



**THE STATE SMALL BUSINESS CREDIT INITIATIVE** of the United States Treasury made \$1.5 Billion available to states to leverage programs that support lending to small businesses. North Dakota was one of 2 states that did not apply, making the State's allocation of \$13.1 million available to municipalities. For the City of Grand Forks this is an opportunity to take a leadership role in improving access to capital for startup and growing companies in the region and across the state.

**THE RED RIVER CORRIDOR FUND:** Praxis Strategy Group and Development Capital Networks, propose to form, deploy and manage the Red River Valley Corridor Fund as a sub-grantee of the City of Grand Forks. The City will disburse the SSBCI funds to the Red River Corridor Fund who will then implement the small business lending and investment programs throughout North Dakota. The Fund will reimburse normal and ordinary expenses incurred by the city for acting in the capacity of grantee. The Red River Corridor Fund will create two programs:

- Credit Guarantee Program (CGP) The Fund will launch with a \$10 million CGP, extending credit enhancement to support small business loans. In general, the program will purchase a CD at a bank and pledge the CD as a partial guarantee for a qualifying loan, favoring new working capital loans and revolving lines of credit.
- Seed Capital Network program (SCN) The Seed Capital Network will initially invest \$3 million in seed funds and angel funds that can attract significant capital from private investors. The Fund may create a seed fund subsidiary that accepts capital from the Fund and others and invests this capital in operating companies.

**PRAXIS STRATEGY GROUP** will lead the marketing effort, making connections with lenders for the CGP and staying connected with bank officers to encourage active participation. Praxis will also build on its relationships with economic development organizations and technology companies across the state to gain entre to deals for seed funds.

**DEVELOPMENT CAPITAL NETWORKS** will provide the systems and operations, including the underwriting, for the CGP and SCN. DCN will support new seed funds and angel funds with administrative systems and best practice methods. DCN will provide the back office IT network, bookkeeping, audit prep, reporting and contract relationship with Treasury. For over fifteen years, DCN and Cimarron Capital Partners has designed, built and managed innovative fund investment programs and currently has over \$280M under management in various funds. Since 1993, their managing directors have launched four funds and advised over 20 states and organizations in fund design and portfolio construction.

**IMPACT:** The Red River Corridor Fund will make it easier for banks to make loans and help make regional angel and seed funds more robust. SSBCI funds must be leveraged 10:1 with private match, thereby catalyzing \$130 million of lending and investment activity in the region and the state. The result will be more successful startup companies and increased availability of capital for companies wanting to expand and grow. In addition, building a relationship with DCN and Cimarron Capital Partners will enhance access to investment capital for the Grand Forks region and the entire state.