

Transcript for Vested for Growth interview on *New Hampshire's Business*
with Fred Kocher on February 13, 2005 on WMUR-TV. Time: 5:34

Fred Kocher: Welcome to New Hampshire's Business. Welcome, I'm Fred Kocher.

This is a great day for NH's business because we have two solutions to two NH problems. One solution in this interview in this half hour and another one in the 8-8:30 half hour. This half hour were going to talk about access to capital in the 8 to 8:30 half hour (we're going to talk about) health insurance premiums and something being done about it.

But let me introduce you first, before I introduce my guest, let's go to these these graphics to set up the interview that we're going to talk about, access to capital. The New Hampshire Community Loan Fund with 30 million dollars of capital under management has created an alternative to venture capital for companies that aren't bankable. Bankable is my word. It's called Vested for Growth. Loans range from \$100,000 to \$750,000. They're designed to fill a gap for small business that can't find capital for equipment, a new product roll out or money to keep a company growing after bankruptcy and so forth.

With me to talk about this is John Hamilton who is director of Vested for Growth.
Welcome

John Hamilton: Thank you Fred.

Fred Kocher: Nice to have you. Vested for Growth. An offshoot of the NH Community Loan Fund. New Hampshire born and grown, right?

John Hamilton: This is. This is a practical solution to a capital market need that's out there.

Fred Kocher: When you say, it's a gap small business find, a vexing frustrating gap when you can't find capital, the bank won't give it to you, maybe you're coming out of a work out with the bank and for a year you're not gonna be able to (get money) and you've exhausted your source of capital or whatever it is, you're stuck and you may be growing.

John Hamilton: That's right.

Fred Kocher: That's where you come in.

John Hamilton: In fact, you could be growing but you're out of compliance with some of the bank formulas.

Fred Kocher: So how does your program work?

John Hamilton: We provide royalty financing to growing small businesses in NH that create quality jobs so particularly like manufacturers, medical devices, software type companies.

Fred Kocher: Okay. Okay. It's all private money. It's not a government program?

John Hamilton: No. This is a private initiative so we can afford to be very flexible.

Fred Kocher: But you're taking more risk?

John Hamilton: We are. This is a risk source of capital that can afford to be patient. So we see ourselves as an alternative to venture capital.

Fred Kocher: Lets go through three deal scenarios, the kind of deals you would make. Lets go to deal scenario number 1. Here it is. Capital expansion.

John Hamilton: Yes. So this is where a company is growing. Our most recent investment in Nashua was a software company that had bootstrapped itself but needed some additional capital but they were very committed of not wanting to do equity.

Fred Kocher: Okay.

John Hamilton: And so the fact that we provide an alternative to equity was very appealing. This company spread stock deeply throughout all its employee team and saw us as a way as continuing to do that without giving up equity to an outsider.

Fred Kocher: Okay. Deal Scenario Number 2 is succession capital.

John Hamilton: Our first investment was a manufacturing company in Keene called Bortech. And this is a company that was to be sold to a Seattle-based firm out on the west coast.

Fred Kocher: Yeah, I think we have a couple of pictures of Bortech, if the director could put them up on the screen. This is a picture of one of the employees. Okay there we are. This is Bortech in Keene, right?

John Hamilton: Yes. They have a unique product, a portable arc-welding machine. And this company was to be sold and would lose these good quality jobs in New Hampshire. Instead, Leo White, the new owner found us and even though he was not bankable, he was able to work with us with our royalty financing.

Fred Kocher: Right. Right. And Deal Scenario Number 3, employee buy-out.

John Hamilton: Yes.

Fred Kocher: This is a fascinating one.

John Hamilton: Well, we love the fact that there's an opportunity for, when you hear from the parent company that they want to sell a division that's based here in New Hampshire, we love the opportunity to work with a group of employees who get together and say, "Hey, we can make a go of this." They pool their resources and come up a little bit short. If they need \$150 to \$175,000, we'd like to partner with them to keep those jobs here in New Hampshire.

Fred Kocher: Now how do companies find you? Referrals from banks, so forth?

John Hamilton: Accountants. Referrals. Lawyers. Also our website which is www.vestedforgrowth.com

Fred Kocher: www.vestedforgrowth.com—one word.

John Hamilton: www.vestedforgrowth.com

Fred Kocher: Okay.

John Hamilton: And that's a great opportunity for them to explore a little bit more what our criteria for capital is...

Fred Kocher: Now because you take a little risk I would think that the default on your loans might be higher than normal. But it's not, is it?

John Hamilton: Well, we price it accordingly. So risk and reward are in balance.

Fred Kocher: How do you keep your default rate down, and I think you said below 1 percent?

John Hamilton: Overall for the Loan Fund, we are less than one percent.

Fred Kocher: That's amazing.

John Hamilton: One of the things we do is we provide a lot of technical assistance. We don't have the bank type relationship with the companies. Ours is a roll-up-your-sleeves. We provide a lot of help whatever they need.

Fred Kocher: If their business plan needs work, you help them with it?

John Hamilton: Whatever they request, we're here to partner with them. We understand that business is not always vertical. We are in it with for long-term, looking for sustainable growth.

Fred Kocher: Now this Vested for Growth fund is in its early stages. You've got \$3 million, I understand, available. If it keeps working, you're going to increase that rate?

John Hamilton: We hope to. We're looking for additional opportunities to help manufacturing companies here in New Hampshire to have growth opportunities but need more risk tolerant money than what banks have.

Fred Kocher: John Hamilton. Program Director for Vested for Growth. Thank you.

John Hamilton: Thank you, Fred.

Fred Kocher: And thank all of you.

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