATE

The Commissioner of the Bureau of Financial Institutions, which is part of the State Corporation Commission, addressed the Commission on Capital Financing. According to the Commissioner, the widely reported credit crunch does exist to some extent, but it has been exaggerated. He noted that the difficulty in obtaining credit arises not from a lack of available capital, but from stricter examination standards enforced by the federal government. He further stated that he believes that the prospects for sound businesses to obtain loans are very good. In response to a question, the Commissioner stated that the current trend of bank mergers has resulted in a transfer of capital from rural areas. He explained that it is more profitable for a regional bank to make a smaller number of large loans in a large metropolitan area than to make a greater number of small loans in rural areas.

Also addressing the Commission was the financial services representative for the VSBFA. She stated that, while she agrees with the Commissioner that banks in Virginia have money to lend, she takes issue with the idea that the banks are eager to lend the money to creditworthy small businesses. She believes that the credit crunch is very real. In support of her argument she presented to the Commission a copy of a recent TIME magazine article entitled "Why Banks Won't Lend." The article explains there has been a decline in bank lending caused by the current (i) regulatory environment which has forced banks to be very conservative in judging loans and (ii) interest rate structure which encourages banks to invest its deposits in risk-free medium-term treasury securities rather than in businesses. She also provided the Commission with statistics to support this position (see Appendix B).

The VSBFA representative stated that "everyday, I talk to business owners from around the state, many of whom are in rural areas, who are frustrated because they are unable to get the financing which is needed to help their company to grow, or, in some cases, to simply allow their company to survive. Many of these companies are creditworthy companies which deserve to get financing, but cannot get it, for reasons outside of their control." Because all of the programs currently provided by the VSBFA require the participation of a commercial bank, the Authority is often unable to assist businesses in this position.

The president of VEDCORP also addressed the Commission. VEDCORP is a private, for-profit entity that makes equity investments in small businesses located in certain areas of Virginia. He told the Commission that VEDCORP has closed only one loan in its two years of existence but has 12 proposals outstanding and has handled 375 inquiries. While expressing disappointment with these figures, he stated that VEDCORP has been going through an incubation period, which was not completely unexpected for a start-up business. He believes that if VEDCORP expands its territory to include the entire State and if the economy starts to improve, VEDCORP is in a position to become much more active.

The executive vice president of the Virginia Chamber of Commerce expressed the Chamber's continued support of VEDCORP. He further commented that Virginia businesses are going to need greater access to capital financing in the future, due in part to the needs of companies that will be required to find new products and customers due to cutbacks by the federal government in national defense.

C. SEEKING ALTERNATIVES TO TRADITIONAL FINANCING PROGRAMS

The representative for VSBFA proposed an alternative direct loan program which would give the Authority the ability to lend directly to companies when banks will not lend because of reasons other than creditworthiness (see Appendix C). The program would be targeted to emerging or existing companies which are unable to obtain capital from private sources, especially companies located in rural areas of the State where business capital may be less accessible. The Authority would require approximately \$100,000 per year in additional funding in order to administer the program and approximately two million dollars in loan money available in order to make a sufficient impact.

The director of the Longwood Small Business Development Center (LSBDC) made a presentation to the commission. The sole objective of the LSBDC, which is part of the Virginia Small Business Development Center's program, is to help Virginia businesses prosper and increase job opportunities by offering assistance to Virginians in starting a business, expanding a business, or solving business related problems. Some of the specific services provided by LSBDC, as well as other centers around the State (Appendix D), include client counseling; business plan preparation; market research; financial analysis; strategic planning; and various educational, research, and community service projects. In response to questions from the Commission, he explained some of the difficulties he sees small businesses facing with regard to obtaining necessary financing to start or expand a business and the role which the LSBDC plays in trying to find creative solutions to these difficulties.

The executive director of the Fifth Planning District Commission in Roanoke addressed the ongoing feasibility study for establishing a Blue Ridge region development bank. Such a bank would be designed to address the

needs of small or marginal borrowers who are not profitable to banks. Characteristics differentiating a development bank from other financial institutions include (i) targeting its lending to nontraditional borrowers and depressed areas, (ii) increasing its outreach and lending capital through partnerships with public sector programs, private sector capital, and community-based organizations, (iii) providing technical assistance to borrowers, and (iv) taking more risks in its lending, to the extent prudent as a regulated financial institution.

The co-director of the Appalachian Center for Economic Networks (ACEnet) explained how a flexible manufacturing network (FMN) can be used as a tool to bring small businesses together and help them find market niches. A FMN is a group of very small firms which comes together to produce a particular product that none of them could manufacture alone. According to the co-director, areas with significant FMN formation have experienced dramatic economic revitalization, generating many new businesses and increasing the standard of living. However, FMNs do not tend to develop naturally in the United States because our legal and banking systems are not set up to deal with this type of business arrangement. Economic development organizations need to take the initiative to help set up FMNs in order for them to be successful.

A Virginia businessman addressed the Commission in order to endorse the Small Corporation Offering Registration (SCOR) program. SCOR is a streamlined, fill-in-the-blanks registration process allowing small firms to raise up to one million dollars in a 12-month period. According to the speaker, Virginia has not taken action to officially adopt the SCOR program for widespread use. He stated that this inaction hurts Virginia businesses by placing them at a competitive disadvantage to businesses located in SCOR states and by inhibiting the capital formation process.

IV. Recommendations

Based on what the Commission heard during the course of its study, individual members proposed recommendations for consideration by the entire Commission. A list of approximately 10 recommendations was circulated to the members, who were asked to rank the proposals. The following four recommendations were given the highest ranking by the members:

Recommendation No. 1. Development of a direct loan program, as proposed by the Virginia Small Business Financing Authority, which will address the financing needs of creditworthy emerging and existing Virginia companies that have been unable to obtain financing from conventional private sources.

Recommendation No. 2. A joint project between appropriate state agencies and the Virginia Chamber of Commerce to produce and maintain a comprehensive directory of capital financing sources.

Recommendation No. 3. Development of a hotline for "one-stop shopping" for those in need of financing information as a joint project between the State and the Virginia Chamber of Commerce, to work in conjunction with Recommendation No. 2.

Recommendation No. 4. A resolution encouraging VEDCORP to set aside a percentage of funds to be used in rural areas without taking an equity position.

The four recommendations were developed into three pieces of proposed legislation for the 1993 Session of the General Assembly (see Appendix E).

Although, due to time constraints and other practical considerations, the additional recommendations were not incorporated into any proposed legislation, they also had the support of the majority of Commission members and it is not the intent of this report to minimize the importance of these additional recommendations. For a complete listing of additional recommendations, see Appendix F.

V. Conclusion

The members of the Capital Financing Commission heard from, and were assisted by, various members of the public and private sector during the course of its study. The Commission expresses its gratitude to all those who gave testimony, provided materials or assisted in some other way in educating the Commission members regarding the problems faced by small businesses in meeting their capital financing needs as well as possible solutions to those problems.

Respectfully submitted,

Clarence E. Phillips, **Chairman**
William C. Wampler, Jr., **Vice Chairman**
John J. Davies III
Joseph P. Johnson, Jr.
Clinton Miller
James A. Baldwin
Virginia Chewning
William Confroy
Anthony Flaccavento
Gerald L. Hughes, Jr.
Dr. Helen M. Lewis
William C. Shelton
Cathy Surface

VI. Appendices

- A. House Joint Resolution No. 24 (1992)**
- B. Chart: Decline in Business Loans**
- C. VSBFA Direct Loan Proposal**
- D. Small Business Development Centers**
- E. Proposed Legislation**
- F. Additional Recommendations**

Appendix A

House Joint Resolution No. 24 (1992)

GENERAL ASSEMBLY OF VIRGINIA--1992 SESSION
HOUSE JOINT RESOLUTION NO. 24

Creating the Commission on Capital Financing.

Agreed to by the House of Delegates, March 5, 1992
Agreed to by the Senate, March 3, 1992

WHEREAS, in the past 10 years much has been done in Virginia to promote economic development in rural areas; and

WHEREAS, these efforts have not addressed two of Southwest and rural Virginia's most critical development problems: continued reliance on large, externally based corporations, and serious waste and pollution problems resulting from the processes or by-products of various industries; and

WHEREAS, related to these problems is the extreme difficulty that small businesses currently face in obtaining funds; and

WHEREAS, the majority of jobs in the United States continues to be created by small business; and

WHEREAS, in order to attract businesses to rural areas of the Commonwealth, technical and financial assistance for locally based small business must be provided; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That there be hereby created the Commission on Capital Financing. The Commission shall be composed of 14 members as follows: four members of the House of Delegates to be appointed by the Speaker of the House; two members of the Senate to be appointed by the Senate Committee on Privileges and Elections; the Chairman of the Virginia Small Business Financing Authority or his designee; the Director of the Virginia Department of Economic Development or his designee; and six members at large representing the following: the banking community, the Small Business Development Centers, the Coalition for Jobs and the Environment, the Center on Rural Development, Forward Southwest Virginia, and a planning district commission, all to be appointed by the Governor.

The Commission shall examine the following issues:

1. The formation of a new, state-funded revolving loan fund to meet the special financing needs of rural small business;
2. The restructuring of existing regional or statewide financing programs to provide greater access for small businesses;
3. Methods for removing structural obstacles, such as taxes and subsidies, to ecologically healthy economic development;
4. Special technical assistance needs of small, ecologically healthy business enterprises;
5. The effectiveness of support for small businesses in comparison with the recruitment of larger, externally based employers. Effectiveness could be measured by criteria such as the creation of jobs, retention of jobs, average wages and benefits, environmental soundness of business, and contribution to other important community goals; and
6. Methods for encouraging private sector support for local small business.

The subcommittee shall report its findings and recommendations to the Governor and the 1993 Session of the General Assembly of Virginia. The report shall be submitted in accordance with the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

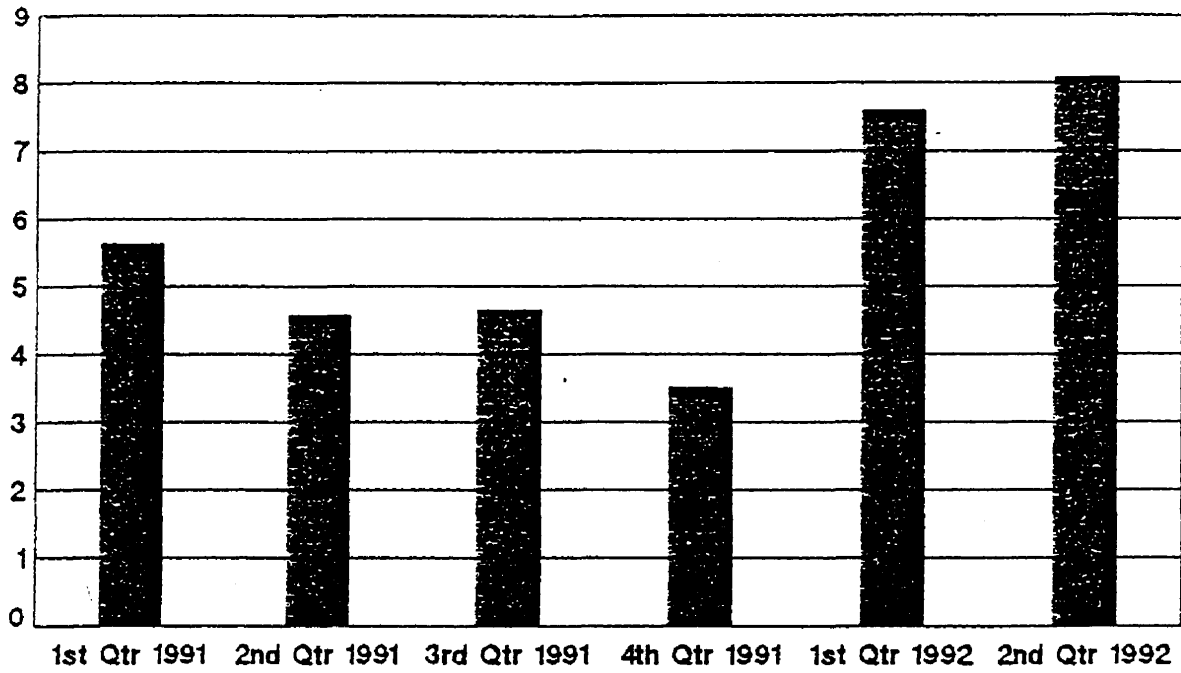
The indirect costs of this study are estimated to be \$9,000; the direct costs shall not exceed \$8,000.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

Appendix B

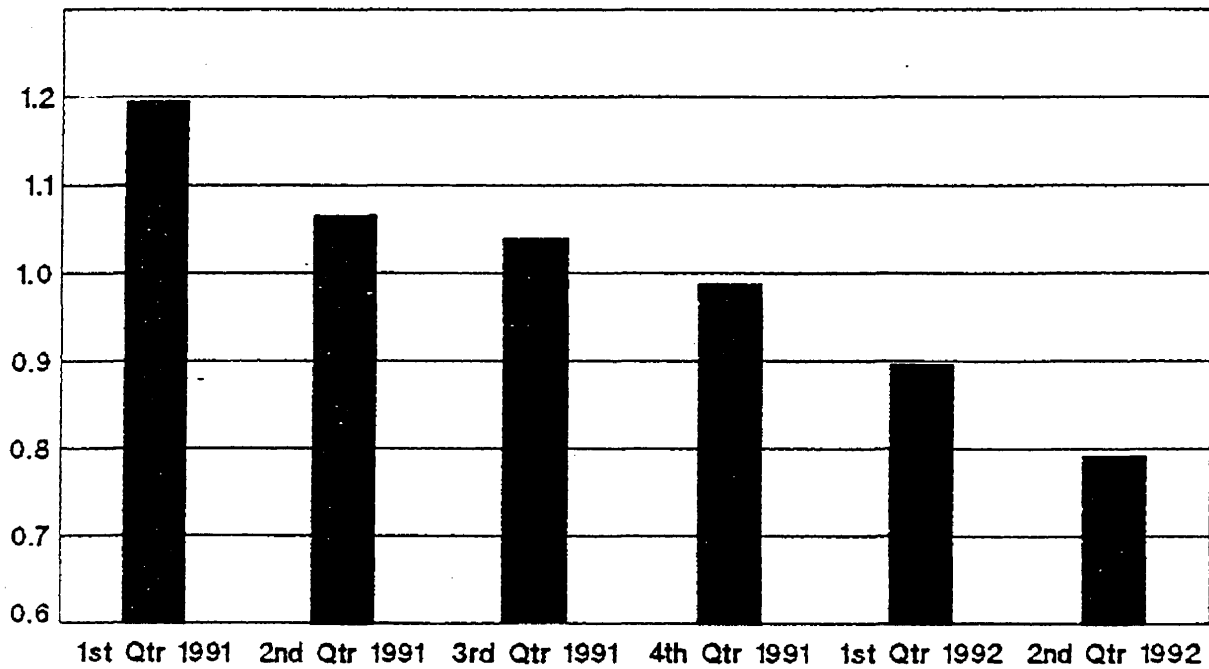
Chart: Decline in Business Loans

BANK PROFITABILITY \$ Billions



Source: Sheshunoff Information Services Inc.

BUSINESS LOANS \$100 Billions



Source: Federal Reserve

Appendix C
VSBFA Direct Loan Proposal



V.S.B.F.A.

VIRGINIA

SMALL BUSINESS

FINANCING AUTHORITY

Virginia Small Business Financing Authority

Direct Loan Program

Program Goal:

To provide a direct loan program which will address the financing needs of creditworthy emerging or existing Virginia companies that have been unable to obtain financing from conventional private sources.

Target Users:

Emerging or existing companies.

Unable to obtain capital from private sources.

Located in areas where business capital is less accessible, especially in rural areas of the state.

Virginia Small Business Financing Authority

Direct Loan Program

Eligibility requirements:

Evidence of denial:

Must supply evidence of application and denial from two commercial banks.

Job retention / creation:

The proposed loan would be required to retain or create jobs in the area in which the business was located.

Creditworthiness:

The business must demonstrate a reasonable assurance of repayment.

Length of time in business:

Applicant must have a minimum of 1 year in business. The program would consider companies in business less than 1 year only in select situations where there are factors which mitigate the risk.

Virginia Small Business Financing Authority

Direct Loan Program

Program Structure:

Amount:

Minimum loan of \$25,000

Maximum loan of \$250,000

Term:

Minimum term of 6 months

Maximum term of 5 years

Purpose:

Seasonal or permanent working capital

Acquisition of equipment

Leasehold improvements

*Cannot be used to provide seed money
or venture capital

* Cannot be used to provide revolving
lines of credit.

Virginia Small Business Financing Authority

Direct Loan Program

Application Process:

Prescreening:

To be done by area Small Business Development Center based on established criteria.

Recommendation:

All applications must receive the recommendation of a local economic development official.

Application Review / Decisions:

The VSBFA will process, review and underwrite all applications before submission to the VSBFA Loan Committee for approval.

Virginia Small Business Financing Authority

Direct Loan Program

Loan Servicing:

Monitoring:

VSBFA staff will be responsible for monitoring and servicing of all approved loans, including the ongoing review of any required reports.

Collection:

VSBFA staff will be responsible for tracking and reporting of regular payments from borrowers.

Problem resolution:

In the event of a loan default, the VSBFA staff will be responsible for the collection of the loan, including the liquidation of any collateral.

Appendix D
Small Business Development Centers

Small Business Development Centers

CENTER	DIRECTOR	ADDRESS	TELEPHONE - SCATS NUMBER	FAX NUMBER
VIRGINIA SBDC	Dr. Robert D. Smith Cynthia M. Arrington Associate State Director Jennifer Kleinholz, staff	P.O. Box 798 Richmond, VA 23206-0798 1021 East Cary Street 11th Floor Richmond, VA 23219	(804) 371-4253 371-4251 - Arrington 371-4258 - Smith	(804) 371-4185
LONGWOOD SBDC 46001	Gerald L. Hughes Debbie/Sherrie	Longwood College 515 Main Street Farmville, VA 23901	(804) 395-2086	(804) 395-2359 Z-MODERN
South Boston	Carroll Thackston, Business Analyst	P.O. Box 1116 515 Broad Street South Boston, VA 24592	(804) 575-0044	(804) 575-7144
JAMES MADISON UNIVERSITY SBDC 46002	Karen Wigginton Karna Shank Devin Sant Clayton Shank	JMU College of Business Law Shower Hall Rm. 523 Harrisonburg, VA 22807	(703) 568-3227	(703) 568-3299 TELINK
CAPITAL AREA SBDC 46003	Taylor Cousins	403 East Grace Street Richmond, VA 23219	(804) 648-7838	(804) 648-7849 Z-MODERN
CENTRAL VIRGINIA SBDC 46004	Charles Dulp Diane	700 Harris Street, Ste. 207 Charlottesville, VA 22901-4553	(804) 295-8198	(804) 979-3749 Z-MODERN
SBDC OF HAMPTON ROADS, INC. 46005	William J. Malloran, Jr. Jackie/Debra/Patricia	P.O. Box 327 (420 Bank Street) Norfolk, VA 23501	(804) 622-6414 (Nor) (804) 825-2957 (Ham)	(804) 622-5563 (804) 825-2960 (Ham) TELINK
WESTERN VA SBDC CONSORTIUM	Michael Wensley Charlotte Reed Fern	VPI & SU Economic Development Assistance Ctr. 406 Clay Street Blacksburg, VA 24061-0539	(703) 231-5278 Wensley car: 230-2907	(703) 953-2307
The Blue Ridge SBDC 46006	John Jennings Lara Ramsey	310 First Street, SU Mezzanine Roanoke, VA 24011	(703) 983-0717	(703) 983 0723 TELINK
New River Valley SBDC 46056	Deve Shantz	200 County Club Drive Building 0 Blacksburg, VA 24060	(703) 731-9546 (703) 831-6093	(703) 831-6093 Z-MODERN
Wytheville SBDC 46066	Rob Edwards Linda Newman	Wytheville Community College 1000 E. Main Street Wytheville, VA 24382	(703) 228-5541 X314	(703) 228-2542 (703) 228-6506 Z-MODERN
SOUTHWEST SBDC Nc. Emory Community College 46008	Melan Duncan Sally Slescoe	Drawer 700 Route 23 South 216 Stone Gap, VA 24219	(703) 523-6529 (703) 523-2600 X328 or X329	(703) 523-4130 Z-MODERN
SU VA Community College 46058	R. Victor Brunsart Lorian Chafin	P.O. Box SVCC Richlands, VA 24641	(703) 964-7343	(703) 964-9307 TELINK
DR. WILLIAM E.S. FLORY SBDC 46007	Linda Gackler Scarlett Sarbee/Tom Robb	10311 Sudley Manor Drive Manassas, VA 22110	(703) 335-2500	(703) 335-1700 Z-MODERN
LYNCHBURG REGIONAL SBDC 46009	Berry Lyons Debbie Osborn	147 Hill Ridge Road Lynchburg, VA 24502	(804) 582-6100	(804) 582-6106 TELINK

NORTHERN VIRGINIA SBDC 46080	Michael Kahoe Julie Janzski Tracy/Sandy	4260 Chantrelle Road, Ste. 8-1 Fairfax, VA 22030	(703) 993-2131	(703) 993-2126
Arlington SBDC 46081	Paul Bell Karen Craft	GWU Arlington Campus 3401 S. Fairfax Drive Arlington, VA 22201	(703) 993-8129 (Mall) (703) 993-8128	(703) 993-8130
Loudoun County SBDC 46082	Joseph Messine	One Stonechase at Dulles 21736 Atlantic Blvd., Ste. 100 Sterling, VA 22170	(703) 430-7222	(703) 430-9542
RAPPANNOCK REGION SBDC	Joseph Amato	1301 College Ave. Seacoast Mall Fredericksburg, VA 22401	(703) 899-4076	(SCATS) 899-4373
Warsaw SBDC	Jeffery Snaddon	P.O. Box 490 106 West Richmond Rd. Warsaw, VA 22572	(804) 333-0286 (804) 333-0183	(804) 333-0187

Appendix E
Proposed Legislation

HOUSE JOINT RESOLUTION NO. 649

Offered January 26, 1993

Requesting the Department of Economic Development to develop certain programs to assist small businesses in locating and obtaining capital financing.

Patrons—Phillips; Senators: Reasor and Wampler

Referred to the Committee on Rules

WHEREAS, many small businesses in the Commonwealth face difficulty in obtaining capital financing; and

WHEREAS, there are a variety of public and private sector sources of capital financing which may meet some of the existing capital financing needs of the Commonwealth's small businesses; and

WHEREAS, there is no up-to-date comprehensive directory or source available in the Commonwealth to which a potential borrower may turn for detailed information on all possible sources of public or private capital financing; and

WHEREAS, without such a comprehensive directory, a potential borrower may have no idea how to access the capital financing available through these sources; and

WHEREAS, even when all sources of capital financing currently available are considered, there are small businesses which are unable to obtain needed financing due to an inability to meet inflexible requirements such as minimum loan amounts; and

WHEREAS, the Commission on Capital Financing, created pursuant to HJR 24 (1992), during the course of its study, received a proposal from the Virginia Small Business Financing Authority to provide a direct loan program which will address the financing needs of creditworthy emerging or existing Virginia companies that have been unable to obtain financing from conventional private sources; and

WHEREAS, the Financing Authority, which operates within the Department of Economic Development, has been authorized to and is capable of administering such a new financing program; and

WHEREAS, the Financing Authority will require approximately \$100,000 per year in additional funding in order to administer the program, and will need approximately two million dollars in loan money available in order to make a sufficient impact; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Economic Development be requested to develop and maintain a comprehensive directory of capital finance sources and serve as a central source for the dissemination of such information to those seeking capital financing information; and, be it

RESOLVED FURTHER, That the Virginia Small Business Financing Authority be requested to develop and implement, subject to appropriate funding from the General Assembly, a direct loan program which will address the financing needs of creditworthy emerging or existing Virginia businesses that have been unable to obtain financing from conventional private sources.

The Department and the Authority shall report their progress to the Governor and the 1994 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

HOUSE JOINT RESOLUTION NO. 650

Offered January 26, 1993

Requesting VEDCORP to make loans in rural areas without taking an equity position.

Patrons—Phillips; Senator: Wampler

Referred to the Committee on Rules

WHEREAS, VEDCORP, a private, for-profit entity that makes investments in small businesses, was created in 1991 with the assistance of the Commonwealth, which provided \$1.8 million in start-up support; and

WHEREAS, VEDCORP only seeks to invest in businesses in which it will take an equity position; and

WHEREAS, many businesses are reluctant to give up an equity position in order to obtain a loan, particularly in areas of the Commonwealth where such investment arrangements may be unfamiliar; and

WHEREAS, VEDCORP has been greatly underutilized in its two years of existence; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That VEDCORP reassess its investment objectives in order to set aside a portion of its available funds to be used in rural areas of the Commonwealth without taking an equity position.

HOUSE JOINT RESOLUTION NO. 651

Offered January 26, 1993

Expressing the sense of the General Assembly that a development bank be established in the Commonwealth.

Patrons—Phillips; Senators: Reasor and Wampler

Referred to the Committee on Rules

WHEREAS, many small businesses in the Commonwealth face considerable difficulty in obtaining capital financing from private sector financial institutions due, in part, to the changing regulatory climate; and

WHEREAS, several state and federal programs currently provide capital financing opportunities to small businesses, these programs are often too restrictive or inflexible to adequately meet the capital financing needs of small businesses; and

WHEREAS, many small businesses are currently falling through the cracks of existing state and federal loan programs due to an inability to meet program requirements such as minimum loan amounts and job creation; and

WHEREAS, private sector development banks which lend to nontraditional borrowers, provide technical assistance to such borrowers, and which focus on loans which are just beyond "bankability" have been successful in other states; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That it is the sense of the General Assembly that a statewide development bank be established in the Commonwealth; and, be it

RESOLVED FURTHER, That the Commonwealth assist, where possible, in removing any institutional barriers which may arise in the creation of a statewide development bank.

Appendix F
Additional Recommendations

- Creation of a seed fund for non-profit community based development organizations to promote local capacity and involvement in the development of innovative, locally based businesses. This seed fund would be modeled on the highly successful seed program already in place for non-profit housing providers.
- Development of a working task force, including representation from the Department of Economic Development, Center for Innovative Technology, Department of Environmental Quality, small business development centers, etc., to develop strategies to support ecologically healthy businesses.
- A resolution calling for a reevaluation of the funding criteria of the Coalfield Economic Development Authority.
- A resolution calling on the state to maximize the use of federal matching funds by increasing state spending on certain economic development programs.