Flexible Capital Fund

Questions? Comments?
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Capital Continuum

Banks
Risk averse, collateral based

Peer-to-Peer Lending
Online lenders

EXAMPLES: Prosper, Lending Club

Near Equity/Royalty Lenders
Sub debt, royalty financing, not collateral dependent, risk tolerant, no ownership dilution

EXAMPLES: Flexible Capital Fund (VT), Vested for Growth (NH), Fair Food Fund (greater New England), Fresh Source Capital Fund (New England)

Grants
Potentially risky to funder, but no repayment required by grantee

EXAMPLES: Working Lands Enterprise Fund, Foundations, USDA Rural Development

Boot-strapping
Vendor / customer financing and growth from cash flow

Traditional Ag Lenders
EXAMPLES: Farm Credit East, Yankee Farm Credit, Farm Service Agency

Community-based Lenders / Revolving Loan Funds
Collateral and / or cash flow based, mission driven

EXAMPLES: Vermont Community Loan Fund, Vermont Economic Development Authority, Vermont Agricultural Credit Corporation, The Carrot Project, Community Capital of Vermont

State and Federal Government
Collateral driven, looks at past performance

EXAMPLES: USDA Rural Development, Small Business Administration, Community Development Block Grant

Angel Investors and Venture Capital
High risk tolerance, ownership position, requires exit strategy

EXAMPLES: North Country Angels, Fresh Tracks (VT), Granite State Angels, Vermont Seed Capital Fund

Program-Related Investments
From philanthropic organizations, mission driven, equity or debt, less than market returns

EXAMPLE: *Foundations*

TOOLS + NETWORKS

Investment Clubs + Networks
Group of individuals who meet regularly to pool money and invest, equity or debt

EXAMPLES: No Small Potatoes (ME), Vermont Food Investors Network

Crowd Funding Platforms
Allows companies to raise small amount of $ from many people via online portal or state regulations

EXAMPLES: Agfunder, Designbook, Barnraiser, Vermont Small Business Offering Exemption, Kiva Zip, Milk Money

Intermediaries + Networks
Connects food entrepreneurs with Main Street investors. Includes state and regional networks like Slow Money Vermont, Maine, and Boston, and NH/VT Community Loan Fund

Friends, Family, Fools
Higher risk, may never see a return

Credit Enhancements
EXAMPLES: SBA, USDA + state guarantees

DEFINITIONS:

- **Debt:** Amount of money borrowed by one party from another. A debt arrangement gives the borrowing party permission to borrow money under the condition that it is to be paid back at a later date, usually with interest.

- **Subordinated Debt:** A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings. In the case of default, creditors with subordinated debt wouldn't get paid out until after the senior debt holders were paid in full. Therefore, subordinated debt is more risky than unsubordinated debt.

- **Royalty Financing:** Is based on a company selling a piece of gross revenue instead of selling ownership—hence it's often called "near equity." In exchange for a loan, the company gives the investor a percentage of sales until the investor has received back principal plus additional interest negotiated with the investor.

- **Convertible Debt:** Instruments that are essentially asset-backed loans that can require the business owner to give up some future equity (ownership) in the business if the lender wishes to convert the debt to an equity position in the company.

- **Convertible Equity:** A form of financing that gives investors the right to preferred stock once a triggering event occurs.

- **Equity Financing:** The act of raising money for company activities by selling common or preferred stock to individual or institutional investors. In return for the money paid, shareholders receive ownership interests in the corporation.

- **Grants:** Contribution, gift, or subsidy (in cash or kind) bestowed by a government or other organization for specified purposes to an eligible recipient. Grants are usually conditional upon certain qualifications as to the use, maintenance of specified standards, or a proportional contribution by the grantee or other grantor(s).

- **Investment Clubs and Networks:** A formal investment club is a group of people who pool their money to make investments. Usually, investment clubs are organized as partnerships and, after the members study different investments, the group decides to buy or sell based on a majority vote of the members. Club meetings may be educational and each member may actively participate in investment decisions. For the SEC definition, visit ***www.sec.gov/investor/pubs/invclub.htm***. There are also informal investment networks that can organize around making connections between entrepreneurs and investors.

- **Peer-to-Peer Lending:** The practice of lending money to unrelated individuals, or "peers," without going through a traditional financial intermediary such as a bank or other traditional financial institution. This lending takes place online on peer-to-peer lending companies' websites using various different lending platforms and credit checking tools. Two recent peer-to-peer lending portals have been approved in the State of Vermont for small business loans up to $35,000: Prosper (***www.prosper.com***) and Lending Club (***www.lendingclub.com***).

- **Program Related Investments (PRIs):** Investments made by foundations to support charitable activities that involve the potential return of capital within an established time frame. PRIs include financing methods such as loans, loan guarantees, and even equity investments in charitable organizations or in commercial ventures for charitable purposes.

- **Vermont Small Business Offering Exemption (VSBOE):** VSBOE is an securities registration exemption for small businesses in Vermont that can help facilitate raising capital from Vermonters. Under VSBOE, Vermont businesses and start-up companies can raise up to $2 million in capital from in-state investors. Participating businesses will need to be registered with the Vermont Department of Financial Regulation (DFR). VSBOE allows individual Vermont investors to invest up to $10,000 in a single Vermont business. VSBOE also allows certain high net-worth individuals to invest an unlimited amount of capital. To learn more, contact the DFR at (802) 828-3420 or visit the Department's website at ***www.dfr.vermont.gov***.

Definitions from ***www.investopedia.com***, ***www.businessdictionary.com***, and ***Wikipedia***.