

WE CREA+E CAPITAL

Financing Startup and Early-Stage Companies
in the Kansas City Region: June 2015



Purpose of this report

KCSOURCELINK connects 240+ entrepreneurial resources in the Kansas City region. Because of our work and our strong network of Resource Providers, we're able to map the assets in Kansas City's entrepreneurial ecosystem and see the gaps we need to fill to become America's most entrepreneurial city.

With funding from the U.S. Economic Development Association and support from the UMKC Innovation Center, KCSOURCELINK researched, developed and prepared We Create Capital to provide a clearer picture of the funding landscape for emerging and growth businesses in the Kansas City region. This report provides the basis for a strategic plan to increase capital sources, make it easier for entrepreneurs to access capital and help investors find attractive investment opportunities. The goal is to identify gaps and initiate actions across Kansas City's entrepreneurial community to address them to significantly increase the availability of capital for the region's startup and early-stage businesses.

Thanks to the following organizations for contributing data and insights: Angel Capital Association, CC Capital Advisors, the Civic Council of Greater Kansas City, Economic Development Corporation of Kansas City, Mo., Enterprise Center of Johnson County, Ewing Marion Kauffman Foundation, Think Big Partners, Federal Reserve Bank of Kansas City, Greater Kansas City Chamber of Commerce, Hispanic Economic Development Corporation, Kansas City, Mo. Community Development CDE, Kansas City Area Life Sciences Institute, KC Digital Drive, Missouri Technology Corporation, NetWork Kansas, OneKC for Women, Polsinelli, SparkLab KC, U.S. Small Business Administration, Women's Capital Connection, Women's Business Center. A special thanks to Nick Franano for suggestions and editing.



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It doesn't take the development of plans, task forces or reports to see that entrepreneurs in Kansas City are doing what entrepreneurs do – building companies, families and communities.

Through creativity, inspiration, leadership and long hours of hard work, entrepreneurs provide vital energy to encourage others to join their efforts and benefit from them.

The Greater Kansas City Chamber of Commerce in 2011 led the region in creating five bold initiatives to unite the community around common goals to help make Kansas City shine on the global stage and secure a bright future for our region in the twenty-first century economy.

The Kansas City region has developed a wealth of assets for emerging entrepreneurs due in large part to the gracious philanthropy of Kansas City's legacy entrepreneurs like Ewing Marion Kauffman, Joyce Hall and Henry Bloch.

Today, there exists an opportunity to build on these assets to create a networked, comprehensive, regional entrepreneurial ecosystem supporting the Big 5 Entrepreneurship Initiative: Make Kansas City America's most entrepreneurial city.

Meeting this ambitious goal will require an unprecedented level of partnership among regional entrepreneurs, investors, businesses, nonprofit groups, lenders, educators, public officials, and residents to create a more cohesive, and better funded, entrepreneurial ecosystem. This partnership will enhance opportunities for entrepreneurs, investors and workers in our region to drive regional growth, job and wealth creation.

Turning up the heat can catapult Kansas City into world leadership in entrepreneurial activity.



Many entrepreneurs need access to startup and growth capital to develop prototypes, take ideas to market, open storefronts, finance executive talent and fund expansion.

We need to fuel the fire. Nurturing microloan funds, supporting early-stage investments, connecting dealmakers and streamlining the capital pipeline in Kansas City will dramatically increase access and availability for startup and growth capital.

Whether making direct investments or funding the funders, everyone can be involved in energizing our entrepreneurial community.

A handwritten signature in black ink that reads "Matt Condon". The signature is fluid and cursive, with a large, stylized 'M' and 'C'.

Matt Condon, founder and CEO of Bardavon Health and ARC Physical Therapy and champion of the KC Chamber's Big 5 entrepreneurship initiative

EXECUTIVE SUMMARY

A deep recession, the advent of Google fiber, new entrepreneurship graduates and a vision for Kansas City set by the Greater Kansas City Chamber of Commerce to make Kansas City America's most entrepreneurial city have led to a community awakening, igniting an entrepreneurial movement and putting Kansas City on the global stage. Entrepreneurship as the next economic catalyst has kindled the spirit in many.

Indeed, Kansas City has a proud tradition of economic and entrepreneurial success, spanning several centuries. The community, however, has been slow to replace jobs lost during the recent Great Recession. Research by the Kauffman Foundation shows that young firms (up to age five) are responsible for the creation of net new jobs. Fully leveraging and sustaining the emerging entrepreneurial movement is critical to increasing job growth in Kansas City.

The Kansas City region explored during 2012 what was necessary to become America's most entrepreneurial city. A series of community conversations led by a variety of groups defined both strengths and areas for improvement for the entrepreneurial ecosystem.

A clear message was heard: finding the capital required to launch a startup or grow an early-stage company in Kansas City can be daunting.

Studies revealed a fragmented investor community and the larger community sorely lacking in organized capital to power young businesses. In addition, the overall level of equity capital invested in startup and early-stage, growth-oriented businesses ranks in the lower half and by some measures in the

lowest quartile when compared with peer regions.

This report seeks to expose the existing landscape of financing for early-stage companies in the Kansas City region and set the stage to execute action steps that will dramatically increase company access to startup and growth capital.

The Kansas City region can increase regional growth rates, job creation and wealth creation by increasing access to capital for growth oriented startup and early-stage businesses.

The community needs to:

- 1) build capacity in organizations that can provide capital,
- 2) encourage the formation of new microloan programs, angel investor groups, seed capital funds and venture capital funds, and
- 3) build capacity in existing nonprofit organizations that provide assistance to entrepreneurs seeking capital.

To accomplish this, regional investors, community leaders, nonprofit organizations, entrepreneurs, educators and public policymakers need to work together to set objectives and work collaboratively.

SOURCES OF CAPITAL

There are a variety of capital sources available to startup and growth businesses including loans, grants and equity investments.

Loans

Young companies can tap into conventional bank loans provided they have sufficient collateral to secure them. Without sufficient collateral, companies can access a variety of non-traditional alternative loan programs. Microloan programs and other revolving loan funds serve as key capital sources for businesses not yet “bankable” or that are unable to access capital through traditional financing institutions.

Several groups partnered beginning in 2009 to build an early-stage loan infrastructure. The effort established a strong microloan program, the Kansas City Regional Microloan Program, in the region in 2012 and added loan products up to \$250,000 to support startup and expanding businesses. Approximately \$3 million has been invested through microlending programs since 2012.

Kansas City has the opportunity to increase regional microlending to more than \$10 million by:

- 1) continuing to support the existing Kansas City Regional Microloan Program,
- 2) building capacity to create a \$5 million U.S. SBA microloan intermediary and

- 3) promoting and supporting local Community Development Financial Institutions (CDFI), which are private-sector, financial intermediaries with a primary mission of community and economic development.

Grants

Business plan competitions, reward-based crowdfunding and other contests have given rise to grant funds for early-stage businesses. Support is provided without a loan or ownership changing hands. A number of companies are involved in crowdfunding and others take advantage of national contests. Leap.It won Steve Case’s Rise of the Rest \$100,000 competition in 2014. LaunchKC grants of \$50,000 will become available in 2015 to attract companies to Kansas City, Mo. Locally, Digital Sandbox KC, established in 2013, provides support for proof-of-concept projects.

Early-stage technology companies, especially those engaged in research and development, can seek funding in the form of grants from the federal government. Small Business Innovation Research and Small Business Technology Transfer programs are two federal mechanisms created to incent research and development within small businesses. Each year, federal agencies with extramural research and development budgets that exceed \$100 million are required to set aside a portion of that funding to the SBIR and STTR programs. Small businesses can compete for these funds. Examples of companies that have received funding through these programs include Proteon Therapeutics, Osteogenex, Flow Forward Medical and Metactive Medical.

The region does not take full advantage of SBIR and STTR programs, lagging other areas in both Missouri and Kansas in accessing these funds. A strong SBIR/STTR awareness program could grow this funding from an average of \$2 million per year to \$5 million per year by 2020.

Funding for grant programs often comes from public sources through federal or state government, which often require 1:1 match from the community. Monitoring and applying for federal and state programs that support early-stage businesses, having match dollars readily accessible and increasing access to SBIR and STTR grants could move the community to close to \$6 million in grant funding per year by 2020.

Equity

Startup and early-stage companies with high-growth potential often turn to equity investors for capital. Investors will provide this capital in exchange for convertible debt or ownership equity. Equity investors look for three key attributes:

- 1) differentiated products addressing large global markets,
- 2) investment opportunities with exceptional potential for exit in a reasonable period of time and
- 3) high return multiples on invested capital.

Equity investment in startup companies usually comes in stages. Founders and their families and friends often provide the first capital. After this, companies can turn to angel investors, who are often organized into groups to pool investment dollars and share diligence efforts, and to other seed

capital funds. Companies that continue to grow and have increasing capital needs will turn to venture capital firms to drive later stages of development. Venture capital firms comprise “general partners” who invest funds provided by other “limited partner” investors. Once companies become profitable, or can demonstrate a clear path to profitability, they can access additional private equity investments or complete an initial public offering of equity (IPO).

Seed Capital

Kansas City has two strong angel groups, Mid-America Angels and Women’s Capital Connection. Started in 2006 and 2008 respectively, these groups are comprised of approximately 140 angels and have averaged \$1.7 million in investment each year. The Angel Investment Tax Credit Program in the state of Kansas provides investors with a 50 percent state tax credit for qualified angel investments which has encouraged angel investment in the Kansas City region. The ability to sell these credits has also encouraged investors from outside the region to make angel investments locally.

In Missouri, seed funding is currently available through the Missouri Technology Corporation. For Kansas firms, Kansas Technology Enterprise Corporation and Kansas Bioscience Authority both held active seed funds. KTEC was closed in 2011 and KBA is no longer making seed investments, increasing the struggle for the early-stage company to find support.

Venture Capital

The Kansas City region is far below national and regional peer regions in investment from venture capital firms. This lack of capital can lead to the relocation of promising young

companies to other regions. A variety of efforts have attempted to improve this. For example, Kansas Bioscience Authority in 2009 established a “fund-of-funds” program that made limited partner investments in venture capital funds located outside the region in exchange for a pledge to establish a regional office. This encouraged several firms to establish regional offices. However, this program was ended and most offices have closed.

Recently Flyover Capital, a new venture capital firm, has closed a \$43 million fund that seeks to make investments of \$500,000 to \$3,000,000. And venture capital investments have been made in local companies from outside the region, especially Nebraska.

Market fragmentation makes it difficult to identify and access appropriate capital sources in Kansas City and pathways to equity investments pass through a set of gatekeepers. These individuals and organizations have knowledge of who invests at what stage, what types of opportunities certain investors look for and how a company needs to prepare for the “pitch.” The formation of additional angel investor groups, seed funds, and venture capital funds who are publicly “open for business” could increase the amount of capital available.

GOALS, OBJECTIVES AND STRATEGIES

Kansas City can build strong infrastructure supporting early-stage capital access for high-growth potential businesses by:

- 1) increasing available capital,
- 2) building a large, active and accessible network of investors and
- 3) educating the community on capital access with a resulting increase in the number and value of deals by 2020.

INCREASE LOANS

Goal

Increase the availability of alternative loans for early-stage businesses in Kansas City that are not yet eligible for traditional bank loans to \$10 million by 2020

Objectives

- Increase Kansas City Regional Microloan Program capital pool by \$2 million, growing the pool from \$3 million to \$5 million by 2018
- Establish a \$5 million SBA-backed microloan program by 2018
- Raise \$2 million to create or enhance a loan pool using U.S. Treasury Community Development Financial Institutions (CDFI) Fund by 2020
- Maximize the use of existing revolving loan funds in the region by convening ownership groups to determine available undispersed funds and mechanisms to move them into the market by 2016
- Explore U.S. Treasury New Market Tax Credit options and develop a plan for their use to support entrepreneurs in the Kansas City region by 2016

Strategies

Increase loan capital

- Rally Community Reinvestment Act (CRA) funding to support early-stage loan funding mechanisms and programs
- Add additional capacity and support fundraising for an initial microloan pool for OneKC for Women to achieve the experience necessary to garner the \$5 million SBA-backed microloan program
- Assist OneKC for Women and KCMO CDE in applying for and achieving CDFI certification, accessing funds for loan pools and expanding capacity to administer loans and provide technical assistance

- Convene an ad hoc group to explore U.S. Treasury New Market Tax Credits; work with existing CDEs to promote NMTC Program to businesses as well as support additional allocation requests to the region

Increase access to loans

- Convene an ad hoc committee to review existing alternative loan funds for activity and available funds
- Increase community support for programs that provide entrepreneurial and business development training to develop a pipeline of borrowers for the various loan products offered by traditional and non-traditional lenders
- Create a strong marketing program that raises awareness of existing loan products and services to appropriate audiences
- Develop a “train the trainer” module to educate service providers and entrepreneurs in the Kansas City region about available alternative loan programs and how to apply for and get alternative loans
- *Further Study:* Convene an ad hoc committee to review small business lending practices by banks and identify hurdles banks face in deploying more capital in the community

INCREASE GRANTS

Goal

Increase local, state and federal grant funding to early-stage and R&D focused businesses in the Kansas City region to \$6 million per year by 2020

Objectives

- Raise awareness of Small Business Innovation Research funding and increase the amount of regional SBIR funding from \$2 million to an average of \$3 million per year by 2018, \$5 million by 2020
- Secure additional proof-of-concept funds for Digital Sandbox KC to maintain funding at \$600,000 per year, including administration, through 2018, supporting a minimum of 20 proof-of-concept projects per year
- Support investment in emerging grant programs

Strategies

Increase grant capital

- Support public and private investment in emerging and existing grant programs
- Monitor, assess and support the application for all state and federal resources that add additional funding pools to the region. Examples include Regional Innovation Strategies grants from the U.S. Department of Commerce Economic Development Administration

- Better position the community to access public funding, especially state and federal innovation grants, by creating a pool of matching funds that can be rapidly allocated to special projects

Increase access to grants

- Create and implement a strong awareness campaign for SBIR/STTR grants that drives people to existing SBIR/STTR training seminars
- Develop a “train the trainer” module to educate service providers and entrepreneurs in the Kansas City region about available grant programs and how to apply for and win grants

INCREASE SEED CAPITAL INVESTMENT

Goal

Increase seed capital investments from approximately \$3 million per year to more than \$10 million per year by 2020

Objectives

- Increase the number of regional angel investors in organized groups from 140 to 240; double the investment from regional angel groups from an average of \$1.7 million per year to an average 10 deals per year and \$3.5 million investment by 2018, \$5 million by 2020, essentially funding one deal per month
- Establish a new minimum \$5 million seed capital fund headquartered in the region to make early-stage investments in information technology and life sciences firms by 2018 with a goal of increasing the number of annual \$100,000 - \$1 million investments to 10 per year by 2020
- Establish a new “super angel” investor group of ultra high net worth individuals
- Increase investment in local accelerators
- Increase access to Missouri Technology Corporation IDEA Fund and NetWork Kansas Multiplier Fund

Strategies

Increase Seed Capital

- Work with emerging and existing angel capital groups to increase membership by creating a broad awareness and recruitment campaign that demonstrates the impact of angel investing
- Extend the angel investor tax credit program in Kansas at the current funding level
- Establish an angel investor tax credit program in Missouri
- Add capacity to Mid-America Angels and Women’s Capital Connection to support angels
- Urge ultra high net worth individuals to come together as a super angel network with a visible gatekeeper
- Leverage the qualified early-stage evaluation teams at organizations such as Mid-America Angels, Women’s Capital Connection, Digital Sandbox KC and Kansas Bioscience Authority

- Coalesce early-stage investors into a new \$5 million seed fund to be located at an existing organization
- Maintain and increase seed stage investment funds that exist at the Missouri Technology Corporation, Kansas Bioscience Authority and NetWork Kansas

Increase Access to Seed Capital

- Conduct networking events that increase the interconnectedness and contributions of local investors
- Convene an ad hoc group of attorneys, investors and resource partners to provide insight on angel investment terms and obstacles to closing angel investment deals in the region and educate the community on angel investment deal structures
- Develop a “train the trainer” module to educate investors, service providers and entrepreneurs in the Kansas City region about angel investing, and how to seek and obtain angel investments

INCREASE VENTURE CAPITAL INVESTMENT

Goal

Double the number of venture capital firm investments of \$1 million - \$10 million on a yearly basis by 2020

Objectives

- Increase support for Flyover Capital I and add Flyover Capital II by 2020
- Establish a new \$50 million venture capital investment fund headquartered in the region to make investments in IT and life sciences sectors by 2018 with a goal of doubling the number of annual \$1 million-\$10 million+ rounds of investment by 2020
- Establish and maintain regional offices for at least two national or international venture capital firms headquartered outside of Kansas City
- Position the community to apply for matching U.S. SBA SBIC Early-Stage License funds by working with an existing SBIC or fund or by building a fund with the right experience

Strategies

Increase Venture Capital

- Coalesce individual, corporate and foundation investors into Flyover Capital and a new fund of \$50 million with trusted due diligence
- Promote entrepreneurs and regional deals to regional, national and international venture capital firms to drive investment in the Kansas City region resulting in increased capital access and the presence of a regional office for a fund headquartered outside of Kansas City
- Support round two of Flyover Capital or other fund to position the community with the necessary experience to apply for SBIC Early-Stage License funding

- Increase the amount of capital available for regional investment by Kansas Bioscience Authority, NetWork Kansas and Missouri Technology Corporation. Increase the success of regional companies in accessing these statewide capital sources

Increase Access to Venture Capital

- Convene an ad hoc group of attorneys, investors, entrepreneurs and resource partners to provide insight on venture capital investment terms and obstacles to closing venture capital deals in the region and educate the community on venture capital deal structures

PUBLICIZE SUCCESS STORIES

- Encourage regional investors to “put out their shingle” and publicize investment approaches, portfolios and investment levels
- Evaluate the use of technology to make deals more visible to individual investors and entrepreneurs in the region
- Create a systematic deal tracking method to validate the yearly level of investments
- Prepare a comprehensive set of resource materials on raising capital in the Kansas City region and make it available to entrepreneurs, investors and support organizations. Promulgate best practices on deal structure and terms
- Work with existing organizations that provide specialized education programs that support access to capital and increase referrals to those programs through a strong awareness campaign

BACKGROUND

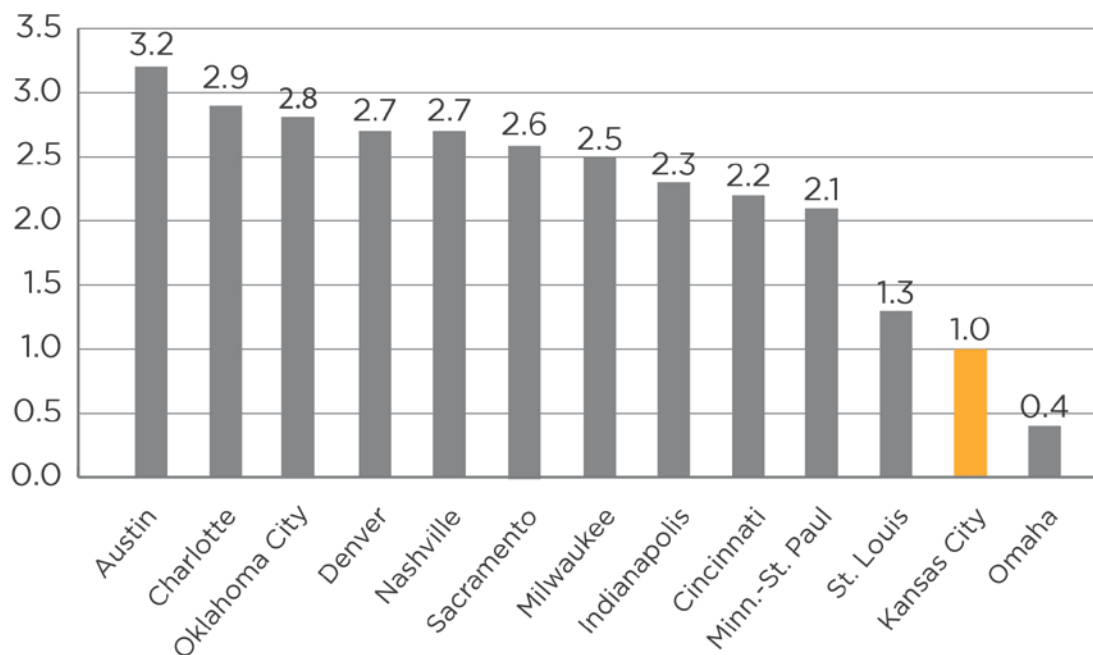
Research by the Kauffman Foundation shows that of the 12 million new U.S. jobs added in 2007 alone, young firms (up to age five) were responsible for the creation of nearly 8 million jobs. Kansas City has one of the lowest percentages of employment growth when compared to the 12 peer metros typically used to benchmark our region (Figure 1). Fully leveraging and sustaining the emerging entrepreneurial movement is critical to increasing job growth in Kansas City.

The Kansas City region explored during 2012 what was necessary to become America's most entrepreneurial city. A series of community conversations led by a variety of groups including the Greater Kansas City Chamber of Commerce, Economic Development Corporation of Kansas City, the City of Kansas City, Mo. and others defined both strengths and areas for improvement for the entrepreneurial ecosystem.

The process included a series of focus groups by the GKCCC,¹ AdvanceKC, a strategic planning initiative of the Economic Development Corporation of Kansas City, Mo.,² a KCMO city council-led initiative to define small business needs for the community³ and two studies funded by the Kauffman Foundation that explored the entrepreneurial ecosystem through the eyes of its entrepreneurs⁴ and the interconnectedness of the equity funding community.⁵

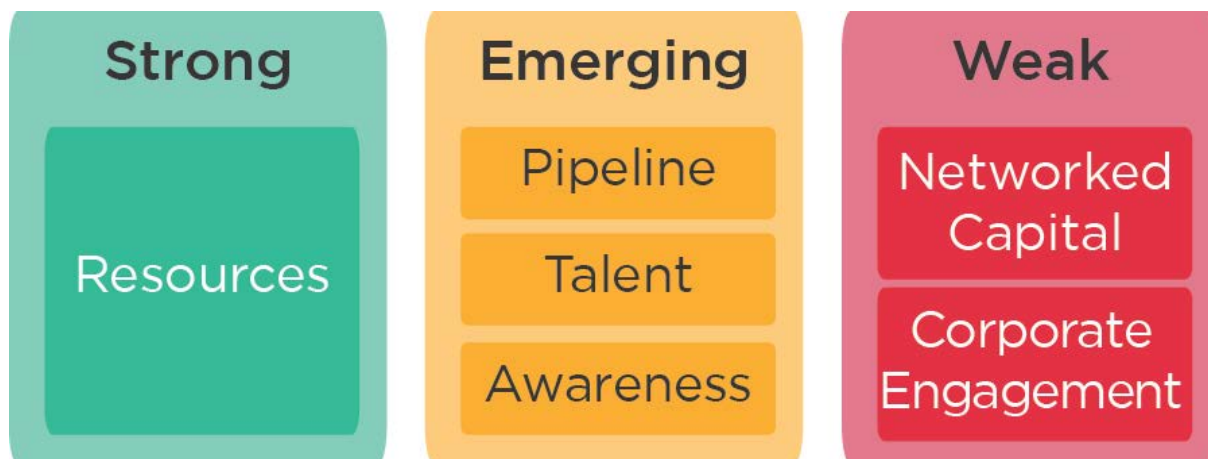
Governments, universities, entrepreneurial support organizations and most importantly, entrepreneurs and independent small business owners have provided input. What is missing from the ecosystem? What works well? How would an improved funding system support future growth?

Figure 1: Percent Change in Employment Nov. 2013-Nov. 2014



Source: Bureau of Labor Statistics

Figure 2: The Kansas City Entrepreneurial Ecosystem



Clear messages emerged - there is an abundance of resources available to help emerging and existing businesses grow. The community, however, remains sorely lacking in organized access to capital to power young businesses and needs more engagement by established corporations to fire up early-stage growth (Figure 2).

To achieve its vision, Kansas City will need to better organize its available pool of capital for entrepreneurs and utilize the varied assets of its large organizations and educational institutions to support its entrepreneurs. Combining a pipeline of strong ideas with strong talent will generate the early-stage initiatives that will create companies and jobs for Kansas City. Fueling the entrepreneurial engine will drive new

talent, new jobs and new recognition to Kansas City.

Recently, Kansas City has gained traction in becoming America's most entrepreneurial city. PC Magazine called Kansas City the #1 High Tech city; Kansas City ranked third best city for high-tech startup growth (Kauffman Foundation) and fourth best city for young entrepreneurs (under30ceo).

Financing this growth continues to be a conundrum. Young companies frequently complain there is no money to spur their growth, while investors bemoan the absence of good deals for investment. This report explores the underlying issues behind these statements.

DIFFERENT STROKES FOR DIFFERENT FOLKS

According to the U.S. Small Business Administration, startups depend equally on owner financing and bank credit for early-stage capital, with owners' and relatives' savings as the main source.^{6,7} Only a small percentage get equity investments (Figure 3).

Typical small businesses use about \$10,000 as startup capital, while high-tech company startups may average \$80,000. Financing is usually a combination of debt and equity.

- Seven (7) percent of all startup capital is derived from credit cards.
- Equity investments from angels and venture capital sources amount to only 4 percent of startup financing.
- About one-third of non-employer startups and 12 percent of employer startups use no startup capital at all.

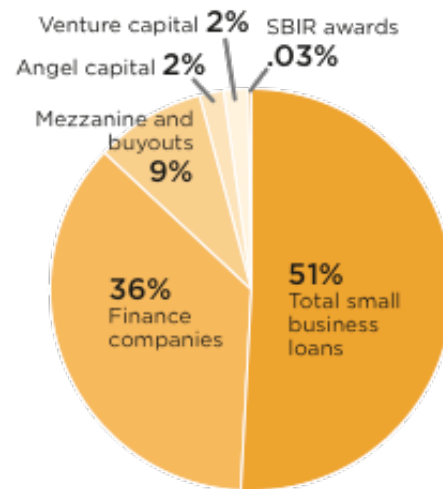
A key point in understanding how Kansas City startup and growth companies are funded is that companies are different and need different kinds of startup and growth capital.

The descriptions below give insight into the four types of entrepreneurs and where they are most likely to get funding.

INNOVATION LED

Innovation-led enterprises are businesses in which research and development brings forth an innovative product or process. The

Figure 3:
Share of Financing by Category, 2012



innovation typically involves intellectual property that contributes to a strong competitive advantage in the marketplace and serves as a foundation for a high rate of growth. Often formed around life sciences or technology innovations, these enterprises can require significant funding and specialized facilities.

Funding source: This group is the most likely to seek equity investment from angel and/or venture capital investors. New innovations are also the most likely candidates for early-stage federal assistance like SBIR.

SECOND STAGE

Second-stage enterprises have survived the startup phase and have owners who are focused on growing and expanding their business. Second-stage firms generally have 10 to 99 employees and/or \$750,000 to \$50 million in revenue.⁸ Key priorities are strategic marketing for customer acquisition, expansion of operations, global expansion and attracting leadership talent.

Funding source: As they frequently have collateral and track records, these are more likely candidates for bank financing and lines

of credit until expansion overcomes the supply of capital and equity investment is a good option.

MAIN STREET

Main Street companies make up a large segment of the economy, serve communities' growing populations and define a community's cultural character. These entrepreneurs are found among local dry cleaners, grocery store owners, coffee shop owners, restaurateurs or graphic design boutiques.

Funding source: Most of these companies fund startup through personal savings and growth through on-going cash flow. Lines of credit, SBA-backed loans and microloans are also sources of funding.

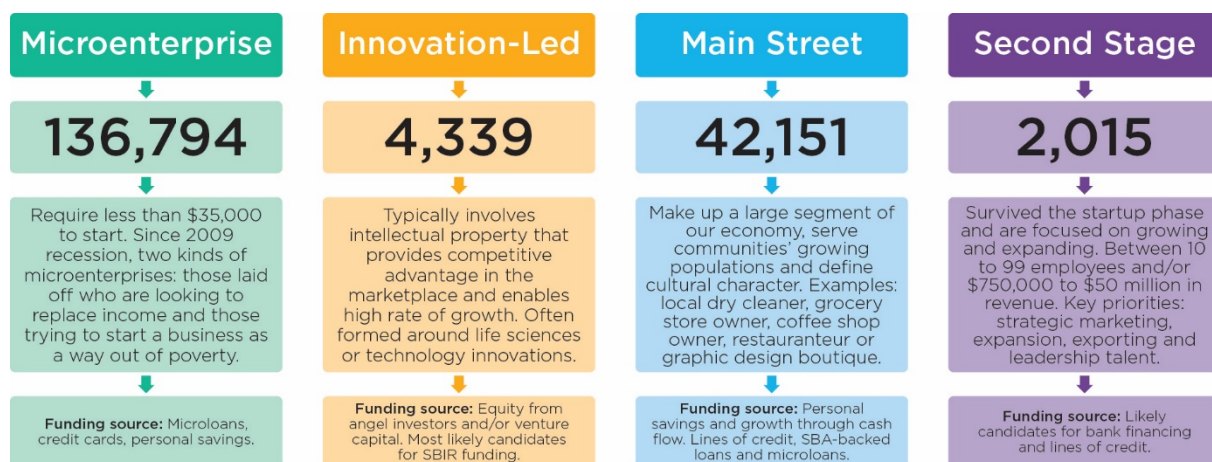
MICROENTERPRISE

By definition, microenterprises are businesses requiring less than \$35,000 in capitalization to start. Since the 2009 recession, two kinds of microenterprises are observed: those started by people who were laid off from large corporations looking to replace income by establishing consulting businesses and those trying to start a business as a pathway out of poverty.

Funding source: Microloans, credit cards and personal savings support this type of business until it positively cash flows.

It is also important to note the numbers of companies in each category. The chart captures this distribution in the Kansas City, MO-KS CSA (Figure 4).⁹

Figure 4: Quadrants of Entrepreneurship



KANSAS CITY REGIONAL EARLY-STAGE LOANS

Kansas City has a variety of capital options through savings banks, savings and loan associations and commercial banks. As a regulated industry, banks are limited in investment options and most early-stage companies don't have the collateral required for bank loans. Consequently, micro and other alternative loan options have developed to support early-stage, higher-risk entrepreneurs, expanding debt financing beyond regulated banks. These products serve both to support business operations and to improve the credit score of individuals creating businesses to better position them to qualify for other funding options.

These alternative loan products are supported through a variety of mechanisms through the U.S. Small Business Administration, the U.S. Treasury, state and local governments, banks, businesses and the philanthropic community.

The chart below outlines the various sources of loan funding available in the Kansas City area for individuals and businesses that are considered "non-bankable" or bankable with guarantees. In addition to microloans and SBA-backed loans, various community partners offer secured credit cards, credit-building loans and matched savings programs to assist with credit development and create savings that can be used to start a business (Figure 5).

Figure 5: Kansas City Early-Stage Loan Infrastructure

	Loan Size					
	<\$1,000	\$0-50,000	\$50-250,000	up to \$350,000	up to \$500,00	up to \$5M
Personal Emergency Loan	•					
Secured credit cards	•					
Credit building loans	•					
Microloans		•				
Revolving Loan Funds			•			
CDFIs	•	•	•	•	•	•
SBA bank loan guarantees						
Community Advantage			•			
Small Loan Advantage				•		
SBA Express				•		
SBA Veterans Adv.				•		
Export Express					•	
7(a)						•
Cap Lines						•
International Trade						•
Export Working Capital						•

Non-bankable

Bankable with guarantees

Personal Emergency Loans, Secured Credit Cards, Credit Building Loans

According to the U.S. Small Business Administration, young firms rely heavily on external debt, receiving about three-quarters of their funds from banks via loans, credit cards and lines of credit.¹⁰ For those with poor credit or insufficient money management skills, this avenue may not be an option. Credit repair programs help participants build back their credit scores by helping them understand how to pay off their debts and granting them small loans that can be repaid to reflect positively on credit scores. Additionally, some emergency loans are available. These programs are administered by Justine PETERSEN in the Kansas City region in partnership with OneKC for Women.

Of note: Low-to moderate- income individuals can also establish an Individual Development Account (IDA) to buy a first home, take college courses, receive post-secondary training or start or expand a small business. Savings are matched by community partners that can include businesses, agencies, financial institutions, foundations, faith organizations and state and local governments. IDAs are available in Kansas City through The Family Conservancy and Catholic Charities of Northeast Kansas.

Microloan Programs

Most early-stage businesses rely on personal savings, friends and family for startup capital. For those with little or no savings, and no family resources, microloans have closed the gap. Microloan programs provide very small, short-term loans at low interest, usually to a startup company or self-employed person. Microloans generally rely on funds raised from partners to create a

loan pool and a loan loss reserve fund. Stakeholders also provide funding for technical assistance (coaching and training) to the company to ensure that the company becomes stable enough to pay back the loan. Local banks can count donations toward their Community Reinvestment Act (CRA) responsibilities and are usually active investors. Justine PETERSEN administers a microloan fund in Kansas City in partnership with OneKC for Women, the KCMO CDE, the city of Kansas City, Mo. KC BizCare center and other partners including a number of financial institutions.

SBA-Backed Loans

The SBA offers a range of guarantees that help banks provide loan access to small businesses; 7(a) and 504 are the most commonly used tools. The 7(a) guarantee assists in getting a term loan from a bank and has a broad range of uses including establishing a new business or assisting in the acquisition, operation or expansion of an existing business. Other loan guarantees help companies obtain financing for working capital and international trade. Many lenders throughout the region utilize SBA guarantees to provide small business loans.

SBA 504 Loans

The 504 loans provide long-term financing for major fixed assets such as equipment or real estate. Funds are accessed through revolving loan funds established at Certified Development Companies¹¹. The 504 program distributes the loan among three parties: the business owner contributes a minimum of 10 percent, a conventional lender (typically a bank) puts up 50 percent, and the CDC puts up the remaining 40 percent. The maximum amount of the loan is \$5 million (\$5.5 million for manufacturers and some energy-related businesses). If the borrower defaults, the private sector lender

is paid off first, reducing the risk to the lender. The portion of the loan paid by the CDC is secured with a second lien backed by a 100 percent SBA-guaranteed debenture.

The 504 lenders in the Kansas City region include Heartland Business Capital, Inc., Wakarusa Valley, EDC Loan Corporation of Kansas City, MO-KAN, RMI, Midwest Small Business Finance and Greater Kansas City Local Initiatives Support Corporation (LISC).

Community Advantage Funds

Community Advantage is an SBA-guaranteed loan program helping entrepreneurs launch or expand small businesses, particularly in low- to moderate-income communities. It supports loans between \$50,000 and \$250,000 for businesses that cannot meet required bank standards, whether due to lack of available collateral, low cash flow, poor credit history, a high debt leverage ratio or a combination of these issues. The loans can be used for business expansion. In Kansas City these are provided through Justine PETERSEN and Greater Kansas City LISC.

Revolving Loan Funds

Specialized alternative loan funds funded through a variety of federal, state, local and private sources are available to support business growth. Funding levels often fall in the range of microloans. These programs receive an initial funding pool that is first distributed and then redistributed as the original loans are paid off. This means that the loan pool size fluctuates based on activity, frequently being fully dispersed. Loan criteria are set by the lending organizations and the investors in the original loan pool. In the Kansas City region, revolving loan funds are held at the Hispanic Economic Development Corporation, EDC Loan Corporation, MO-KAN, Johnson County

EDC, Clay County Economic Development Corporation and Midwest Small Business Finance.

CDFIs

Community Development Financial Institutions (CDFIs) are private-sector, financial intermediaries with community development as their primary mission. Although CDFIs share a common mission, they have a variety of structures and development lending goals. There are several basic types of CDFIs:

- 1) community development banks and community development credit unions, which supply underserved markets with traditional retail banking services like savings accounts and personal loans;
- 2) microenterprise funds, which provide small amounts of business capital to small scale entrepreneurs;
- 3) community development loan funds, which lend to growing businesses and real estate development entities;
- 4) community development corporation-based lenders and investors; and
- 5) community development venture funds, which provide equity and management expertise to small, often minority-owned businesses that promise rapid growth.

All are market-driven, locally-controlled, private-sector organizations that are focused on markets not served or underserved by mainstream financial institutions.¹² Although Kansas City has a number of active, local CDFIs (Central Bank of Kansas City, Holy Rosary Credit Union and KC Terminal Employees/Guadalupe Center FCU and a

number of national CDFIs with a focus on Kansas City including Greater Kansas City LISC) the city and region is relatively underserved by the CDFI community.

Banks

Banks are interested in funding companies with a proven track record of sustainable income and/or assets that can be pledged as collateral. Banks also offer lines of credit to proven companies, allowing those

companies to access credit on an as-needed basis. Commercial banks play a key role in the small business and entrepreneurship landscape, providing a range of financial services in addition to capital. These services include credit card processing, checking and savings, valuations and mergers/acquisition advice.

2014 LOAN FINANCING LEVELS

Microloans

A cohesive infrastructure for loans less than \$250,000 for non-bankable entities did not exist in Kansas City in 2009. The development of this infrastructure represents significant effort on the part of many organizations and individuals (see sidebar). Microloans and community advantage loans are critical to the development of early-stage businesses. Without those instruments, there would be little funding available for “non-bankable” companies needing loan amounts under \$250,000.

Kansas City’s largest microloan program is the KC Regional Microloan Fund operated by Justine PETERSEN in partnership with OneKC for Women, the KCMO CDE, the city of Kansas City, Mo. KC BizCare center and other partners including a number of financial institutions. The program was launched in 2012 and by the end of 2014 reached nearly \$3 million in lending to local small businesses through 262 loans. Average loan size is \$11,000. By percent of loan dollars, 59 percent of the funds went to women-owned businesses and 45 percent to minority-owned enterprises during that time frame. The default rate for these loans is less than 3 percent. (All data provided by OneKC for Women.) (Figures 6 and 7)

Figure 6: Kansas City Regional Microloan Fund by County 2012-2014

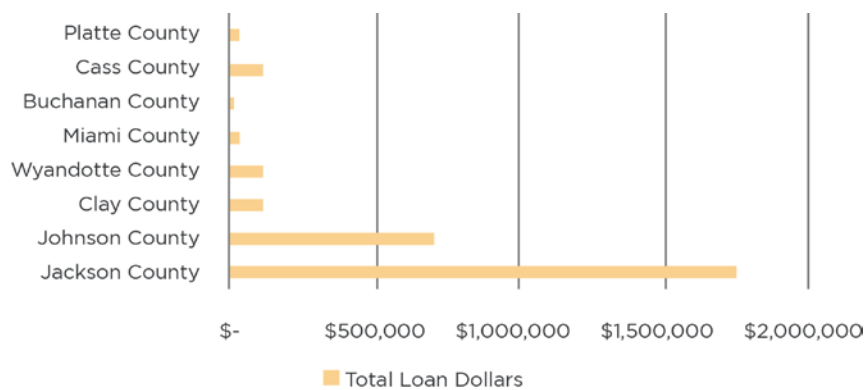


Figure 7: KC Regional Microloan Fund Impact on Kansas City, Mo.

	# of Loans	Loan Dollars
KCMO Low-Income Census Tract	57	\$ 594,744
Veteran-Owned Business	8	53,059
East of Troost	68	687,258
Historic Northeast	5	39,120
Minority Owned	87	687,946
Women Owned	86	906,023

Microlending Returns to Kansas City

“The collaborative effort among the various stakeholders here in KC is a shining example...”

– Robert Boyle, Justine Petersen founder and CEO

When Kansas City’s primary microloan program closed in 2009, it “created a huge void for young entrepreneurs,” according to Country Club Bank’s Robin Wells.

The door had barely closed on the old program when a concerned group, initiated by KCSOURCELINK, began talking about how to fill the gap.

Today the KC Regional Microloan Program is a testament to the collaboration and commitment of those early partners: the Women’s Employment Network, the Women’s Business Center, KCSOURCELINK, the UMKC Small Business and Technology Development Center, the JCCC Small Business Development Center, the Federal Reserve Bank, the Small Business Administration and the Federal Deposit Insurance Corp.

These groups worked with St. Louis-based Justine PETERSEN, one of the largest micro lenders in the United States. Today, the program serves seven counties with loans of less than \$50,000. Participating companies receive counseling on how to improve credit scores, and put together solid business plans and other ways to strengthen their businesses.

OneKC for Women is now leading an effort to significantly increase funds. Support from the community, especially banks, is needed to assure the program’s continuing success.

Savings Banks, Savings and Loan Associations and Commercial Bank Loans

A yearly lending study conducted by the U.S. SBA provides statistics on small business lending levels by savings banks, savings and loan associations and commercial banks by specific geographies. In the study, loan definitions are based on loan size, not the size of the business, identifying small business loans as loans of less than \$1 million and microloans as less than \$100,000. Credit card lending is also examined. Ratios provide an indication of banks that are most likely to lend to small businesses (Figure 8).

For lenders headquartered in the 22-county Kansas City, MO-KS CSA over the past five years, both the number of loans and the dollar amount have remained relatively flat and remain below pre-recession levels for both overall small business loans (under \$1 million) and microloans (under \$100,000).

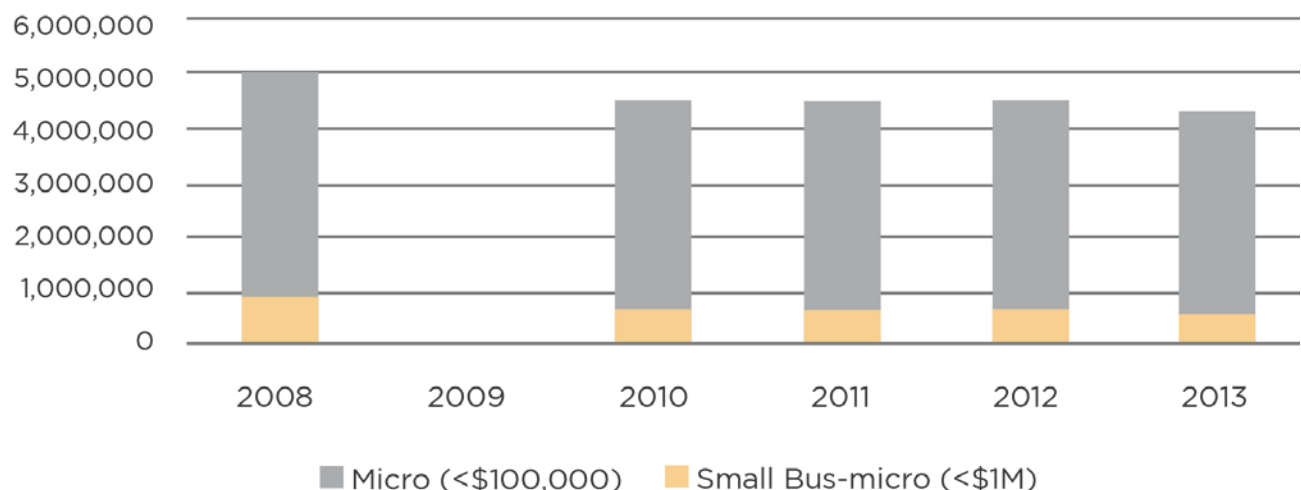
The study also ranks lenders based on their small business lending activity. A firm looking for a loan of \$1 million or less might do well to seek out a lender that scores high in this ranking. In the Kansas City, KS-MO CSA, these include (in alphabetical order):

- Adrian Bank
- Central Bank of Kansas City
- Citizens Bank
- Community First Bank
- Country Club Bank
- Goppert Financial Bank
- Horizon State Bank
- Missouri Bank and Trust Company of Kansas City, Mo.
- The Farmers State Bank of Blue Mound
- The State Bank of Spring Hill

Figure 8: Loan Value for Depository Lenders in (000s)
Kansas City, Mo-KS CSA

2008-2013

(Savings banks, savings and loan associations and commercial banks)



SBA-Backed Loans

Commercial lenders partner with local businesses utilizing SBA guarantees to provide loans to a variety of businesses throughout the community. In addition, 504 intermediaries provide SBA guaranteed loans. The top five SBA-backed lenders in the Kansas City region during federal fiscal year ended September 30, 2014¹ were (Figure 9):

Figure 9: Top Five SBA-Backed Lenders in Kansas City Region, 2014

Bank	Number of Loans	Amount	Average Size
U.S. Bank	54	\$5,602,900	\$103,757
Alterra Bank	49	\$27,340,100	\$557,961
UMB Bank	29	\$9,283,930	\$320,136
Wells Fargo	23	\$13,624,000	\$592,348
Heartland Business Capital Inc.	18	\$8,898,000	\$494,333

504 Loan Funds

Heartland Business Capital, Inc., listed above, is an SBA 504 Loan intermediary in the Kansas City region. Other 504 Loan intermediaries in the Kansas City region include: EDC Loan Corporation of Kansas City, Wakarusa Valley, MO-KAN, RMI, Midwest Small Business Finance and Greater Kansas City LISC.

Community Advantage

A Community Advantage loan product is important to the Kansas City region because it provides funding at levels between \$50,000 and \$250,000, significantly higher than microloan funds. Justine PETERSEN began to provide this product in the Kansas City market in 2014. Greater Kansas City LISC is working with its national organization to bring this product to Kansas City and will begin funding businesses through this mechanism in 2015. There is limited data at this time for the program due to its short history.

Revolving Loan Funds

Other available loan pools that service early-stage businesses have niche criteria, provide funding in a small geography or to only certain types of businesses. Many are fully dispersed and include the following:

Missouri/Kansas

- The **Hispanic Economic Development Corporation Impacto Loan Fund** is a microloan program that averages about \$7,500 per loan. *This loan pool is currently fully dispersed.*
- **MO-KAN Revolving Loan Fund** provides loan funds for businesses in Atchison, Brown and Doniphan counties in Kansas and Andrew, Buchanan, Clinton and DeKalb counties in Missouri (St. Joseph, Mo. and the surrounding region). The loan funds may be used for the purchase of fixed assets such as land, buildings and equipment or working capital for renovations, expansions or inventory. The maximum amount of a loan is \$200,000. Since its inception, this program has loaned over \$3 million, six times the original investment. In addition to the funds loaned directly from the RLF, the fund has leveraged over \$14.5 million from private sector lenders and small business owners.¹³

- Missouri and Kansas receive funding from the **U.S. Environmental Protection Agency** to offer Brownfields assessments, revolving loans and cleanup grants for areas contaminated by petroleum, hazardous and controlled substances and mine-scarred lands.
- Grants are also available through the **Workforce Investment Boards** in both Missouri and Kansas. These “on the job” training funds are available to businesses to assist with developing the skill sets needed within their talent pool. This funding can pay for both salary and training while employees learn new skills.
- The **Missouri Department of Economic Development** and the **Kansas Department of Commerce** offer financial assistance through grants to companies to attend international trade shows to expand markets.

Missouri Only

- The EDC of Kansas City, Mo. offers the following tools in partnership with banks. The borrower pays 10 percent of the total project costs, the EDC loan program pays 40 percent and the third-party lender pays 50 percent.
 - The **River Market Loan Program** provides up to \$50,000 in financing for fixed assets and/or working capital to businesses located in the River Market /Columbus Park area.
 - The **EDC of KC Revolving Loan Fund** provides loans of up to \$200,000 for fixed assets including equipment and real estate. *This loan pool is currently fully dispersed.*
 - The **Neighborhood Commercial Revolving Loan Fund**, a City-initiated and funded program, is for businesses in Kansas City, Mo. neighborhoods in need of revitalization. Up to \$150,000 is available for building acquisition and improvement and acquisition of machinery and equipment. *This loan pool is currently fully dispersed.*
- **Midwest Small Business Finance** maintains a direct loan program, offering loans of \$25,000 - \$150,000+ to healthy existing eligible small business concerns located in 20 northwest Missouri counties.
- **Johnson County Missouri Economic Development Corp** provides \$4,000-\$10,000 loans for startup or expanding companies that will result in the creation or retention of jobs.
- **RMI** offers two loan programs:
 - The **Intermediary Relending Program** provides up to \$250,000 in financing to for-profit businesses located in non-metro areas with a population below 25,000. Funds are used for fixed assets, inventory or working capital.
 - The **Small Business Investment Fund Program** provides up to \$250,000 in fixed-rate financing to for-profit and not-for-profit businesses. Funds are used for fixed assets, inventory or working capital.
- Started with a \$10 million loan pool, **Grow Missouri Loan** fund targets companies headquartered in Missouri with fewer than 500 employees. The loan amount is limited to the lower amount of 10 percent of the project funding, \$3 million/project or \$75,000 per new or retained job as a result of the project. *This loan pool is currently fully dispersed.*
- The **Missouri Department of Agriculture** offers two loan options:
 - Direct loans up to \$20,000 through the **Agriculture Development Fund** to finance the production, processing and marketing needs of an alternative agricultural enterprise.
 - A loan pool that provides from \$75,000-\$112,000 in funds to support agribusiness in Missouri towns with population of less than 25,000.

- The **Missouri Linked Deposit Program** is administered by the Missouri State Treasurer's Office and provides investment deposits to state-approved banks that have made loans to businesses headquartered and operating in Missouri. The funds are invested by the state at a significantly reduced interest rate. That reduction in interest is passed on to the business to lower their loan interest rate by up to 2 to 3 percent. Loan sizes range between \$90,000-\$250,000.

Kansas Only

- The **Unified Government of Wyandotte County Revolving Loan Fund** provides up to \$200,000 for real estate, machinery and equipment or working capital. The fund requires a 2:1 private to public dollar match and expects the applicant to create one new full time job for each \$50,000 loaned.
- **NetWork Kansas** provides two loan options for Kansas businesses:
 - **Startup Kansas** provides loans of up to \$45,000 to businesses located in rural and distressed areas in Kansas. In the Kansas City region, specific areas in Wyandotte County are eligible.
 - Under the **Kansas Capital Multiplier Loan Fund**, businesses can apply for matching loans up to 9 percent of the private capital invested. Private capital includes the amount provided by financial institutions, certified development companies and other private lending sources as well as the entrepreneurs' investment and angel investment. The minimum loan is \$25,000, with a maximum of \$100,000 (originally \$500,000). Since the Fund began in 2012, Kansas has supported 11 companies within 100 miles of the Kansas City center for a total of \$2,060,358.
 - NetWork Kansas also offers the **Minority and Women Business Multiplier Loan Fund** that matches up to 25 percent of private investment for minority and women businesses certified with the state of Kansas.

FUNDING ADDITIONAL EARLY-STAGE LOAN PROGRAMS

Loan products that support non-bankable clients have been created over time through a variety of methods. Below are examples of different mechanisms that can help to build and sustain these important capital pools.

Bank Community Reinvestment Act

Microloan programs in Kansas City are dependent upon raising funds for the initial loan pool and ongoing administration costs. The Community Reinvestment Act of 1977 is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations. Banks are graded on their efforts. Lending institutions can receive favorable CRA consideration for investments in a pool that would be used to make microloans to promote economic development in a regional area that includes the institution's assessment area. Therefore, CRA investments by banks have become a mechanism to fund microloan programs.

U.S. Treasury Programs

State Small Business Credit Initiative

The SSBCI is a federal program administered by the Department of the Treasury that was funded with \$1.5 billion to strengthen state programs that support private financing to small businesses and small manufacturers in 2010. These funds were distributed to the states utilizing a population-based formula.

Kansas was allocated \$13,168,350, and Missouri \$26,930,294. Each state divided their funds, putting some into a loan program and some into an equity capital pool. Kansas used the funds to create the

Kansas Capital Multiplier Loan Fund and Kansas Venture Fund administered by NetWork Kansas. Missouri allocated the funds to support the GROW Missouri loan fund (\$16.9 million) and the IDEA (Innovation, Development and Entrepreneurship Advancement) Fund (\$10 million), administered by the Missouri Technology Corporation. Companies that access the funds must leverage the funds through matching investments.

The SSBCI is a one-time program of limited duration. The authorities and duties of the Secretary of Treasury to implement and administer the program terminate on September 27, 2017. Although there may not be any additional funds provided through this program, it is referenced here because of the amount of funding that it released into the market and the amount of leveraged match dollars generated from the private sector. As loaned and invested funds are recovered, these will stay with the state to continue the funds.

Community Development Financial Institutions (CDFI) Fund

The CDFI Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994 to promote economic revitalization in low-income communities. The purpose of the CDFI Fund is to use federal resources to invest in CDFIs and to build their capacity to serve low-income people and communities that lack access to affordable financial products and services. The CDFI Fund provides two types of monetary awards to CDFIs - Financial Assistance awards and Technical Assistance awards. CDFIs may use the funds to pursue a variety of goals, including:

- To promote economic development, develop businesses, create jobs and develop commercial real estate;
- To develop affordable housing and to promote homeownership; and
- To provide community development financial services, such as basic banking services, financial literacy programs and alternatives to predatory lending.

Financial Assistance (FA) Awards: The CDFI Fund makes awards of up to \$2 million to certified CDFIs under the FA Awards Program. A CDFI may use the award for financing capital, loan loss reserves, capital reserves or operations. FA awards are made in the form of equity investments, loans, deposits or grants, and the CDFI is required to match its FA award dollar-for-dollar with non-federal funds of the same type as the award itself. This requirement enables CDFIs to leverage private capital to meet the demand for affordable financial products and services in economically distressed communities.

Technical Assistance (TA) Awards: TA Awards provide grants to certified CDFIs and established entities seeking to become certified (i.e. emerging CDFIs) to build their capacity to provide affordable financial products and services to low-income communities and families. The CDFI Fund makes awards of up to \$125,000 under the TA Awards Program.

Since 1994, the CDFI Fund has awarded more than \$1.3 billion in FA and TA awards.

To be eligible for an FA award, a CDFI must be certified by the CDFI Fund before it applies for the award. The following are certified, local CDFIs in the Kansas City region:

- Central Bancshares of Kansas City, Inc., Depository Institution Holding Company, Kansas City, Mo.
- Central Bank of Kansas City, Bank or Thrift, Kansas City, Mo.
- Holy Rosary Credit Union, Credit Union, Kansas City, Mo.
- St Luke's Credit Union, Credit Union, Kansas City, Mo.
- KC Terminal Employees/ Guadalupe Center FCU, Credit Union, Kansas City, Mo.
- Missouri Central Credit Union, Credit Union, Lee's Summit, Mo.
- United Consumers Credit Union, Credit Union, Independence, Mo.

The following local CDFIs have received awards in the past five years:

Financial Assistance Awards

- Central Bancshares of Kansas City, Inc. Kansas City, Mo. 2014 \$1,088,666
- Central Bancshares of Kansas City, Inc. Kansas City, Mo. 2013 \$597,000
- Central Bancshares of Kansas City, Inc. Kansas City, Mo. 2010 \$750,000

Technical Assistance Awards

- KC Terminal Employees/Guadalupe Center FCU Kansas City, Mo. 2013 \$72,304

Many communities utilize this mechanism to fund microloan programs and other funding pools for small businesses. This mechanism is not widely leveraged for that purpose in the Kansas City region.

New Markets Tax Credits

The New Markets Tax Credit Program was established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. The NMTC

Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). (Note: An organization that is currently certified as a CDFI by the CDFI Fund or designated as a Specialized Small Business Investment Company by the Small Business Administration automatically qualifies as a CDE.) The credit totals 39 percent of the original investment amount and is claimed by the corporate investor over a period of seven years. The CDE uses the equity investment made by the corporate investor to finance qualified low-income community businesses (i.e. operating businesses located in a low-income community or a development entity with a real estate development being built in a low-income community) by providing flexible financing with better rates and terms than conventional debt financing.

The following are CDEs in the Kansas City Region:¹⁴

- Americo New Horizons
- Applied Urban Research Institute
- BC Community Development Funds, LLC
- Building/Knowledge New Markets LLC
- Central Bancshares of Kansas City, Inc.
- Central Bank of Kansas City
- Garrison Revitalization Properties
- Community Development Entity, LLC
- Hall Family Foundation CDE, Inc.
- Heartland New Markets LLC
- Historic Northeast Restoration Corporation
- Kansas City, Mo. Community Development Entity (KCMO CDE)
- Midtown Community Development Corporation d/b/a Community Builders
- Travois New Markets, LLC

- Douglass Bancorp
- Douglass National Bank
- Kansas City, Kansas Housing Authority

History of CDEs receiving NMTC allocations in Kansas City:¹⁵

Travois New Markets, LLC
Kansas City, Mo.

2011	\$70,000,000
2009	\$80,000,000
2007	\$30,000,000

Kansas City, Mo. Community Development Entity Kansas City, Mo.

2013	\$38,000,000
2012	\$45,000,000
2009	\$35,000,000
2008	\$40,000,000

Central Bank of Kansas City
Kansas City, Mo.

2013	\$43,000,000
2012	\$45,000,000
2010	\$18,000,000
2009	\$55,000,000
2007	\$50,000,000

The NMTC Program has traditionally been used by CDEs to finance significant capital investments by established operating businesses (including some second-stage enterprises) and catalytic real estate development projects that create jobs, remove blight and generally stimulate the local economy. Typically the investments or projects financed by the CDEs represent at least \$5 million or more, however, CDEs such as the KCMO CDE are using their allocation of tax credits to capitalize loan funds allowing it to provide flexible financing from \$500,000 to \$3,000,000 to operating businesses or real estate development entities. While the NMTC Program can be used to provide more equity-like financing to high potential startups, it has not been

widely leveraged for that purpose in the Kansas City region.

Bank Enterprise Award Program

The Bank Enterprise Award Program (BEA Program) was created in 1994 to support FDIC-insured financial institutions around the country that are dedicated to financing and supporting community and economic development activities. The BEA Program complements the community development activities of insured depository institutions (i.e., banks and thrifts) by providing financial incentives to expand investments in CDFIs and to increase lending, investment and service activities within economically distressed communities (Figure 10).

The BEA Program provides formula-based grants based on activities within three categories:

- **CDFI Related Activities:** Equity Investments, Equity-like Loans, Grants, Loans, Deposits/Shares and Technical Assistance to Qualified CDFI Partners.
- **Distressed Community Financing Activities:** Affordable Home Mortgage Loans, Affordable Housing Development Loans, Small Business Loans, Home Improvement Loans, Education Loans and Commercial Real Estate Loans.
- **Service Activities:** Deposits, Community Services and Financial Services.

Figure 10: History of Banks Receiving BEA Allocations in Kansas City¹⁶

1996-2014

Winterset State Bank	Harrisonville , Mo.	2002	\$55,000
		2001	\$55,000
Platte Valley Bank of Missouri	Platte City , Mo.	2002	\$22,000
Metcalf Bank	Lee's Summit , Mo.	2012	\$60,000
First State Bank of Kansas City	Kansas City , Kan.	2001	\$110
		2000	\$40,399
		2006	\$12,600
First National Bank of Kansas	Overland Park , Kan.	2005	\$17,400
		2001	\$20,900
		2005	\$500,000
		2004	\$885,438
		2002	\$330,000
Douglass National Bank	Kansas City , Kan.	2000	\$468,900
		1999	\$198,000
		2011	\$60,000
		2008	\$60,000
		2004	\$48,000
Country Club Bank	Kansas City , Mo.	2002	\$22,000
		2004	\$60,000
		2014	\$355,000
		2013	\$254,792
Community Bank of Raymore	Raymore , Mo.	2012	\$415,000
		2011	\$500,000
		2009	\$700,000
		2008	\$675,000
		2007	\$489,169
		2006	\$500,000
		2003	\$1,077,223
		2001	\$940,611
		2000	\$191,010
		1999	\$372,927
		1998	\$585,555
		1997	\$83,808
Central Bank of Kansas City	Kansas City , Mo.	1996	\$99,869
		1999	\$33,000
		2008	\$60,000
		2008	\$60,000

Capital Magnet Fund

The Capital Magnet Fund provides competitively awarded grants to CDFIs and qualified nonprofit housing organizations. CMF awards can be used to finance affordable housing activities and related economic development activities and community service facilities. Awardees will be able to utilize financing tools such as loan loss reserves, loan funds, risk-sharing loans and loan guarantees to produce eligible activities whose aggregate costs are at least 10 times the size of the award amount. This program has not been active since 2008, but the Federal Housing Authority is positioning funds to re-launch the program in 2015.

U.S. Small Business Administration Programs

Loan Guarantees

The Small Business Administration does not make direct loans to small businesses. Rather, they set the guidelines for loans, which are then made by its partners (lenders, community development organizations and microlending intermediaries). The SBA guarantees that these loans will be repaid, thus eliminating some of the risk to the lending partners. So when a business applies for an SBA loan, it is actually applying to a bank for a commercial loan, structured according to SBA requirements with an SBA guaranty. SBA-guaranteed loans may not be made to a small business if the borrower has access to other financing on reasonable terms.

Microloan Program

The SBA's Microloan Program provides small businesses with small short-term loans for working capital or the purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment. SBA makes funds available to specially designated intermediary lenders, which are nonprofit

organizations with experience in lending and technical assistance. These intermediaries then make loans to eligible borrowers in amounts up to a maximum of \$50,000. Applications are submitted to the local intermediary and all credit decisions are made on the local level. The SBA provides a loan to the local intermediary to establish a microloan pool. An intermediary may not borrow more than \$750,000 in the first year of participation in the program. In later years, the intermediary's obligation to the SBA may not exceed an aggregate of \$5 million, subject to statutory limitations on the total amount of funds available per state. The loan must be repaid within 10 years.

To be eligible to apply for program participation as a microloan intermediary, non-profit organizations must:

- Have at least one year of experience directly making and servicing microloans
- Have at least one year of experience providing in-house marketing, management and technical assistance to its micro-level borrowers

In addition, the organization must establish a loan loss reserve fund to cover any shortage caused by delinquencies or losses on microloans equal to 15 percent of any loan that it receives from the SBA. The contribution may not be borrowed. For purposes of this program, Community Development Block Grants are considered non-federal sources.

Kansas City does not take advantage of this program.

U.S. Department of Commerce Programs

The Economic Development Administration's Revolving Loan Fund Program supplies small businesses and entrepreneurs with the gap financing needed to start or expand their business. EDA's regional offices award

competitive grants to state and local governments, institutions of higher education, public or private non-profit organizations, EDA-approved economic development district organizations and Indian Tribes. Each EDA-funded RLF sets its own underwriting and risk management policies, and determines interest rates, loan terms and maximum assistance levels in accordance with its own policies, and the unique characteristics of each loan.

The following organizations have loan pools created through this program.

- Kansas City Economic Development Corporation
- MO-KAN Regional Council of Governments
- Unified Government of Wyandotte County/Kansas City, Kan.

U.S. Department of Commerce EDA programs all require 1:1 match from the local community to access funds. Kansas City could increase activity in this area.

U.S. Department of Agriculture Programs

Rural Business Enterprise Grants (RBEG)

Rural business enterprise grant (RBEG) funds may be used to: create, expand or operate rural distance learning networks or programs that provide educational or job training instruction related to potential employment or job advancement to adult students; develop, construct or acquire land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities; provide refinancing services and fees; and to establish a revolving loan fund.

MO-KAN Regional Planning Commission was awarded a Rural Business Enterprise Grant (RBEG) from USDA in FY 2010 to create the

RBEG Revolving Loan Fund available to small businesses located in rural areas.

Rural Microentrepreneur Assistance Program (RMAP)

Established through the 2008 Farm Bill, RMAP provides low interest, 20-year loans of up to \$500,000 to capitalize a revolving microloan fund. The microlender must establish and maintain a 5 percent loan loss reserve from their own funds. Funds are used to provide fixed-rate microloans of up to \$50,000 to rural entrepreneurs. RMAP also provides capacity grants to intermediaries to provide technical assistance to borrowers of up to \$100,000.

These programs are for communities of less than 50,000 in population and are relevant to outlying areas in the region.

U.S. Department of Health and Human Services, Office of Community Services

Community Economic Development Grants

HHS provides discretionary grant funds to Community Development Corporations for well-planned, financially viable and innovative projects to enhance job creation and business development for low-income individuals. Up to \$800,000 is available for projects that can include revolving loan funds, real estate development and business startup and expansion.

U.S. Department of Housing and Urban Development Programs

Community Development Block Grants (CDBG)

Microloan funding is an eligible activity under the HUD's Community Development Block Grant program. Use of funds is determined by citizens' input into the CDBG process by the participating local or state

government. Many jurisdictions have allocated funds for microloan support and other small business activities.

The Neighborhood Commercial Revolving Loan Fund at the Kansas City EDC was created using CDBG funding.

Community Service Block Grants (CSBG)

The CSBG program provides funds to state and local jurisdictions to alleviate the causes and conditions of poverty in communities. These can be used to support microloan programs.

HOW TO ACCESS EARLY-STAGE LOANS IN KANSAS CITY

The vast array of so many different loan products makes it difficult for business owners to determine the most appropriate products and how to access them.

Eligibility for financing may require a business owner to prepare a business plan or other materials to support access. If the business or business owner is not ready to meet the requirements of the lender, it can be a frustrating experience. Working with regional KCSOURCELINK Resource Partners prior to connecting with the lenders can save considerable time and energy.

A first step is to contact the KCSOURCELINK hotline for an initial triage and information about options available and suggestions for the best route to obtain loan financing.

A number of partners across the region have joined together to ensure that Kansas City Regional Microloan Funds are readily accessible. Monthly informational sessions provide attendees with an explanation of the importance of credit in starting or growing their business, community resources providing counseling and training and the loan products available in the community with special emphasis on the microloan. Justine PETERSEN, OneKC for Women, the Women's Business Center, the KCMO CDE and other community resource partners are involved.

Funded through the U.S. Small Business Administration, the Small Business

Development Centers have a joint goal with the SBA to increase the number of SBA loan products in the market. Therefore, SBDC counselors are well trained in accessing these important tools. They can help determine the appropriate product for the business, prepare necessary materials required by banks and make introductions to bankers that can lead to a loan.

Any of the following KCSOURCELINK Resource Partners involved in loan funding support can connect a business into the early-stage debt financing community:

Organizations that support loan readiness, loan packaging and trusted referral bank introductions:

- Johnson County Community College Small Business Development Center
- OneKC for Women
- UMKC Small Business and Technology Development Center

Organizations with alternative loan funds:

- EDC Loan Corporation of Kansas City, revolving loan funds
- Greater Kansas City LISC, Community Advantage Funds
- Heartland Business Capital, Inc., SBA 504 Loan intermediary
- Johnson County Mo. Economic Development Corporation, revolving loan funds
- Justine PETERSEN, microloan fund
- KCMO CDE, revolving loan funds
- Midwest Small Business Finance, revolving loan funds
- Missouri Technology Corporation
- MO-KAN, revolving loan funds
- NetWork Kansas
- RMI, revolving loan funds

RECOMMENDATIONS TO INCREASE LOAN FUNDING

To leverage all debt financing mechanisms available to the Kansas City community, it is important that banks and entrepreneurial support organizations partner to build an appropriate and sustainable early-stage loan financing infrastructure. Beyond lending pools, it will be necessary to increase visibility of loan products, support loan administration, provide technical assistance to the business owner for preparation for capital access, and on-going support for business growth.

Creating qualified organizations that can participate as SBA microloan intermediaries and/or are certified CDFIs and CDEs can open more channels of early-stage debt funding in the region. The community can be better positioned to take advantage of federal debt funding mechanisms provided it has organizations that have the experience and backing to access federal funding pools. Better understanding of partnerships that can be developed with existing CDFIs and CDEs will also be important.

CRA funds can be an important way to build this new loan capacity. When a commercial bank partners with an organization that specializes in microloans, it can help to grow businesses to become commercial bank borrowers.

Increase Loan Capital

Recommendation 1. Increase the Kansas City Regional Microloan Program by \$2 million, increasing the available loan pool from \$3,000,000 to \$5,000,000 by 2018

The Kansas City Regional Microloan Program is administered through Justine PETERSEN. Located in St. Louis, Mo., Justine PETERSEN operates as an SBA microloan intermediary and utilizes U.S. Treasury CDFI Fund resources to generate loan funds for the

To leverage all debt financing mechanisms available to the Kansas City community it is important that banks and entrepreneurial support organizations partner to build an appropriate and sustainable early-stage loan financing infrastructure.

Kansas City region. The organization needs to continue to raise loan loss reserves for the SBA loan funds and the required 1:1 non-federal match needed for CDFI Fund Financial Assistance Awards funds to provide microloans in the Kansas City region. These investments can satisfy bank CRA requirements.

It takes significant effort on the part of Justine PETERSEN to generate these matching funds. It is recommended that banks from the region use CRA to support this important program.

Recommendation 2. Establish a \$5 million SBA-backed microloan program by 2018

The Kansas City region currently lacks a Small Business Administration backed microloan intermediary. The SBA provides funds to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending, to provide loans and management and technical assistance. These intermediaries administer the microloan program for eligible borrowers. This

program does not currently exist in the Kansas City region and could provide an additional microloan pool of \$5 million.

To gain access to the program, Kansas City must develop an organization that has the prerequisite multi-year experience in lending required by the SBA. Currently, OneKC for Women is working to develop that expertise, establish the required loan loss reserve and apply for the program through the SBA in 2016. This is a logical next step for the organization building on the success and demand they have seen for the existing microloan program.

Recently, OneKC for Women received a grant from Sam's Club to establish a loan pool. Using this fund to begin making small loans in Q1 2015 will position the organization for eligibility to apply for the SBA microloan intermediary program by 2016.

Funding will be needed to build this loan pool and reserve, for loan administration and to provide technical assistance to the businesses that receive the funds, helping to ensure both business sustainability and loan repayment. An estimate of the amount of funds needed from the community as the program ramps-up over the first three years, based on an increase in loan origination of 20 percent per year, is depicted in Figure 11. CRA funds can support this program and it is recommended that regional banks substantially support this opportunity.

Recommendation 3. Raise \$2 million to create or enhance a loan pool using U.S. Treasury Community Development Financial Institutions (CDFI) Fund by 2020

The Kansas City region is not participating sufficiently in the various resources available through the CDFI Fund to provide micro and other loans above \$50,000 to the community. Two organizations are working to become certified CDFIs: OneKC for Women and the KCMO CDE. The region should support these mission-oriented organizations in becoming certified, accessing funds for loan pools and expanding capacity to administer loans and provide technical assistance.

Recommendation 4. Maximize the use of existing revolving loan funds in the region by convening ownership groups to determine available undispersed funds and mechanisms to move them into the market by 2016

A number of revolving loan funds were identified during the course of this study. Based on comments from study participants, there may be loan pools that are inactive, yet may have undispersed funds. Convene an ad hoc group of people to explore this further.

Recommendation 5. Explore U.S. Treasury New Market Tax Credit options and develop a plan for their use to support entrepreneurs in the Kansas City region by 2016

U.S. Treasury New Markets Tax Credits can be used to support business development in a number of ways including providing loan and equity financing. These mechanisms were not fully explored for this report. It is suggested that Kansas City work with existing CDEs to leverage the program to support more early-stage capital.

Figure 11: Funding Needed for Microloan

	2015	2016	2017	Total
Loan Loss Reserve	\$0	\$35,500	\$60,000	\$95,500
Loan Funds	\$750,000	\$375,000	\$500,000	\$1,625,000
Technical Assistance	\$250,000	\$125,000	\$162,000	\$537,000
	\$1,002,015	\$537,516	\$724,017	\$2,263,548

Increase Access to Loan Capital

Recommendation 6. Create a strong marketing program that raises awareness of existing loan products and services

Continue to promote existing loan programs. Increase awareness of loan products with companies that are seeking equity as an alternative investment option. Educate entrepreneurs and business owners about the requirements and process for accessing capital.

Recommendation 7. Support programs that provide entrepreneurial and business development training to develop a pipeline of borrowers for the various loan products offered by traditional and non-traditional lenders

Support, with technical assistance and resources, the variety of entrepreneur and business development training programs that are offered in Kansas City. These training programs not only provide critical training to entrepreneurs and small businesses but also better position them for seeking financing from traditional and non-traditional lenders.

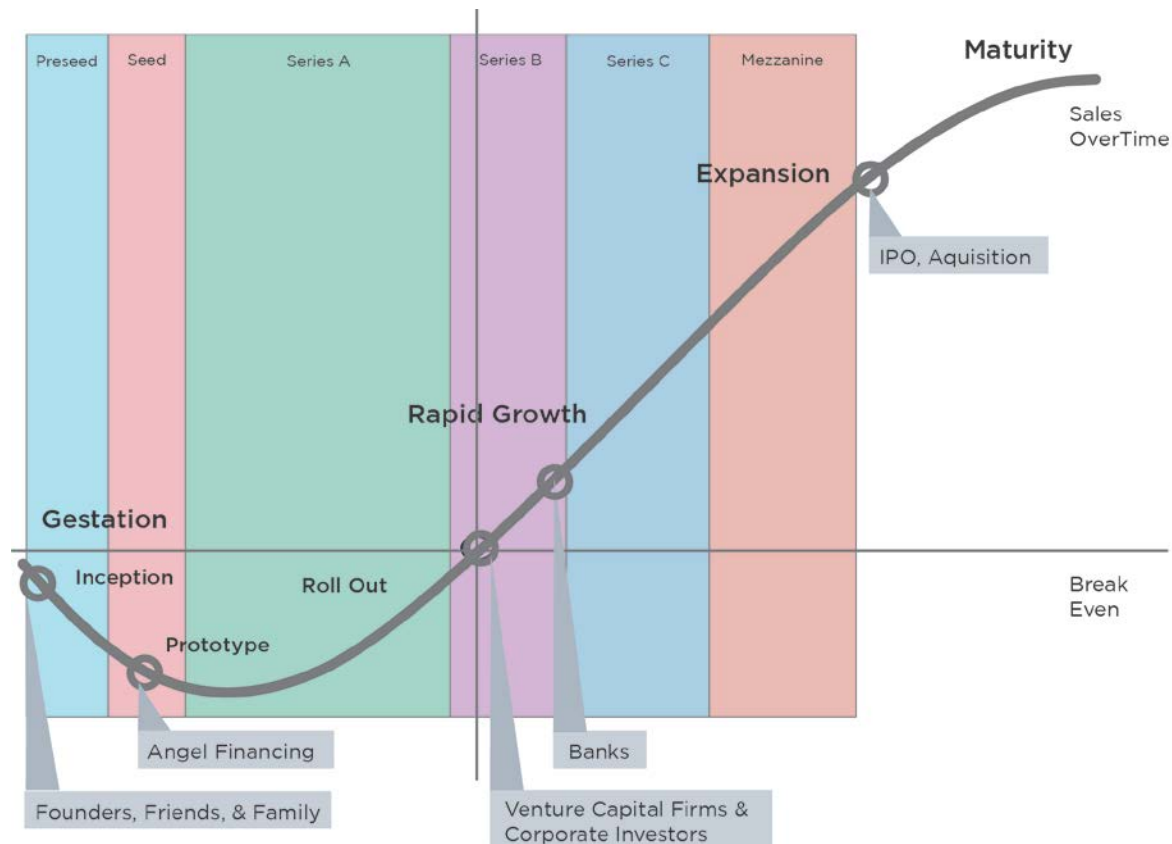
Definitions	Personal Emergency Loan	Secured Credit Cards	Credit Building Loans	Microloans	Community Advantage	SBA Bank Loan Guarantees	504 Loans	Bank Loans
	<i>Emergency use</i>	<i>Improve credit score</i>	<i>Improve credit score</i>	<i>Idea development and startup</i>	<i>Acceleration; underserved markets</i>	<i>Early operations and expansion</i>	<i>Ongoing operations and expansion</i>	<i>Ongoing operations and expansion</i>
Purpose	Emergency use	Establish or re- establish credit to repair a poor credit history	Establish or re- establish credit to repair a poor credit history	Loans provided to a small business that is unable to access capital from a traditional lender	Term loan for expansion, new construction, land or building purchase, refinance debt, seasonal line of credit, inventory or business startup	SBA does not make direct loans to small businesses. The business applies for a commercial loan with a guarantee by the SBA that these loans will be repaid.	Long term loans for major fixed assets such as equipment or real estate.	
Amounts	<\$500	<\$1,000	<\$2,500	<\$50,000 Avg loan \$8,000, 2-5 year term, 7- 18% interest, less than 5% default	\$50K-\$250,000	<\$5,000,000	<\$5,500,000	
Who invests		Requires a personal cash deposit that becomes the credit line, e.g., if you put \$500 in the account, you can charge up to \$500.	Microlenders	Microlenders including SBA intermediaries	Community Development Financial Institutions, Certified Development Companies and Microlenders	Banks partnered with SBA guarantees	Banks partnered with Certified Development Companies	Banks
Company Life Stage	Pre company	Pre company	Pre company	Startup and growth	Growth	Growth	Growth	Growth
Available data	Good character	Good character	Good character	Good character	Good character, credit, management skills and ability to repay	Good character, credit, management skills and ability to repay	Good character, credit, management skills and ability to repay	Good credit, strong financials, collateral
Risk level	High	High	High	High	Moderate	Lower	Lower	Lower

Figure 12: Overview of Early-stage Loan Infrastructure

KANSAS CITY REGIONAL GRANT AND EQUITY FINANCING

Young companies with large market potential often turn to equity investors for capital. Investors provide capital to these startup and early-stage businesses, generally in exchange for convertible debt or ownership equity. Investors look for companies developing differentiated products that address large global markets, offer an exceptional exit potential in a reasonable period of time and promise high return on the invested capital.

Figure 13: Capital Continuum for Early-Stage, Equity-Seeking Companies



Equity investment in emerging companies usually comes in stages. Defining these stages is somewhat arbitrary and they can differ based on industry type and individual company characteristics. Founders, and their families and friends, often provide the first capital. Grants, contests, crowdfunding and accelerators are now providing important startup capital. After this, companies can turn to angel investors, who are often organized into groups, and to other seed capital funds.

Companies that continue to grow and have increasing capital needs reach out to venture capital funds to drive later stages of development.

There is usually a point during the life cycle of a successful company that has raised capital from angel investors, seed funds and venture capital firms when the business becomes bankable and no longer finds the

terms of these types of investments attractive.

As revenues grow and working capital is needed, companies reach out to banks and may support continued operations through lines of credit and other commercial loans. This continues until expansion overcomes the

ability of traditional bank loans and another equity round may occur. A short-term debt “mezzanine” round may follow to prepare for an acquisition, buyout or an initial public offering (IPO). Later rounds can be funded by hedge funds, private equity firms and investment banks (Figure 14).

Examples of different strategies to raise capital:

- An IT company launched with \$25,000 from the founders. It then completed a \$200,000 seed stage round through 1) a syndicate of individual angel investors investing \$100,000 and 2) a seed capital fund investment of \$100,000. A \$3 million Series A venture capital financing round followed to launch the product and acquire a salesforce. After good initial market traction a \$10 million Series B investment was closed to drive customer acquisition and revenue. Series B was led by a new investor, with participation from existing investors. After this, the company sold for \$70 million to a large technology company.
- A biotechnology company launched with \$100,000 from the founders then completed a seed round of \$750,000 from two angel investor groups leveraged by a \$1.5 million SBIR grant from the National Institutes of Health. This funding led to the identification of a drug for an important unmet clinical need. A \$20 million Series A venture capital round was closed to complete a Phase 1 clinical trial, followed by \$50 million in Series B financing to complete a Phase 2 clinical trial. After a successful Phase 2 clinical trial the company completed an IPO.
- A medical device company launched with \$10 million from a serial medical device entrepreneur and a few friends. A second \$10 million from existing investors successfully launched two innovative new medical devices and the company sold to a large medical device company for \$80 million.

Figure 14: Kansas City Region Early-Stage Grant and Equity Infrastructure

	<\$100,000	<\$1 million	\$1-3 million	>\$3 million
Contests	•			
Crowdfunding	•			
Accelerators (SparkLab KC, Think Big)	•			
Grants (Digital Sandbox KC, Launch KC)	•			
SBIR/STTR Grants		•	•	
Angel Networks		•	•	
Funds (Flyover Capital)		•	•	
Missouri Technology Corporation IDEA Funds	•	•	•	
KS Bioscience Authority			•	•
Venture Firms (Five Elms, C3 Capital, etc.)				•

FINANCING OPTIONS

Contests

Business plan competitions have been an important part of entrepreneurial education in higher-education institutions for many years. A variety of other organizations are now using this mechanism to identify promising startups, recruit them to a region and encourage individuals to take the first step toward becoming an entrepreneur. Many competitions provide cash prizes for winners, which can provide startup or growth funds without an exchange of equity.

Crowdfunding

There are two types of crowdfunding platforms: reward-based platforms, which have been around for several years, and the new equity-based platforms started after the passage of the JOBS Act in 2013.

Reward-based crowdfunding began as a way for the music industry to generate funding for creative projects. It has expanded to other industries and is an emerging strategy for early-stage companies to raise capital. Companies offer first run product, t-shirts or other promotional materials in exchange for funding. No equity changes hands. Kickstarter and Indiegogo are examples of these platforms. According to Fundable, the average successful reward-based crowdfunding campaign raised \$7,000 and runs for about nine weeks.¹⁷ In addition to raising funds, crowdfunding campaigns can be a key component of a larger marketing and branding strategy. Many crowdfunding campaigns allow companies to “test the market” for a product and determine who will buy and at what price - critical information when approaching equity investors for later stages of funding.

Equity-based crowdfunding became a reality after the passage of the JOBS Act. New online platforms have allowed multiple accredited investors to put modest amounts of capital into companies, aggregated into a single financing. According to Forbes¹⁸, one early platform, Crowdfunder, saw average deal sizes of \$1.6 million, most of them in the Seed and Series A rounds, with a general range of \$500,000 to \$3 million.

Federal Research and Development Grants

Small Business Innovation Research and Small Business Technology Transfer programs are two federal mechanisms created to incent research and development within small businesses. Grants are awarded to the company to fund technology development of particular interest to the federal government. When people talk about “free” federal grant monies to start businesses, these are two of the very few options available. Funding can span several stages of funding due to their phased approach.

Each year, federal agencies with extramural research and development budgets that exceed \$100 million are required to allocate 2.8 percent of their extramural R&D budget to the SBIR program. Those with budgets larger than \$1 billion must also set aside 0.3 percent for the STTR program, creating a funding pool for technology research and development. Small businesses of fewer than 500 employees can compete for these funds. Currently, 11 federal agencies participate in the SBIR program and five in the STTR program. The unique feature of the STTR program is the requirement for the small business to formally collaborate with a non-profit research institution.

To distribute the funds, agencies designate R&D topics in periodic solicitations and accept proposals from small businesses. Awards are made on a competitive basis after proposal evaluation. Funding is provided in phases:

Phase I: The objective of Phase I is to establish the technical merit, feasibility and commercial potential of the proposed R&D efforts. Additionally, program officers determine the performance quality of the small business awardee organization prior to providing further federal support in Phase II. SBIR Phase I awards normally do not exceed \$225,000 in total costs for programs up to six months.

Phase II. The objective of Phase II is to continue the R&D efforts initiated in Phase I. Funding is based on the results achieved in Phase I, the scientific/technical merit and commercial potential of the project proposed in Phase II. Only Phase I awardees are eligible for a Phase II award. SBIR Phase II awards normally do not exceed \$1,500,000 for two years.

Phase III. The objective of Phase III, where appropriate, is for the small business to pursue commercialization objectives resulting from the Phase I/II R&D activities. The SBIR program does not fund Phase III. For some federal agencies, Phase III may involve follow-on non-SBIR funded R&D or production contracts for products, processes or services intended for use by the U.S. Government.

Accelerators

Accelerators are a relatively recent addition to the entrepreneurial scene. Popularized by TechStars, the Global Accelerator Network now consists of 50 accelerators. These

programs exchange mentoring, space, education, connections and investment in return for equity. Most are 90-day to six-month long immersive programs where cohort companies of 10-12 engage in a defined space on a daily basis and are connected to local mentors. Many accelerators recruit internationally.

Angel Investors

Angel investors are high net worth individuals who provide capital to high growth potential startup and early-stage businesses, usually in exchange for equity or convertible debt. Angels generally invest their own money, often making investments in the range of \$5,000 to \$100,000.¹⁹

Many individual angel investors work independently and are not associated with angel networks or funds and may be hard to access due to lack of visibility. Angel investors often provide mentorship and may get involved in business operations. Many are former successful entrepreneurs.

Angels Groups

Some angel investors come together to form angel groups or angel networks to share due diligence and pool investment dollars. Angel groups can make investments in the mid-range, between most individual angels and VCs, and will partner to match state and local incentive programs.²⁰ A survey of member organizations of the Angel Capital Association found that the median investment per round per angel group in 2008 was about \$277,000.

Many angel groups co-invest with other angel groups, individual angels and early-stage venture capitalists to make investments of \$500,000 - \$2 million per round.²¹

Super Angels

Given the time commitment required for each investment, venture capital firms often will not invest initial amounts below \$1 million. Given that multiple rounds of investment are often required for each investment, angel investors are often reluctant to make initial investments between \$250,000 and \$1 million. In some regions, Super Angels have stepped in to fill this gap. These are experienced investors with greater means that either invest their own capital or invest larger amounts cooperatively with other like-minded individuals.

Venture Capital Firms

Venture capital firms comprise “general partners” who invest funds provided by other “limited partner” investors. Examples of limited partner investors include pension funds, insurance companies, foundations and ultra-high-net-worth individuals. Venture capitalists generally make larger investments, usually above \$1 million in a financing round.²²

Small Business Investment Companies

SBICs are privately owned and managed investment funds, licensed and regulated by SBA, that use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses. The U.S. Small Business Administration does not invest directly into small business through the SBIC Program, but provides funding to qualified investment management firms with expertise in certain sectors or industries

Investment funds licensed as SBICs currently have the option of applying for three different types of licenses:

- **Standard Debenture License:** Funds have been licensed as Standard Licensees since the program was founded in 1958. They have the broadest investment mandate, are licensed through a “rolling admissions” process and are eligible for two tiers of leverage capped at \$150 million.
- **Impact Investment License:** The Impact License is for funds with an investment mandate targeting social and financial returns. The managers of these funds pledge to invest 50 percent of their capital in “impact” investments and are eligible for an expedited licensing process.
- **Early-Stage Innovation License:** The Standard and Impact Licenses are most suitable for investors targeting later-stage companies with cash flow. The Early-Stage Innovation License, created as part of President Obama’s Start-Up America Initiative, is by contrast designed to attract investment fund managers with experience supporting companies in their earliest stages of growth. They have access to one tier of leverage, capped at \$50 million, and are licensed through an annual call (issued in December or January of each year) versus a rolling basis. This new program aims to address the shortage of venture capital for emerging companies looking to raise between \$1 million and \$4 million, providing a 1:1 match to private capital raised by early-stage seed funds.

Note: As of March, 2015, the U.S. Small Business Administration (SBA) is seeking input and comments on its Early Stage Small Business Investment Company (SBIC) initiative, promulgated in the final rule on

April 27, 2012. The intent of the initiative was to license and provide SBA leverage to SBICs over a five-year period (fiscal years 2012 through 2016) that would focus on making investments in early-stage small businesses. Although 58 investment funds applied to the program, to date SBA has only licensed five Early-Stage SBICs. SBA is seeking input from the public to determine whether existing market conditions warrant SBA continuing to license Early Stage SBICs past fiscal year 2016 on an ongoing basis and, if so, what changes should be made to the program to attract qualified early-stage fund managers.

Government Programs

Local, state and federal governments benefit when rapidly growing companies create jobs and generate tax revenue. This makes early-stage companies, which typically generate job growth, of great interest to economic development agencies. Therefore, governments will often provide incentives that encourage private investment or capacity-building grants to support

programs that, in turn, support community businesses.

In Kansas and Missouri, examples include Kansas Angel Tax Credits and state funded programs such as the Kansas Bioscience Authority, NetWork Kansas and Missouri Technology Corporation, which provide early-stage capital to high-growth companies. MTC also provides capacity building grants to support organizations through its MOBEC program.

Locally, Digital Sandbox KC was established in 2013 through a grant from the U.S. Department of Commerce Economic Development Administration. The program provides support for proof-of-concept projects. In partnership with Missouri Technology Corporation's Missouri Building Entrepreneurial Communities program, LaunchKC grants will become available in 2015 to attract companies to Kansas City, Mo.

Many state and local investments require private match to leverage public funding.

Definitions	Preseed	Seed	Series A	Series B	Series C	Mezzanine
	<i>Idea development; founding team</i>	<i>Product development; product/market fit</i>	<i>Product development; business model</i>	<i>Business Development</i>	<i>Acceleration</i>	<i>IPO Prep</i>
Purpose	Idea development and formation of founding team	For research and development, proof of concept, product testing, prototype development. Companies move from idea to model and test product and market fit	Provides resources to further develop and scale the product; validate the business model (engage customers); and establish time to market	Funds are often used to scale a business allowing the company to complete product development, ship product and create early revenues.	The Series C is often used by a company for operating capital to expand markets, to strengthen the balance sheet or to finance an acquisition.	Mezzanine financing usually helps a company prepare for an IPO or acquisition.
Amounts	<\$100,000	\$250,000 - \$1 million +	\$1-3 million	\$3-7.5 million	\$7.5-10 million	\$10-20 million
Who invests	Founder, Friends and Family; some state programs; contests; crowdfunding; SBIR; equity for service	Founders, Friends and Family; crowdfunding, Angels Flyover Capital, MAA, WCC, UMB Capital Corp	Angels, VCs Flyover Capital, KBA, MAA, WCC	VCs Five Elms	VCs	VCs
Company Life Stage	Pre company	Early development	Development	Shipping product	Product backlog	Profitable
Available data	Little to none	Soft data, value proposition, founder experience	Validation, time to market, initial customer feedback	Preliminary revenues	Predictive revenues	Hard data, net income
Risk level	Extremely high	Extremely high	Very high	High	Moderate	Lower
Expected rate of return	None	50-75%	40-60%	35-50%	30-40%	25-35%
Examples	Digital Sandbox companies; SparkLabKC	Knoda, Volunteer Mark, Trellie	Divvy HQ, Leap2, MyEDMatch	EyeVerify	Aratana	AMC

Figure 15: Stages of Investment for Technology Firms

Definitions	Preseed	Seed	Series A	Series B	Series C	IPO
Purpose	Idea development and formation of founding team	Research and development, product development, proof of concept including nonclinical testing; develop product development and financing plans	Pilot clinical testing	Pivotal clinical testing; development of product pipeline; product launch	Sales force expansion; multiple product launches	Expansion of product offerings, often through acquiring other companies
Amounts	<\$100,000	\$250,000 - \$1 million +	\$1 - 10 million	\$3 - 20 million	\$5 - 50 million	\$20 - 100 million
Who invests	founder, friends and family, startup grants, contests, angels, crowdfunding	founder, friends and family, startup grants, contests, angels, crowdfunding MAA, WCC, KBA	VCs KBA, Flyover Capital	VCs KBA, Flyover Capital	VCs KBA, Flyover Capital	VCs / public investors
Company Life Stage	Startup	POC	Development	Development Regulatory Approval	Sales	M&A
Available data	Bench testing of prototype	Nonclinical data	Nonclinical data, sometimes first-in-man human data	Pilot human data	Pivotal human data, sales growth	Breadth of product offering, market shares
Risk level	High	High	Moderate	Moderate	Lower	Lower
Expected rate of return	None	50-75%	40-60%	35-50%	30-40%	25-35%
Examples			Flow Forward Medical Metactive Medical	Innara Health		

Figure 16: Stages of investment for Medical Device Firms

Definitions	Preseed	Seed	Series A	Series B	Series C	IPO
Purpose	Idea development and formation of founding team	Research and development, product development, proof of concept including nonclinical testing; develop product development and financing plans	Phase I clinical testing	Phase II clinical testing, development of an early pipeline of products	Phase II clinical testing, expansion of product pipeline	Phase III clinical testing, regulatory filings preparations for product launch
Amounts	<\$100,000	\$250,000 - \$5 million +	\$3 - 30 million	\$10 - 50 million	\$20 - 70 million	\$50 - 200 million
Who invests	founder, friends and family, startup grants, contests, angels, crowdfunding	founder, friends and family, startup grants, contests, angels, crowdfunding MAA, WCC, KBA	VCs KBA	VCs KBA	VCs KBA	VCs / public investors
Company Life Stage	Startup	POC	Development	Development	Development	Regulatory Approval
Available data	Little to none	Nonclinical data	Nonclinical data, sometimes first-in-man human data	Phase I data	Phase II data	Phase II data
Risk level	Extremely high	Extremely high	Very high	High	Moderate	Lower
Expected rate of return	None	50-75%	40-60%	35-50%	30-40%	25-35%
Examples	Orion Biosciences			Crititech		Proteon Therapeutics

Figure 17: Stages of Investment for Biopharmaceutical Firms

EQUITY INVESTING

Tracking equity funding can be more of an art form than a science. Information can be derived from several sources including databases like TechCrunch and CB Insights, which pull data from SEC files, local media and the business owner themselves. In addition, some information is in the public realm and other is private. Therefore, it is difficult to gain a full and complete picture of early-stage equity funding in a given region. Numbers reported here are based on a snapshot of all known data as of December 31, 2014. Updates will become available as more data surfaces, which **results in 2014 data being underreported at this time.**

It can also be difficult to determine the stage of any individual funding round. In this report, if not specifically stated, rounds were determined based on investment size. Data includes companies within a 100-mile radius of Kansas City, Mo., roughly the Kansas City, Mo.-Kan. Combined Statistical Area and includes companies either headquartered in or with a significant percentage of operations in the Kansas City region.

The number of deals in the Kansas City region has increased since 2009. Three IPOs in 2013 included QTS Realty, AMC Theatres and

Aratana Therapeutics. Proteon Therapeutics, Inc., founded in Kansas City, completed an IPO in 2014 but by then had moved its headquarters to Massachusetts. The increase in the preseed funds in 2013-2014 is due to the entrance of accelerators in the community and the establishment of the Digital Sandbox KC proof-of-concept program (Figure 18, 19, 20 and 21).

Sources of Funds

In Kansas City, most preseed investments for which investors were reported came from the Kansas City area. Nebraska shows up prominently in the early rounds, as do other Midwestern cities. East and west coast investment sources are more prevalent in later rounds (Figure 22).

Peer City Comparison

Compared to other peer cities, Kansas City ranked 11th in terms of total equity investments from 2009-2014 (Figure 23).

Even with the concentrated effort on the part of St. Louis to create locally based VC funds, they still rank only slightly higher than Kansas City. Successes in Minneapolis, Indianapolis and Portland warrant additional investigation.

Historical Perspective of Equity Investments—Kansas City Region

Figure 18: Number of KC Deals by Series, by Year, 2009-2014

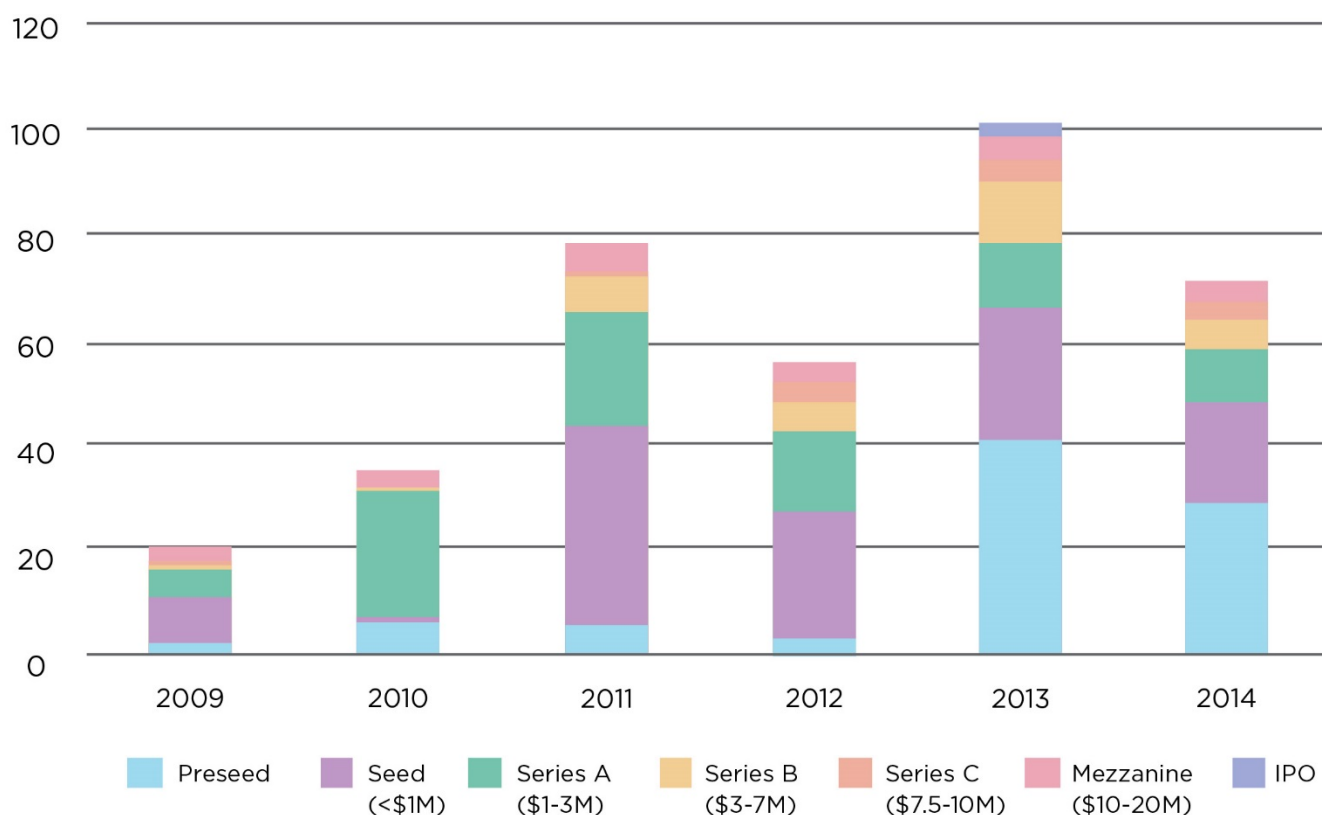


Figure 19: Number of KC Deals by Series, Year by Year, 2009 - 2014

	Preseed	Seed	Series A	Series B	Series C	Mezzanine	IPO
2009	2	9	5	1	1	2	
2010	7	13	11	1		3	
2011	6	37	22	7	1	5	
2012	3	24	15	6	4	4	
2013	41	25	12	12	4	4	3
2014	29	19	10	6	3	4	

Figure 20: Value of KC Deals by Series, by Year, 2009-2014

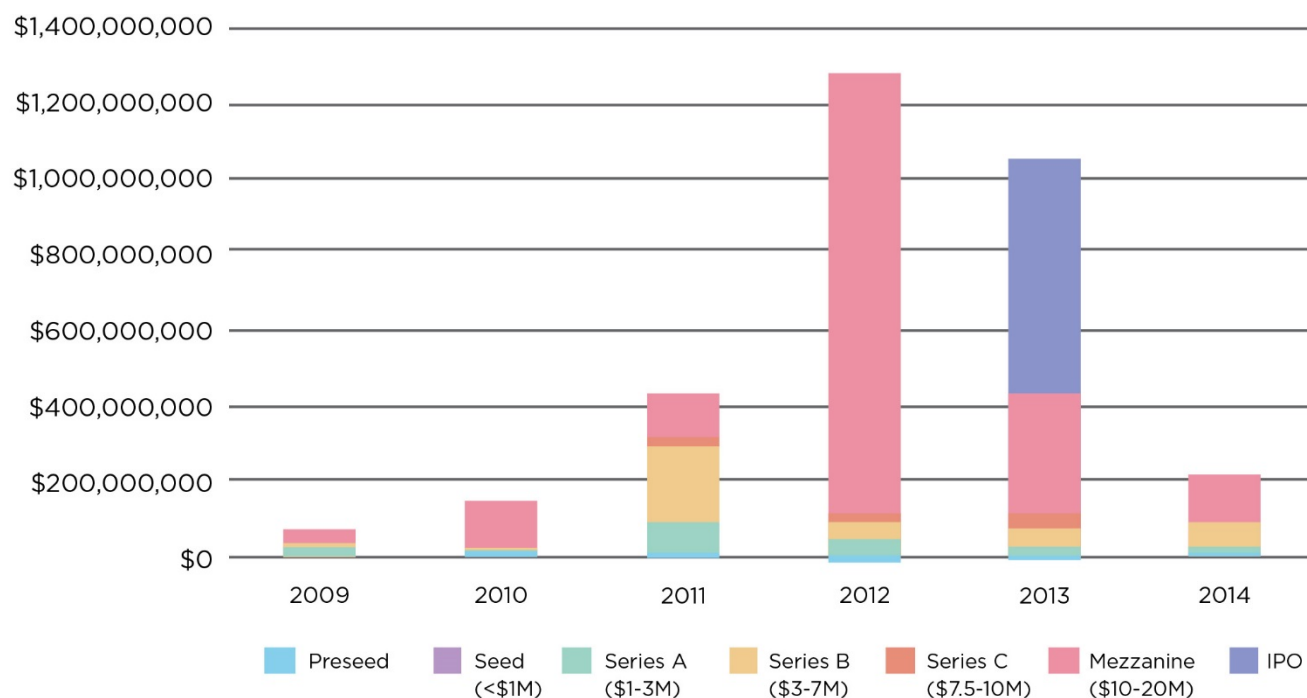


Figure 21: Value of KC Deals by Series, Year by Year, 2009 - 2014

	Preseed	Seed	Series A	Series B	Series C	Mezzanine	IPO
2009	\$185,000	\$3,057,500	\$15,050,000	\$4,000,000	\$7,000,000	\$41,400,000	
2010	\$675,000	\$6,521,939	\$18,755,894	\$4,100,000		\$116,000,000	
2011	\$450,000	\$11,277,148	\$74,659,187	\$224,655,000	\$10,630,000	\$99,510,000	
2012	\$574,000	\$11,453,266	\$25,660,000	\$63,180,000	\$6,640,000	\$1,169,100,000	
2013	\$1,648,400	\$6,922,569	\$18,597,000	\$51,842,500	\$31,740,459	\$316,879,990	\$622,820,000
2014	\$3,823,024	\$8,377,149	\$18,500,000	\$57,012,057	\$31,000,000	\$99,100,100	\$0

Figure 22: Number of Investors in KC Companies by Location of Investors, 2009-2014

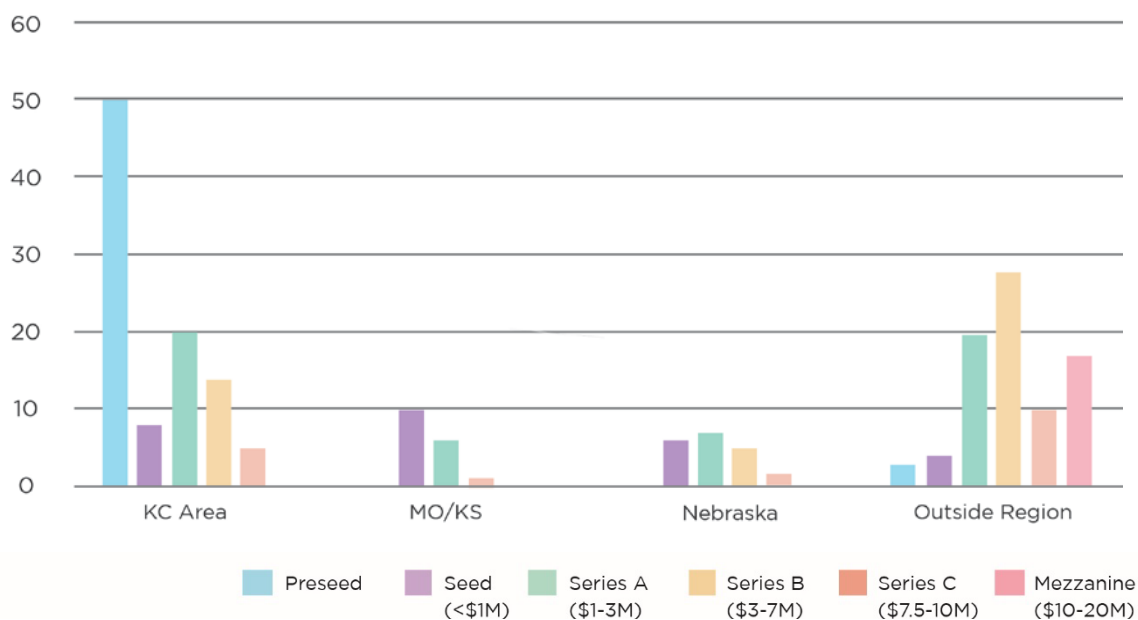


Figure 23: Total Equity Investments per Metro (in Thousands), 2009-2014

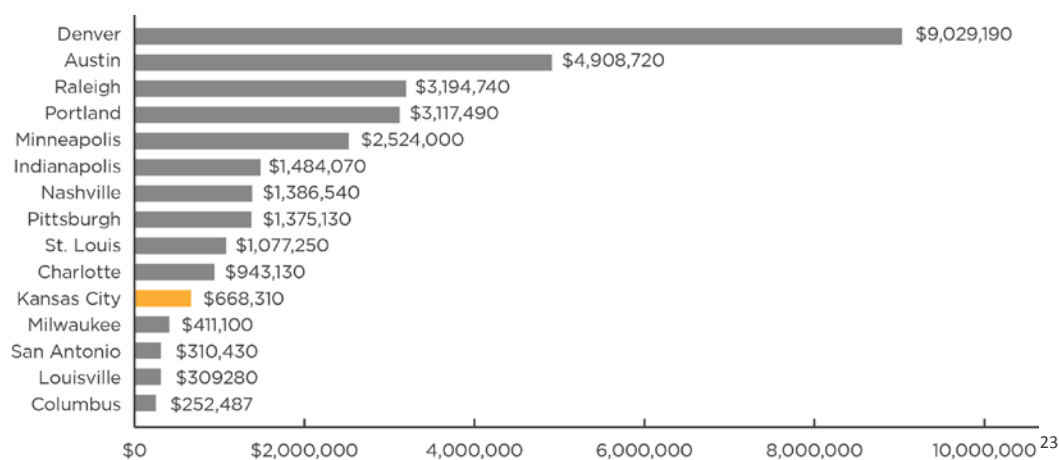


Figure 24: Who is Funding What in Kansas City, 2009-2014

Preseed	Seed	Series A	Series B	Series C-F	Mezzanine
4D Global Energy Advisors	Allen Angel Capital	42 Ventures	Alliance Healthcare Partners	Advantage Capital	Avenue Special Opportunities Fund I
Contests	Artists & Instigators	Alliance Healthcare Partners	Alven Capital Partners	Avalon Ventures, LLC	BS Freeman Capital
Crowdfunding	Dundee Venture Capital	Andreessen Horowitz	Andreessen Horowitz	Cultivian Ventures, LLC	Continental Casualty Company
Digital Sandbox KC	Gravity Ventures	Angel Capital Group	Angel Capital Group	Dundee Venture Capital	Deutsche International Corp Services
Kansas Bioscience Authority	Individuals	Archer Capital	Archer Capital	Govtech Fund	Excellere Partners
National Institutes of Health	Kansas Technology Enterprise Corp.	Aurora UV Inc.	Artists & Instigators	Mid-America Angels	GI Partners
National Science Foundation	Kea Ventures	Avalon Ventures, LLC	Aurora UV Inc.	Mithril Capital Management	Gridiron Capital
Shark Tank	Linseed Capital	Bradway Financial	Avalon Ventures, LLC	MPM Capital	Mainsail Partners
Shotput Ventures	Mid-America Angels	Cultivian Ventures	Bank of America	Nebraska Angels	Oak Hill Capital
SparkLab KC	Missouri Technology Corp.	Delaware Crossing	Brandmeyer Enterprises, LLC	October Capital	Potomac Asset Management Co. Inc.
Think Big Partners	Nebraska Angels	Dundee Venture Capital	Bright Capital	OpenAir Equity Partners	SEV Group Limited
U.S. Department of Energy	Nelnet	FCA Venture Partners	Chicago Ventures	Qihoo 360 Technology	Skyview Capital
World Domination Summit Fnd.	OpenAir Equity Partners	Five Elms Capital	Cultivian Ventures	Sinopoly Battery	Solus Alternative Asset Management
	Saturday Capital	FTL Capital Partners LLC	Dundee Venture Capital	Sprint Nextel	Tanfield Group
	SeedStep Angels	Great Range Capital	Early Investments	Summerhill Venture Partners	The Carlyle Group
	Serious Change Fund	Kansas Bioscience Authority	El Dorado Ventures	Think Big Partners	The Sterling Group
	Six Thirty Accelerator	Kansas Technology Enterprise Corp.	Ewing Marion Kauffman Foundation	Thorndale Farm	Wanxiang Group Corporation
	Think Big Partners	Linseed Capital	Individuals	Union Square Ventures	
	Women's Capital Connection	Manhattan Holdings, LLC	JMI Equity	Wells Fargo Startup Accelerator	
		Individuals	Kansas Bioscience Authority		
		Mid Atlantic Angel	KRG Capital Partners		
		Mid-America Angels	Mainsail Partners		
		Midwest Venture Alliance	Manhattan Holdings		
		MPM Capital	Matt Watson		
		Nebraska Angels	Mid-America Angels		
		Open Prairie Ventures	Midwest Venture Alliance		
		OpenAir Equity Partners	MPM Capital		
		Prospect Capital	Nebraska Angels		
		River Valley Investors	Nelnet		
		Robin Hood Ventures	Open Prairie Ventures		
		SeedStep Angels	OpenAir Equity Partners		
		Summerhill Venture Partners	Optimas Group		
		Think Big Partners	SeedStep Angels		
		Tonic Fund	Serious Change Fund		
		Watson Technology Group	Summerhill Venture Partners		
		Wichita Technology Corp	Technology Crossover		
		Wichita Technology Ventures	The Sterling Group		
		Women's Capital Connection	Thorndale Farm		
		Xandex	Union Square Ventures		
			Vesbridge Partners		
			Webb Investment		
			Wichita Technology Ventures		
			Women's Capital Connection		

Public funding: A case study

The Kansas Technology Enterprise Corp. was a private/public partnership established by the state of Kansas to promote technology-based economic development. From 2002 - 2013, KTEC invested in a number of Kansas City metro area companies, often in partnership with Mid-America Angels/Women's Capital Connection (starred companies). Out of 31 area companies, more than half are still active and 11 were acquired or merged with another company (Figure 25).

Figure 25: Status of KTEC-invested Companies

Company	Active	Acquired	Follow on \$\$	Inactive
Vasogenix	Active		Series A 2009	
Nuvio *		Acquired 2007		
Urogen Pharmaceuticals		Acquired 2007		
LaGarde (storefront.net)		Acquired by BEM Interactive		
Tech Guys	Active			
IRR Residential	Active: Spun off as Accurity Valuation, 2013			
Griffin Technologies	Active as Digital Enso, LLC			
Felton International	Active as Pulse NeedleFree Systems			
Magic Lantern	Active			
EcoFit Lighting *	Active			
VeriPrime	Active as food safety coop			
Planet Salvage	Active as APU Solutions	Acquired by Solera		
Cydex		Acquired by Ligand 2011		
Deciphera	Active			
HandSignal				No data
IModules		Acquired by Leeds Equity Partners 2014		
Chemidex	Active as Innovadex	Acquired by UL		
Crititech *	Active			
ImmunoGenetix *	Active as IGXBio			
Innovia *				Inactive
SoftVu	Active			
Peak Vision	Active			
Community Wireless				No data
HiPer Technology *	Active			
KCBioMedix/Innara	Active		Series B 2013	
Zavers/Zave Networks *		Acquired by Google 2011		
Rush Tracking Systems *		Merged with Sky-Trax		
Adaptive Ozone				No data
Athletix Nation *	Active as Digital Sports Ventures	Acquired by Digital Broadcasting Group 2011		
Proteon Therapeutics	Active		Series D, IPO 2014	
Kickanotch Mobile		Acquired Mersoft Media	Series A 2011	
31 KC companies funded	15 active	11 acquired/merged	4 add'l rounds	3 no data

*KTEC investment in partnership with Mid-America Angels and Women's Capital Connection

2014 GRANT AND EQUITY FUNDING

Based on public sources, Kansas City area businesses received \$214,812,330 in equity and convertible debt funding in 2014. In addition, two firms were awarded SBIR grants totaling \$3,025,000 during the same time frame (Figure 26).²⁴

Figure 26: 2014 Kansas City Region Grant and Equity Funding

	Preseed	Seed	Series A	Series B	Series C	Mezzanine	IPO
Deals	29	19	10	6	3	4	
Total \$	\$823,024	\$8,377,149	\$18,500,000	\$57,012,057	\$31,000,000	\$99,100,100	
Average	\$28,380	\$418,857	\$1,850,000	\$9,502,009	\$10,333,333	\$24,775,000	

2014, Compiled from various public sources.

Figure 27: 2014 Sources of Funds

	Preseed	Seed	Series A	Series B	Series C	Mezzanine
KC Area	50	8	20	14	5	
St. Louis		2	1			
Missouri		3		1		
Kansas		5	5			
Midwest		2	6	6	2	2
Nebraska		6	7	5	2	
Outside Region	3	2	14	22	8	15
Total	53	28	53	48	17	17

2014, Compiled from various public sources; number of investors does not equal number of investments as some deals have multiple investors and some deals have undisclosed investors.

In 2014, of the disclosed investors, 64 were from outside the Midwest region. During that same time frame, 168 Kansas City-based investments were made in home-grown companies. Dundee Capital in Omaha and Nebraska Angels have played a key role in fueling early-stage companies with 20 investments in 2014 (Figure 27).

Digital Sandbox Proof-of-Concept Center

The advent of Digital Sandbox KC into the Kansas City market in 2013 marked a dramatic shift in sources of funds for proving concepts.

Digital Sandbox KC provides about \$20,000 in proof-of-concept resources including market validation, prototyping and beta testing support for development of digital technologies within new and

existing businesses. In 2013 and 2014, the Sandbox provided funds to 37 new concepts. In addition to funding, the Sandbox links companies to a variety of resources to help with business development and follow-on funding. By December 2014, 26 of the concepts had garnered \$10.2 million in follow-on investments.

Accelerators

Five years ago the word “accelerator” was unknown in the Kansas City entrepreneurship space. Today there are four with new concepts in discussion.

- **The Sprint Accelerator, powered by TechStars**, focuses on mobile health applications. This 90-day immersive mentoring program provides up to \$18,000 in seed funding and \$100,000 in convertible debt in return for 6 percent

of the company to businesses chosen from a worldwide competition. In its first cohort, 2 of 10 companies recruited worldwide to the accelerator chose to move to KC. The Sprint Accelerator recently announced a new equity-back guarantee for its portfolio companies: if at the end of the program, companies aren't delighted, they can ask for some or all of their equity back.

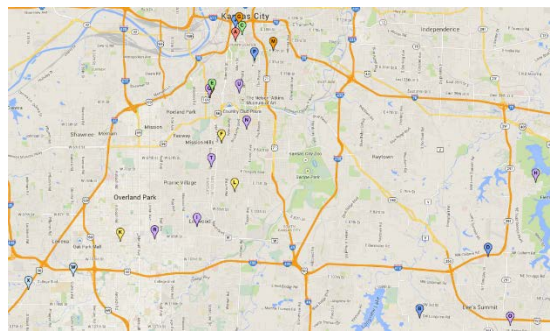
- **SparkLabKC** offers a 90-day immersive accelerator program. Startups receive \$6,000 per company participant (up to three) in exchange for 6 percent equity. The accelerator selects approximately 10 startups each year for the in-residence program.
- **Think Big Accelerator**, operated by Think Big Partners, is a six-to-nine month experience for technology companies. Applications are accepted on a rolling basis. \$18,000-\$50,000 is invested in exchange for equity.
- **BetaBlox** provides free mentoring services, boot camp and office space in return for a small equity stake in startup ventures. No money exchanges hands.

Like many around the country, Kansas City businesses also compete to become participants in accelerators outside of the region. Wells Fargo recently selected local company EyeVerify, for example, to be part of its six-month boot camp style accelerator, in addition to providing an equity investment. Wells Fargo provides \$50,000-\$500,000 to participating companies in return for a minority equity stake. FormZapper was selected for the SixThirty financial technology accelerator in St. Louis, sponsored by Cultivation Capital, and SportsPhotos.com was selected for the TechStars Patriot Boot Camp in Washington, D.C.

Contests

Local companies compete in a variety of business plan and pitch competitions, at local, national and international levels. In 2014, Leap.it won \$100,000 from Steve Case in the Rise of the Rest competition during Big KC.

Figure 28: 2014 Preseed Funded Company Locations



Crowdfunding

Kickstarter and Indiegogo are two of the oldest and largest reward-based crowdfunding sites. Successful crowdfunded companies in the KC area in 2014 included Little Hoots, a mobile application that allows parents to capture, create and archive kid's sayings, which raised \$11,469 against a goal of \$10,000 to launch their app in February 2014 and is now raising funds to port to android. Howard's Café raised \$13,268 to move their "honor system" grocery store and catering company to the Crossroads. Chai Me raised \$8,494 to support their chocolate chai tea business located near the Plaza.

There are a variety of crowdfunding platforms. A sampling of Kansas City activity on a selected few are shown in Figures 28 and 29.

Twelve other Kansas City area companies have launched unsuccessful Indiegogo campaigns since 2011.

Angel Investing

In Kansas City, angels work together in networks, most prominently Mid-America Angels and Women's Capital Connection. Both are dedicated to identifying and funding the most promising startup business opportunities in the Kansas-Missouri Region.

In addition, angel groups have been forming in other parts of the metro area. Currently angel groups are in various stages of development in Lee's Summit, Wyandotte County, the Northland and St. Joseph.

It is extremely difficult to track the number of individual angel investors in a given community, as many of those investors are undisclosed. Approximately 140 are connected through Mid-America Angels and the Women's Capital Connection.

Figure 28: Successful 2014 KickStarter Campaigns

Company	Amount	Year
Knuckleheads	\$20,828	2/14/2015
Messner Family Farm - Bees	2,115	2/14/2015
Roots, Fruits + Greens Farm	35,891	1/7/2015
Howard's Cafe	13,268	11/23/2014
Chai Me	8,494	5/21/2014
Sock 101	30,342	12/31/2013
NEVA: women's activewear	57,981	12/21/2013
Townie Syndicate	9,712	12/12/2013
ToastyTote	15,457	12/2/2013
Charlie Hustle	23,737	9/5/2013
Trellie	33,168	2/9/2013
Christian Michael Fashion	4,540	2/6/2013
GCW-Zero Open Source Gaming	238,498	1/28/2013
Mannaize	10,438	10/16/2012
Flyover Fashion	1,682	7/21/2012
Swoon Cookies	15,910	6/30/2012
Cee Cee's Sweet Creations	5,188	6/2/2012
Spill Stopper Cup	11,659	3/24/2012
Garza's Goodies	7,810	3/21/2012
Skate Bench	17,071	10/16/2011
Wilderness Brewing	41,099	9/4/2011
Takes the Cake Bakery	8,743	8/19/2010
Fresher than Fresh Snow Cones	7,672	6/15/2010

Figure: 29 Successful 2014 Indiegogo Campaigns

Company	Amount	Year
Little Hoots	\$11,469	2/14/2014

Over the past nine years, Mid-America Angels and Women's Capital Connection combined have average of \$1.7 million per year in investment across multiple industries. In 2013, Mid-America Angels reported six group investments totaling \$2.1 million. \$2.3 million was invested in 2014.²⁵ More than 50 percent of the companies receiving angel funds from these two groups also participated in Kansas Angel Tax Credits. To

date, Mid-America Angels has had only one portfolio company shut down.

Small Business Innovation Research (SBIR) Grants

Missouri and Kansas generally do not take full advantage of SBIR funding. Missouri ranks 28 and Kansas 39 in the number of SBIR grants received since 1982. California ranks first with 30,415 awards and Massachusetts second with 20,288. Since 1982 when the program was established, Missouri has been awarded 764 SBIR grants and Kansas 396 (Figure 30).

Kansas City lags behind other Missouri regions in garnering SBIR grants. Communities with strong research institutions tend to compete more effectively for SBIR grants and that holds true for Missouri. St. Louis leads the state in SBIR funding, with Columbia and Rolla accounting for the bulk of the remaining grants. Over the past five years, the Kansas City region earned 20 SBIR grants, compared to 81 for companies in the St. Louis area and 51 in other parts of the state (Figure 31).

The Kansas portion of the metro area is even less well represented. Over the past five years, companies on the Kansas side received 12 SBIR grants, compared to 18 from Manhattan and 29 from Lawrence (Figure 32).

The Kansas City metro region also lags behind other regions in total dollars. From 2010-2014, Kansas City was awarded \$10,890,619 in SBIR grants, averaging slightly over \$2 million/year; the St. Louis region garnered almost three times that amount at \$30,692,854. Even the regions outside the two major metros outperformed the KC area (Figure 33).

Local companies Proteon Therapeutics, Osteogenex, Flow Forward Medical and Metactive Medical have all received SBIR grants. Matching grant funds for recipients of SBIR grants in the region have been provided by Kansas Bioscience Authority under a program that was recently ended.

Venture Capital Firms

The region has traditionally lacked venture capital firms for early-stage companies. This lack of capital can lead to the relocation of promising young companies to other regions. Young companies that have relocated include Proteon Therapeutics, Deciphera Pharmaceuticals, Osteogenex, Savara Pharmaceuticals, Zaarly and myEdMatch.

A variety of efforts have attempted to improve this. For example, Kansas Bioscience Authority previously established a “fund-of-funds” program that made limited partner investments in venture capital funds located outside the region in exchange for a pledge to establish a regional office. This encouraged MPM Capital, Cultivation Capital and Open Prairie Ventures among others to establish regional offices. However, this program was ended and many of those offices have closed.

Kansas City is home to a number of later-stage capital firms. Their disclosed funding history is illustrated in Figure 35.

Figure 34: 2014 Funded Companies, Seed and Series A

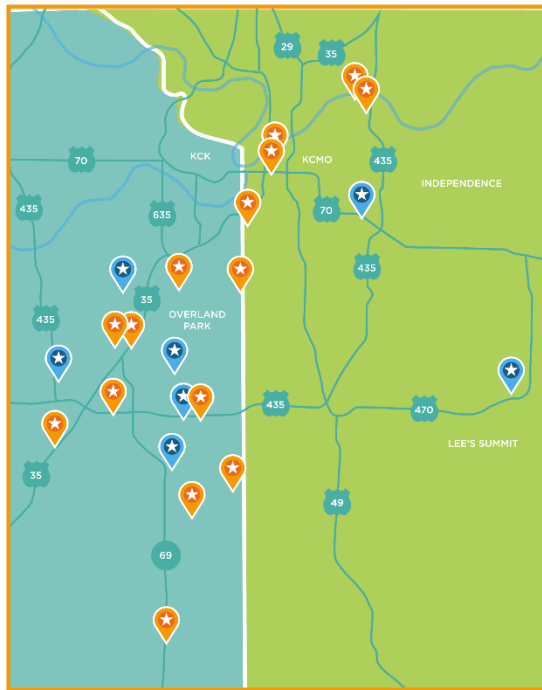


Figure 30: Number of SBIR Grants, selected states (1982-present)

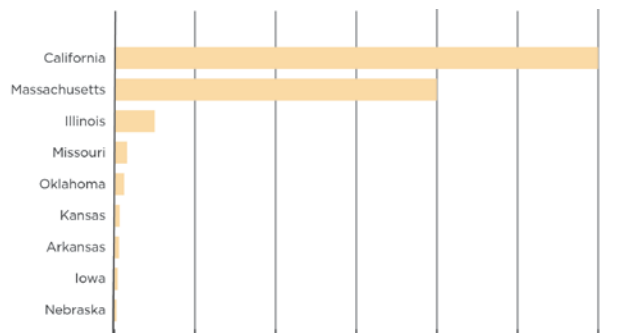


Figure 31: Number of MO SBIR Grants 2010-2014, by region

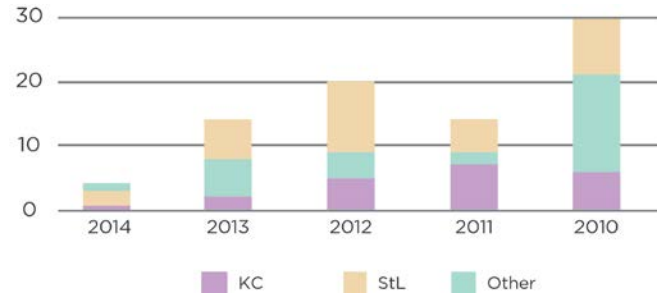


Figure 32: Number of KS SBIR Grants 2010-2014, by region

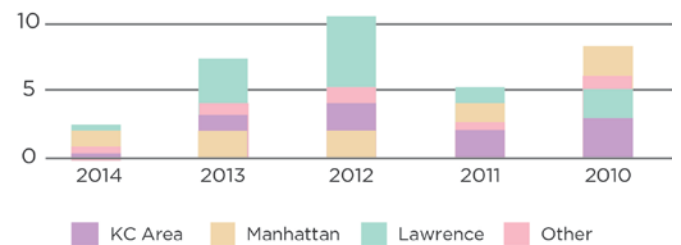
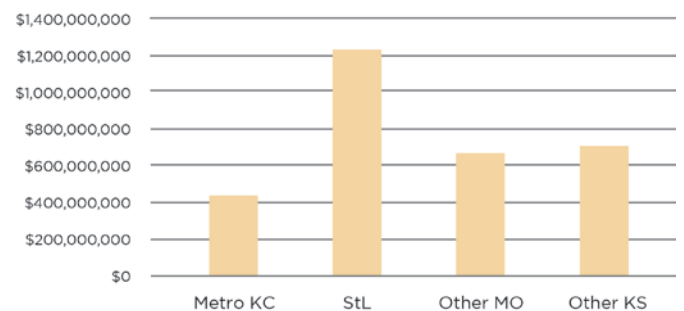


Figure 33: Value of KS/MO SBIR Grant Awards 2010-2014



Firm	First Recorded Investment	Investing profile	Total deals	Kansas City Area	Average deal size
UMB Capital Corporation		UMB Capital Corp. is a venture capital fund that operates as a licensed SBIC. It seeks to invest in Illinois, Kansas, Missouri, Nebraska, Oklahoma, Colorado and Arizona. The firm purchases no more than 49 percent of the company's stock and provides additional funds in the form of working capital loans, capital purchase loans or real estate loans. These loans are usually convertible to stock. It invests in debt and equity of the company. The firm was founded in 1984 and operates as a subsidiary of UMB Bank, National Association.			\$500,000
Grassmere Partners		Grassmere Partners considers all types of businesses with a particular focus on the media and consumer industry sectors. The fund invests in seed and early-stage as well as later stage leverage buyouts.			
Invest America Venture Group	1998	InvestAmerica is a national private equity/venture capital investment management group headquartered in Cedar Rapids, IA with regional offices in Kansas City. The fund invests in manufacturing, service, distribution and technology companies with sales between \$10M - \$50M.	19	2	\$1M - \$2M
Konza Valley Capital (formerly Kansas Venture Capital, Inc.)	2000	Konza Valley Capital is a licensed SBIC that provides private equity capital to manufacturing, service, distribution, retail and technology related companies with \$10M - \$100M in revenue.	24	6	\$2M - \$8M
TGP Investments		TGP Capital Partners is a private equity investment fund with \$56.5 million under management. The fund has a distinct focus on general manufacturing and business services companies, with addressable markets of at least \$300M and revenues between \$15M - \$50M. Not considered: financial institutions, real estate, retail, startups.	9	5	\$3M - \$10M
C3 Capital Partners	2004	C3 Capital Partners focuses in chemicals, energy, business services, distribution and high valued-added manufacturing. Provides subordinated debt. Is a licensed SBIC.	7	1	\$3M - \$10M
Five Elms Capital	2011	Five Elms provides expansion capital to technology-enabled services, financial services, marketing services, logistics and software as a service (SaaS) companies.	7	3	\$6.38M
Great Range Capital	2011	Great Range Capital targets investments in business and industrial services, healthcare services/devices, retail and consumer, established media and niche manufacturing companies.	3	1	\$5 - \$30M
OpenAir Equity	2010	OpenAir Equity Partners is a venture capital and private equity firm solely focused on the wireless, communications and mobile Internet sectors.	17	11	\$12.82M
October Capital	2000	October Capital provides seed money and expansion capital to technology driven or mobile telecommunications opportunities. October Capital seeks investment opportunities in companies that are bringing transformational change to existing markets.	10	9	
MidStates Capital, LP	2000	MidStates Capital provides equity and mezzanine capital to companies with revenues between \$10M - \$100M where the business valuations range from \$5M - \$50M. The Fund seeks to invest in and/or acquire privately held companies and divisions or subsidiaries of large corporations with meaningful market share, brand, or product uniqueness and growth opportunities. Licensed SBIC.	16	4	
B12 Capital Partners		B12 Capital Partners is a private equity fund looking to partner with owners and managers of manufacturing and distribution companies with \$5 to \$50 million in revenue.			

Figure 35: As of 2014, Compiled from CB Insights and Company Websites

State Incentives

Plotting the location of companies that received funding in 2014 shows many of the companies receiving seed investment are located on the Kansas side of the state line (Figure 34). Kansas has traditionally had a strong seed capital system.

Kansas Angel Tax Credits

The purpose of the Kansas Angel Investor Tax Credit Act is to incent equity investment in businesses in the early stages of commercial development. This mechanism assists in creating and expanding Kansas businesses, along with the jobs and wealth they create, by granting tax credits against Kansas investors' income tax liability. The Kansas Angel Investor Tax Credit Act is administered by the Kansas Department of Commerce with the primary goal of encouraging individuals to provide seed-capital financing for emerging Kansas businesses engaged in the development, implementation and commercialization of innovative technologies, products and services.

The program is credited with generating \$255,800,000 in revenue and adding or saving 1,383 jobs over the nine years since inception. In 2014, 47 companies used \$6.1 million in angel tax credits. Thirty-six of those companies were in the Kansas City metro area.²⁶

There is a strong correlation between companies receiving angel tax credits and also receiving funding from Mid-America Angels and Women's Capital Connection.

Kansas Capital Multiplier Venture Fund

Under the Kansas Capital Multiplier Venture Fund, businesses can apply for a matching investment up to 9 percent of private equity

invested. Private equity includes funds invested by private equity firms and angel investors. Businesses eligible include technology and biosciences companies working with a state entrepreneurial center, University Center of Excellence and/or the Kansas Bioscience Authority (KBA). Rural businesses or businesses in distressed areas of urban communities that meet critical community needs, are growth businesses with local angel investors, or are larger businesses with fewer than 500 employees that have local angel investors and significant private equity investment may also qualify. The minimum equity investment contribution from the Kansas Capital Multiplier Venture Fund is \$25,000, with a maximum equity investment contribution of \$250,000.

Since 2013, 12 companies out of 19 funded through the Multiplier Venture Fund were Kansas City area companies, for a total of \$1,519,703.²⁷

Missouri Technology Corporation

The Missouri Technology Corporation uses the IDEA Fund to promote the formation and growth of businesses that engage in the transfer of science and technology into job creation. Capital is available in four categories on a competitive application basis:

TechLaunch, for commercializing research and launching new high-tech companies, provides preseed investment for companies that have not exceeded debt and equity financing of \$250,000.

Seed Capital Co-Investment accelerates private investment in Missouri-based startup companies and increases the overall investment impact of third-party investment.

This seed investment is for companies that generally have not exceeded debt and equity financing of \$1,500,000.

Venture Capital Co-Investment helps companies grow, add new employees and penetrate the marketplace.

High-Tech Industrial Expansion promotes MTC's vision of transforming Missouri through the power of entrepreneurship and technology-based innovation.

In the Kansas City area, during the last two years, 5 companies out of 38 were funded by the MTC IDEA Fund for a total investment of \$925,000 (Figure 36 and 37).²⁸

Figure 36: Number of Kansas City Region Companies Funded by Missouri Technology Corporation and NetWork Kansas

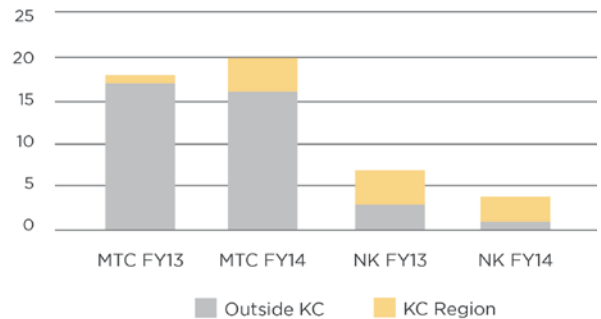
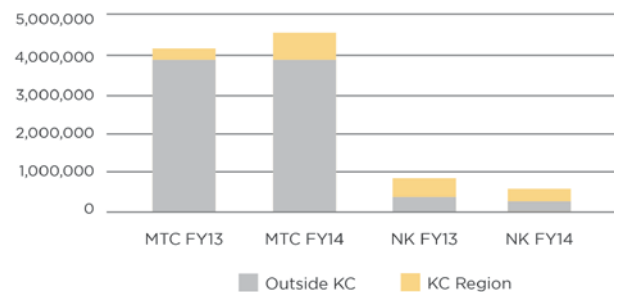


Figure 37: Value of Investment in Kansas City Region Companies by Missouri Technology Corporation and NetWork Kansas



LOOKING FORWARD TO 2015

LaunchKC Grants

In partnership with the Missouri Technology Corporation and local funders, the Kansas City Downtown Council introduced LaunchKC, a national business model competition, in 2015. The program will award \$50,000 in non-dilutive grants to 10 early-stage entrepreneurs and their tech ventures to attract and build high-growth, IT sector businesses and jobs in Downtown Kansas City.

Flyover Capital

Flyover Capital is a new fund targeting high-growth technology-related sectors including digital media, enterprise software, healthcare applications and B2B/B2C commerce. The fund will focus at the Seed and Series A and B stages, investing from \$500,000 - \$3 million. Flyover hopes to lead or co-lead investments and actively participate in portfolio company management. Flyover Capital's first fund is targeting \$50-\$75 million with its initial closing in the first quarter of 2015 and the first three regional investments (one in Kansas City – Innara Health, a medical device company) in the first quarter of 2015.

Kansas Bioscience Authority

The Kansas Bioscience Authority was created by the Kansas Economic Growth Act of 2004 to accelerate growth in the bioscience sector. Originally designed to attract high-impact scientists, build new biosciences programs and facilities and generate bioscience jobs, the KBA in 2015

has become a market-based, self-sustaining venture capital organization. Investments are made in the areas of agribusiness, animal health and human health related companies and a much later stages of company development.

In 2014, KBA invested \$1.5 million in Heath Outcomes Sciences, LLC locally and was the lead investor with Cultivian, investing \$2 million in Advanced Animal Diagnostics in Durham, NC. In early 2015 KBA invested \$1.6 million in Metactive Medical, Inc. and \$900,000 in Flow Forward Medical, Inc. both based in Olathe, Kan.

For Kansas firms, Kansas Technology Enterprise Corporation and Kansas Bioscience Authority both held active seed funds. KTEC was closed in 2011 and KBA is no longer making seed investments, increasing the struggle for the early-stage company to find support.

Silicon Valley Bank

Silicon Valley Bank offers its SVB Accelerator line of products and services that are specialized for early-stage entrepreneurs. In 2014 SVB partnered to provide \$8 million in debt financing for one local company. Formed in 2000, SVB Capital was founded upon a commitment to the venture and growth capital markets. SVB Capital's funds include venture capital and growth capital fund of funds and direct investment funds that invest in both the U.S. and international markets.

HOW TO ACCESS R&D AND EQUITY FUNDING IN KANSAS CITY

Dealmakers and Gatekeepers

The reach of an entrepreneur's social network in Kansas City is an important asset when raising funds as many connections are made through trusted referrals. A well-connected community can improve the success of both the entrepreneur in accessing funds and the investor in finding the right deals.

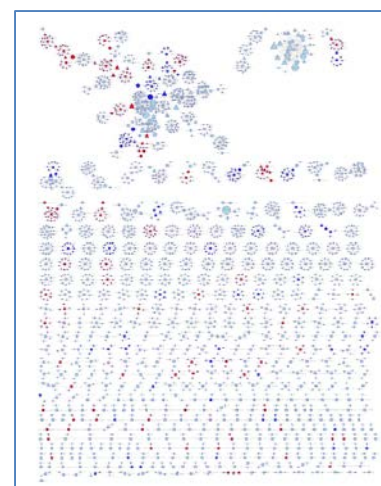
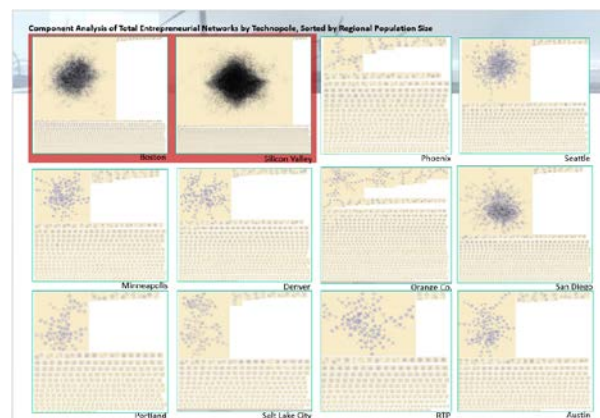
In 2014 Silicon Prairie News partnered with Polsinelli PC to look at early-stage financing for technology startups in the region. According to the report, "It's clear that the community we all feel a part of is integral for startups' financial well-being, too." When asked how the companies were introduced to investors for seed and Series A deals, companies responded as follows:

- 56 percent community members or someone in personal network
- 26 percent mentor
- 26 percent accelerator or incubator

How well connected is Kansas City?

According to research by Ted Zollar, professor at the University of North Carolina and Kauffman Foundation Fellow, Kansas City's entrepreneurial nodes are not as connected as in more established entrepreneurial hubs in the country. He tested the general cohesiveness of regional life sciences and technology networks, looking at investor, entrepreneur and board connections between companies. In Kansas City the investor/entrepreneur network is much more fragmented than San Diego, Seattle, Boston and Silicon Valley but looks similar to a number of other cities including Denver and Minneapolis, as evidenced in the charts to the right (Figure 38).

Figure 38



Kansas City

Zollar also discovered that a key indicator of a strong entrepreneurial ecosystem is the density of its "dealmakers."²⁹ Zollar defines dealmakers as people with "serial venture experience in establishing new entrepreneurial firms who possess fiduciary responsibility for four or more entrepreneurial firms concurrently."³⁰ Because of their connections, these people work as connectors that allow cross-sharing of expertise, information and resources among entrepreneurs and investors.

Working with company, investment and board information from Capital IQ³¹, Zollar

identified 42 “dealmakers” with four or more ties in the region.

A fragmented network makes raising capital difficult.

In Kansas City, specific entrepreneurial resources have developed to make the process less mysterious and more manageable. Often referred to as “gatekeepers,” these seasoned business development professionals understand who are the investors, what they seek at each level, how to evaluate an entrepreneur for the right level of funding, and how to craft the most effective pitch for funding.

The list of gatekeepers includes Digital Sandbox KC, SparkLabKC, KCSOURCELINK, UMKC Small Business and Technology Development Center, Enterprise Center of Johnson County, Mid-America Angels, Women’s Capital Connection and Pipeline. Accelerators and incubators like SparkLabKC, Think Big Partners and BetaBlox also create critical connections in this area. In the past few years, awareness of these organizations and their role in equity financing has increased, resulting in better connections for those seeking financing.

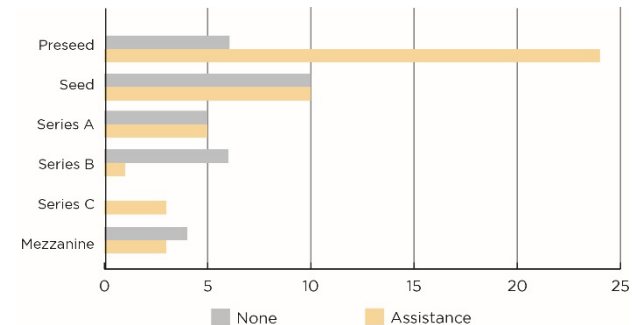
About 80 percent of companies who raised preseed funding in 2014 received assistance from these programs. In other rounds, half of the seed stage sought help, as did half at Series A. Overall, about 65 percent of the companies that raised money at any stage were involved with an entrepreneurial support organization (Figure 39).

Events and Programs that Connect Investors and Entrepreneurs

Investors and entrepreneurs can connect informally through trusted referrals and

formally through a number of programs in Kansas City.

Figure 39: Funded Companies Who Received Assistance 2014



Demo Days

Local accelerators and mentoring programs commonly end with a “demo day” that brings together entrepreneurs and investors to showcase graduating companies. SparkLabKC, Sprint Accelerator, Pipeline, BetaBlox, Think Big Partners and Lean Lab offer these sessions.

Pitch Sessions

Pitch sessions also occur during events like Global Entrepreneurship Week (held in November each year) and 1WeekKC (held in June). TechWeek will also have an associated pitch event in the fall of 2015.

Investment Forums

InvestMidwest is a venture capital conference that alternates locations between St. Louis and Kansas City every other year. It showcases companies in life sciences, technology and food/ag/bioenergy that are looking for funding rounds greater than \$1 million. More than 50 venture capital firms from around the country participate in this event in the spring of each year.

The KC Animal Health Investment Forum showcases animal health and nutrition

companies from throughout the world that are seeking \$500,000 - \$20 million in funding with a revenue projection of \$20 million within five to seven years. This event is held in late summer/early fall each year.

Classes

Local organizations provide a range of classes and events focused on helping business owners prepare to access capital. Examples are listed below:

- *Introduction to Angel Investing*, Enterprise Center of Johnson County
- *Pitching to Investors*, UMKC Small Business and Technology Development Center, Enterprise Center of Johnson County
- *Term Sheets - Structuring the Deal*, Enterprise Center of Johnson County
- *Winning Federal Research Grants: SBIR/STTR Workshop*, UMKC Small Business and Technology Development Center, Enterprise Center of Johnson County

RECOMMENDATIONS TO INCREASE ACCESS TO GRANTS AND EQUITY CAPITAL IN THE KANSAS CITY REGION

Rapidly growing young companies are vital for regional economic growth, job and wealth creation. Startup and early-stage companies with the potential to grow rapidly need capital to get started and expand. While there is an active investment community in the Kansas City region, there are significant opportunities to improve the infrastructure for early-stage financing. There is an opportunity to boost regional economic growth by increasing the amount of loan, grant and equity funding available in our region for startup and early-stage companies where financing primarily comes from the local area or is brought to the area through state and federal funding programs.

More early-stage debt and equity funding is becoming available in the Kansas City region, yet entrepreneurs and business owners do not always understand the best route to obtain financing. The investment community remains fragmented and difficult to access. Ways to improve the efficiency of this market include better connecting investors to enhance deal sharing, encourage more investors to join angel groups, and continue to invest in accelerators. Education for both entrepreneurs and investors can increase the understanding of the types of deals certain investors prefer and their desired stage of investment.

Recommendations to improve include both actions that can create additional capital pools and those that can support better access to that capital.

Increase Grant Funding

Recommendation 1: Secure additional proof-of-concept funds for Digital Sandbox KC to maintain funding at \$600,000 per year, including administration

Digital Sandbox KC has proven that it can stimulate new business creation and recruit new businesses to the region and position those companies successfully for follow on funding and future growth. Currently, the Sandbox is working to secure \$1.8 million in funding to cover both grant funding and administrative costs over three years, supporting approximately 20 projects per year.

Digital Sandbox KC could be expanded to other products outside of digital technologies if additional funds were raised.

Recommendation 2: Raise awareness of Small Business Innovation Research funding and increase the amount of funding from \$2 million to an average of \$3 million per year by 2018, \$5 million by 2020

SBIR and STTR funding mechanisms are underutilized by Kansas City technology businesses. A focused awareness campaign could increase the number of grant applications by stimulating interest in the program. That awareness could include promotion of the UMKC Innovation Center and Enterprise Center of Johnson County, which both provide support and training to companies to support SBIR grant applications.

In the past, Missouri Technology Corporation administered a “Phase O” SBIR program that

provided \$5,000 to companies to develop SBIR applications. Kansas Bioscience Authority provided matching grants to SBIR grant winners. Reviving these or similar programs could increase the number of grant applications.

Recommendation 3: Support investment in emerging grant programs

Programs like LaunchKC have the potential to create a significant impact on early-stage companies in Kansas City.

Increase Available Seed Capital

Recommendation 4: Establish a new minimum \$5 million seed capital fund headquartered in the region to make early-stage investments in information technology and life sciences firms by 2018 with a goal of increasing the number of annual \$100,000 - \$1 million investments to 10 per year by 2020

Most seed funding comes from the local area. With the dissolution of the Kansas Technology Enterprise Corporation, Kansas Bioscience Authority moving to supporting later rounds, and angel networks grouping to support Series A funding, seed funding is a scarcity in the region. As the startup funding infrastructure improves through support from Digital Sandbox KC or local accelerators, companies will be looking to fill seed rounds. Filling this gap will be important.

Recommendation 5: Dramatically increase angel investment in the Kansas City region. Establish a new “super angel” investor group of ultra high net worth individuals

Increase the number of regional angel investors in organized groups from 140 to

240; double the investment from regional angel groups from an average of \$1.7 million per year to an average 10 deals per year and \$3.5 million investment by 2018, \$5 million by 2020, essentially funding one deal per month

Mid-America Angels and Women's Capital Connection are the leading angel groups in Kansas City and provide investor education, due diligence and other investor support. A targeted angel awareness and recruitment program aimed at a broad investor community would likely increase the number of angels in the region. Increased networking between the investors could increase the interconnectedness and contribution of local investors.

A broader awareness of angel investor education such as Investor IQ and workshops at the Enterprise Center of Johnson County and the Angel Resource Institute could encourage new angel investors.

Supporting additional capacity of organizations that host angel groups will be necessary to support any significant increase in angel involvement in these networks.

It may also be appropriate to recruit angels into groups with expertise in a particular area, such as life sciences. The potential for investment in specific industries increases if the investors have knowledge and a comfort level with companies in those industries.

Existing angel investor groups have struggled to recruit ultra high net worth individuals who are active investors. The creation of a new, smaller, more exclusive group that can organize these individuals and provide a more focused and rich experience would be beneficial to the region.

Recommendation 6: Increase investment in local accelerators

Accelerators like SparkLabKC, Think Big Partners and BetaBlox have proven to be critical connectors between young companies and early-stage investors. Local accelerators raise funds for each cohort of companies and are often looking for additional support. Accelerators receive equity in exchange for funding, so a return on investment can be achieved by investors.

Recommendation 7: Increase access to Missouri Technology Corporation IDEA Fund and NetWork Kansas Capital Multiplier Fund

Kansas City area entrepreneurs are underrepresented in terms of IDEA Fund participation. Creating more awareness of the availability of these funds and helping entrepreneurs prepare should increase success.

Recommendation 8: Extend the angel investor tax credit program in Kansas at the current funding level. Establish an angel investor tax credit program in Missouri

The Kansas Angel Investor Tax Credit program currently provides \$6 million per year to support angel investors in high growth potential Kansas companies. This program has been clearly successful in increasing the willingness of angels to invest in regional companies and entrepreneurs.

Increase Available Venture Capital

Recommendation 9: Establish a new > \$50 million venture capital investment firm headquartered in the region by 2018 with a goal of doubling the number of annual \$1 million-10 million+ rounds of investment by 2020. Establish and maintain regional offices for at least two national or international

venture capital firms headquartered outside of Kansas City. Position the community to apply for matching U.S. SBIC Early Stage License funds by working with an existing SBIC or fund or by building a fund with the right experience

Access to venture capital investment is a vital piece of a modern regional economy. The Kansas City region is far below national and regional peer regions in VC investment. The recent establishment of Flyover Capital Fund I is an important step in addressing this regional funding gap. However, to be competitive, the region needs a second and a third fund of this size or larger headquartered in the region.

Discussions with investors indicate that additional venture capital might be forthcoming if more assistance with due diligence was available from others with experience in selecting, managing and reporting on investments. Additional early-stage funds could be developed if experienced managers could be identified and agree to take on management of additional funds.

Bringing experienced fund managers to the community would jumpstart this process.

An experienced fund manager could also produce a successful application to the U.S. Small Business Administration's SBIC Early Stage Innovation License program to help a new fund reach its fundraising goal by providing matching funds. A \$30 million fund could be expanded to \$60 million using this program.

Recommendation 10: Increase the amount of capital available for regional investment by Kansas Bioscience Authority, Missouri Technology Corporation and Network Kansas and increase the success of regional

companies in accessing these statewide capital sources

Support legislation that increases the amount of funding available through early-stage investment funds that exist at the Missouri Technology Corporation, NetWork Kansas and the Kansas Bioscience Authority.

Recommendation 11: Increase investment by large corporations in regional high growth potential startups and early-stage businesses, and organizations that support them

Corporations are increasingly engaging in support for startups. Digital Sandbox KC has a number of corporations engaged, providing everything from monetary support to technical expertise to products for DSB portfolio companies. Today, a wide range of nonprofit and for-profit accelerators and incubators support startups with space, business coaching and peer support. Corporations are also creating strategic partnerships that include investment with local companies. Increasing these types of corporate investments should be a regional priority.

Improve Access to Existing Capital

Recommendation 12: Publicize success stories. Evaluate the use of technology to make deals more visible to individual investors and entrepreneurs in the region. Create a systematic deal tracking method to validate the yearly level of investments

Many local companies do raise the capital needed to grow their companies. Telling these stories of success offers a realistic view of the process and the results to both entrepreneurs and investors. Encouraging investors to promote their investments to

the local community could also help encourage additional engagement.

Recommendation 13: Prepare a comprehensive set of resource materials on raising capital in the Kansas City region and make it available to entrepreneurs, investors and support organizations. Promulgate best practices on deal structure and terms

Understanding how to raise funding is vital for early-stage companies, including understanding what sources are appropriate and available, and how to navigate the process of obtaining them. When companies are unable to find investment, it may be due to a mismatch between their stage and the type of investor they have been approaching. If a company is pre-revenue, it should not be seeking Series B or C funding from venture capitalists, for example. Similarly, a company with \$10 million in revenue has grown beyond the scope of most angel investors in the Kansas City market.

Providing a better understanding of Kansas City's investment market by developing standard content explaining the types of funding available, what is appropriate for different types of entrepreneurs at different stages, role of credit and how debt and equity play together could help.

This information would be shared with entrepreneurs, investors and support organizations and incorporated into local training programs. Widely sharing this information through KCSOURCELINK Resource Partners, especially those that teach startup classes and those offering networking and training for technology entrepreneurs, can help spread a consistent message throughout the community.

During the course of this study, many people brought up comments about deal structures, valuation and terms that can create obstacles for investment. Creating an ad hoc committee of local attorneys, investors, entrepreneurs and Resource Partners to identify best practices in deal structures and terms and then promulgating that information through similar means could be informative to the community and result in more successful interactions between investors and entrepreneurs.

Consider the use of technology to make deals more visible to individual investors and entrepreneurs and systematically track the yearly level of investment.

Recommendation 14: Increase connectedness between investors, entrepreneurs and gatekeepers

Ted Zollar's dealmaker study showed that the Kansas City investment community is fragmented and disconnected. Better connecting investors, gatekeepers and entrepreneurs should be a priority for the region. Engaging local investors in "dealmaker" dinners is one strategy. In addition asking individuals, corporations and venture firms their investment criteria and making that more visible to gatekeepers could also help match entrepreneurs to investors.

Many individual investors do not want to be approached constantly with requests for funding. Therefore, the region has a number of organizations that are acting as gatekeepers to investors. By aligning with at least one gatekeeper, investors can see more appropriate, vetted deals that may fit with their own personal approach to investing. Helping investors get access to high quality deal flow either by joining an organized

angel group or pairing with a gatekeeper should be a priority for the region. Making this process visible to the entrepreneur through training, social media and other avenues could help regional entrepreneurs be more efficient in their search for capital and reduce the time required to close a round of financing.

Recommendation 15: Increase the amount of regional federal and state grant funding coming into the region for growth oriented startup and early-stage businesses and organizations that support them; monitor, assess and apply for all federal and state mechanisms available to add additional funding pools to the region

Both the SBA and Department of Commerce frequently provide request for proposals for grant funding. Examples include the i6 Challenge that originally funded Digital Sandbox KC and the 2014 Regional Innovation Strategies program from the Department of Commerce Economic Development Administration.

Many federal and state grants that provide funds that can be used to increase funding pools in Kansas City require one-to-one match by private funds. To better position the community to access this funding, especially federal innovation grants, create a pool of matching funds that can be rapidly allocated to special projects.

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