

# WHERE TO GET THE GREEN:

## Sources of Funds for Green Entrepreneurs



# TABLE OF CONTENTS

Introduction .....	3
Bootstrapping Your Business .....	6
Personal Network (\$1,000 - \$20,000) .....	6
Microloans (\$500 - \$100,000+) .....	8
Community Development Financial Institutions (CDFIs) .....	9
Microenterprise Development Organizations (MDOs) .....	10
Peer-to-Peer Lending (up to \$25,000) .....	10
New Microlenders (\$50,000 - \$100,000) .....	11
Green Banks (up to \$3 million) .....	11
Government-Backed Loans .....	13
The U.S. Small Business Administration Guaranteed Loan Programs .....	13
U.S. Department of Energy (DOE) Loan Guarantee program .....	15
Federal Grants .....	16
Federal Small Business Innovation Grants .....	16
State Renewable Energy and Energy-Efficiency Grants, Tax Incentives, and Rebates .....	16
Weatherization Assistance Program .....	17
Community and Economic Development Loans and Grants .....	17
Green Business Angel Investors and Venture Capital Funds .....	19
Green or Clean Tech Angel Networks (\$150,000 - \$1.5 million) .....	19
Venture Capital (VC) Organizations (\$500k++) .....	20
SBA Small Business Investment Companies (SBICs) Program .....	20
SBA New Markets Venture Capital (NMVC) Program .....	21
Fellowships, Competitions and Foundation Awards .....	21
Conclusion .....	23
Additional Resources .....	24



# INTRODUCTION

First-time entrepreneurs typically face many challenges in securing financing for new ventures. Because they are unproven in the marketplace, lenders view them as high-risk borrowers. This has been especially true for entrepreneurs in low-income communities in the U.S.

This lack of access to capital means fewer new businesses, fewer new jobs, a stagnating economy, and the stifling of innovative market solutions to social and environmental problems. The recession and credit crisis have compounded these problems, profoundly impacting the capital markets and entrepreneurs.

On the one hand, the recession has increased demand for financing. Many people start small businesses during economic downturns because they have lost their jobs, or they see a new opportunity in the shifting marketplace. A recent study published by the Kauffman Foundation found that more than half of the companies on the 2009 Fortune 500 list began during a recession.<sup>1</sup> On the other hand, the credit crisis has tightened the supply of financing even as demand has increased. The crisis has led banks to sharply reduce business loans<sup>2</sup> and credit card companies to reduce borrowing limits and increase fees. All of this makes it more difficult for entrepreneurs to secure start-up financing.

Conventional and emerging financial markets are changing rapidly. While big banks are folding<sup>3</sup> or being bailed out by the U.S. government, a variety of new and alternative lenders are beginning to provide financing to small businesses across the U.S. While micro-lenders, such as Community Development Financial Institutions (CDFIs), already provided financing to underserved communities, they are now finding that Middle America also needs their services to help keep existing businesses afloat.

Part of this change is an unprecedented level of collaboration between public and private entities in an effort to support small businesses. For example, Goldman Sachs recently announced a \$500 million initiative to support small businesses, and they are contributing \$300 million to support CDFIs in the U.S.<sup>4</sup>

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1. Kauffman Foundation report: <http://www.kauffman.org/uploadedFiles/the-economic-future-just-happened.pdf>

2. Retrieved from: <http://www.nytimes.com/2008/07/28/business/economy/28credit.html> on November 30, 2009.

3. <http://www.fdic.gov/bank/individual/failed/banklist.html>

4. Retrieved from: [http://money.cnn.com/2009/11/17/smallbusiness/goldman\\_sachs\\_warren\\_buffet\\_small\\_business/](http://money.cnn.com/2009/11/17/smallbusiness/goldman_sachs_warren_buffet_small_business/) on November 20, 2009.

The federal government is also making bold moves to support small businesses. For example, the American Recovery and Reinvestment Act (ARRA) expands resources available to small businesses, and supports programs designed to increase business access to capital and drive economic and community development. By putting funds in the hands of state and local government agencies and institutions, ARRA also enables these entities to increase the amount of loans and grants to small business owners in their region.

Although these efforts are promising, they cannot fully make up for the disastrous impact the recession has had on investments in U.S. startups: a 71% reduction from January 2008 to January 2009.<sup>5</sup> Capital is limited and competition for it is fierce. This guide is intended to provide some direction for green entrepreneurs, particularly those in underserved communities, looking to navigate this treacherous terrain.

In today's market, green entrepreneurs enjoy some advantages as they look to secure financing (e.g., growing markets, increasing consumer demand, and the ability to leverage government tax incentives in the clean energy economy). What is more, green banks and CDFIs are sprouting up to serve the growing number of green entrepreneurs. Still, these resources are insufficient. As an entrepreneur, it is in your best interest to learn as much as you can about emerging financial resources that are specific to your industry, region, and sector.

Prior to approaching lenders and investors, you should prepare a business plan that highlights the environmental, social and economic impacts of your business. You should also prepare basic financial projections detailing the amount of funds you will need to launch and scale your business, as well as your projected revenues. For more information on how to prepare a green business plan, refer to *The Green Business Plan Guide*, another Green For All publication.<sup>6</sup>

This guide will help you understand the basic landscape of funds available to all small businesses in the U.S. We have also included specific programs and resources directed toward green/clean energy entrepreneurs. Although relatively few financial resources and services are targeted specifically to green entrepreneurs, the number is growing quickly. This guide also provides resources for those in low-income areas of the U.S. who do not have adequate experience, credit, or collateral to secure conventional loans.

This document provides a general overview of the public and private sector funds and

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5. Retrieved from: <http://www.reuters.com/article/rbssRetailCatalogInternetOrder/idUSN0248706620090302> on November 30, 2009.

6. [http://www.greenforall.org/CAP\\_resources/green-business-plan](http://www.greenforall.org/CAP_resources/green-business-plan)

support services available to small businesses. It is by no means an exhaustive review. Rather, it is a primer designed to prepare you for your own research. Once you have a business plan and financial projections for your organization, we recommend that you inquire with local government and financial institutions about which programs and sources of funding are best suited for your business.

### ► BOOTSTRAPPING YOUR BUSINESS

“Bootstrapping” is the process of starting a business from scratch without outside funding or capital. A number of Fortune 500 companies, such as Microsoft and EBay, started by bootstrapping.<sup>7</sup> In simple terms, a bootstrapped business is self-sufficient from inception and grows incrementally as demand for its product or service increases. Bootstrapping typically requires that the owners or partners invest a modest sum of money (often less than \$10,000) in order to launch the business. Although the ultimate goal may be to build a large business offering diverse products or services, a bootstrapped business will focus first on something that generates immediate cash flow returns, with minimal cost inputs. During a recession (when financing is hard to come by), bootstrapping is not only smart, it is almost a requirement for success. Once a bootstrapped startup builds a loyal client base and brand awareness, it is much easier to raise additional capital, such as loans, grants, and venture investment. We recommend that while you research available financing for your business, you also think of ways to incorporate bootstrapping techniques into your business model. This will likely increase your ability to secure additional financing. To learn more about bootstrapping, visit <http://venturebeat.com/2008/11/20/the-art-of-the-bootstrap>.<sup>8</sup>

Advantages of bootstrapping:

- Minimizes debt from large start-up loans
- Forces innovation and creativity by limiting access to funds
- Allows entrepreneurs to maintain ownership and control of their companies instead of ceding them to investors
- Allows entrepreneurs to establish proof of concept, ideally with demonstrable cash flow
- Allows entrepreneurs to exhibit business development and financial management skills, which will impress future investors and lenders (if needed)

### ► PERSONAL NETWORK (\$1,000 - \$20,000)

Entrepreneurs themselves fund more than 85% of startup businesses, often with the financial support of friends and family.<sup>9</sup> Many entrepreneurs initially reach out to their

7. Retrieved from: <http://venturebeat.com/2008/11/20/the-art-of-the-bootstrap/> on November 29, 2009

8. Additional articles on bootstrapping:

[http://bizfinance.about.com/od/cashmanagement/ht/Bootstrapping\\_Your\\_Startup\\_Business.htm](http://bizfinance.about.com/od/cashmanagement/ht/Bootstrapping_Your_Startup_Business.htm);

<http://www.entrepreneur.com/magazine/entrepreneursstartupsmagazine/2002/october/55776.html>

<http://www.seattle20.com/blog/Bootstrapping-stories-Financing-Your-Startup-Through-Consulting.aspx>

9. Retrieved from: <http://smallbusiness.dnb.com/business-finance/business-loans/10932-1.html> on November 29, 2009

personal and professional networks for debt or equity investments.<sup>10</sup> By raising startup capital from people who already know and trust you first, you give yourself time to further develop your business plan and financial projections before approaching strangers for funds. Raising even a modest sum can help you begin to purchase supplies, market your product, make capital investments, build a website, avoid credit card debt, and even hire someone for technical assistance. Raising money from your personal network can also prepare you for your eventual presentation to lenders and investors.<sup>11</sup>

Tips for raising funds from your personal network:

- **Be prepared.** While you may know these people, you can increase your chances of raising funds if you have a business plan, including the environmental, social and economic impacts of your enterprise.
- **Know what you're asking for.** Before you ask for money, decide whether you are asking for donations, personal loans (which you will repay), or investments (in exchange for partial ownership of your business). You will need to clearly communicate to your audience the type of financing you are requesting.
- **Launch an e-mail fundraising campaign.** If you are planning to start a non-profit organization or a for-profit social enterprise that aims to address a critical social or environmental issue, you may be able to raise seed donations via an e-mail fundraising campaign. Try sending an e-mail to all of your trusted personal contacts to ask for modest seed donations (\$20-\$100). If you do this, be sure to include a brief overview of your proposal, as well as a way for them to donate (e.g., a PayPal link).
- **Utilize social media outlets.** You can use Facebook and Twitter to spread the word about your proposal, provided you don't give away so much information that you jeopardize your plans. The Facebook Causes application is a great way to raise seed donations from your personal online network.<sup>12</sup>
- **Ask for introductions.** The best way to utilize your personal network is to ask friends and family members if they know anyone who would be interested in loaning you money or investing in your business. Your goal should be to find individuals who have a personal or professional interest in seeing your business succeed.

10. Debt financing refers to money that you borrow from lending institutions, friends and family, etc. This money has to be repaid over time. Equity financing involves selling a portion of your business to investors in exchange for money to launch or grow your business. Depending on the type of organization you are launching, you may also be able to raise funds via donations and grants, which do not need to be repaid.

11. For additional information on writing a business plan, refer to the Green For All publication, "The Green Business Plan Guide." [http://www.greenforall.org/CAP\\_resources/green-business-plan](http://www.greenforall.org/CAP_resources/green-business-plan)

12. For more information about Facebook Causes: <http://apps.facebook.com/causes/about>

- **Take legal precautions.** Protect yourself, your business, and your personal relationships by consulting with lawyers and getting agreements in writing when you accept loans or investments (even from friends and family members).

### ► MICROLOANS (\$500 - \$100,000+)

Micro Finance Institutions (MFIs) provide financing and additional support to borrowers who cannot access capital from traditional lending institutions like banks. MFIs specialize in lending small amounts of money to small companies or entrepreneurs in need. MFIs and other microlending organizations differ substantially from one another, and many focus on specific target populations. Microlenders can be private, public, for-profit or non-profit institutions. They are typically community-based non-profits funded by a mix of Small Business Administration (SBA) funds, community development funds, philanthropists, and foundations.

Microlending is targeted toward “microenterprises,” or businesses requiring less than \$35,000 startup capital and with five or fewer employees.<sup>13</sup> Due to the current scarcity of bank loans and shrinking credit card limits, many established business owners are also approaching microlenders for gap financing and working capital loans. Since 2008, microlenders across the U.S. have reported a nearly 50% increase in demand for loans. They are pressuring the government to provide additional funds so they can meet this need.<sup>14</sup> The average microloan is \$13,000, typically payable over six years with interest rates ranging between eight and thirteen percent.<sup>15</sup>

While interest rates for microloans can be higher than for standard loans, they are often easier to obtain. Eligibility differs depending on the lending organization, but the borrower typically needs to have a credit score of at least 575, no recent bankruptcies, an ability to personally guarantee the loan (or a cosigner), and demonstrably sufficient income to cover payments. Startup companies are often given special considerations, but in this lending environment, you should not expect too much leniency.

Some advantages of microloans:

- Many have specific social and need-based lending criteria.
- Some are focused on social entrepreneurs who plan to address environmental, social and/or economic development problems within their communities.
- They may have more flexible credit standards.
- Loans can be personally guaranteed.

13. Retrieved from AEO website: <http://www.microenterpriseworks.org> on November 30, 2009

14. Retrieved from: <http://www.microenterpriseworks.org/index.asp?bid=4139> on November 30, 2009.

15. Retrieved from: [http://www.sba.gov/smallbusinessplanner/start/financesstartup/SERV\\_LT\\_MICRO.html](http://www.sba.gov/smallbusinessplanner/start/financesstartup/SERV_LT_MICRO.html) on March 24, 2010.



Below, we go into a little more detail about two common microlending models in the U.S.: Community Development Financial Institutions (CDFIs) and Microenterprise Development Organizations (MDOs)

### Community Development Financial Institutions (CDFIs)

CDFIs are community development banks, credit unions, loan funds and venture funds that provide financial services, loans, education and business support to small businesses, oftentimes in underserved communities. More than 1000 CDFIs in the U.S. help individuals with little or no banking experience open bank accounts, learn about fiscal responsibility, and borrow money to start businesses.<sup>16</sup> With the recession making it difficult or impossible for small businesses to secure loans from conventional banks, demand for financing through CDFIs has grown significantly since 2008. ARRA has alleviated this somewhat, allocating an additional \$100 million in funds to the CDFI Program in February 2009.<sup>17</sup>

Right now, not many CDFIs focus on helping green entrepreneurs. We expect this to change quickly due to the emergence of green businesses, as well as CDFIs' advantageous position for leveraging their expertise to help local green businesses.<sup>18</sup> Some "green banks," such as Shoreline Pacific, are also CDFI-certified institutions (see Section V of this guide, Green Banks).

Examples of CDFIs operating in the U.S.:

- **Seedco Financial Services**<sup>19</sup> (loans up to \$200,000)  
A CDFI committed to supporting community development through investing in low-income communities
- **ACCION USA**<sup>20</sup> (\$500 - \$50,000)  
One of the largest microlending institutions in the U.S. serving low- to moderate-income communities
- **Non-Profit Finance Fund**<sup>21</sup> (typically \$100,000 - \$2 million)  
A CDFI that provides loans to non-profits that have been in existence for at least three years and have an annual operating revenue of at least \$500,000
- **Georgia Green Loans**<sup>22</sup> (\$500 - \$35,000)  
A green CDFI offering microloans to green entrepreneurs

16. Retrieved from: <http://www.cdfi.org/> on November 30, 2009.

17. Retrieved from: <http://www.cdfifund.gov/recovery/> on March 24, 2010.

18. For more information on the potential for green CDFIs: <http://www.nextamericanopportunity.org/ce/bgg/>

19. <http://www.seedco.org/>

20. <http://www.accionusa.org>

21. <http://www.nonprofitfinancefund.org/>

22. <http://www.georgiagreenloans.org/>

For more information about CDFIs, please visit one of the following sites:

- Federal Government CDFI Fund: <http://www.cdfifund.gov/>
- CDFI Coalition: <http://cdfi.org>
- To find a CDFI near you: <http://cdfi.org/index.php?page=info-4>

### Microenterprise Development Organizations (MDOs)

Some MDOs are CDFI-certified and can provide loans with favorable terms. But MDOs are perhaps better known for their efforts to build the capacity of microenterprises by teaching critical business and financial skills.

For more information about MDOs:

- **FIELD's Online Microenterprise Program Directory** lists programs offering microloans, technical business support and other services to microenterprises. (<http://fieldus.org/Publications/Directory.asp>).
- **The Association for Enterprise Opportunity (AEO) Membership Directory** lists microenterprise development resources by state. (<http://www.microenterprise-works.org/index.asp?bid=282>).

### Peer-to-Peer Lending (up to \$25,000)

The online success of Kiva.org popularized “Peer-to-Peer” lending. Kiva.org empowers individuals to lend to unique entrepreneurs around the globe. These microloans (often as small as \$25) help alleviate poverty overseas while providing a rewarding experience for lenders, who can select the individual or group to receive their loans. Recently, Kiva announced that it would begin providing Peer-to-Peer loan services for U.S.-based entrepreneurs as well.<sup>23</sup> Kiva is not the only organization providing this type of lending service in this country; a number of other Peer-to-Peer companies are emerging. Kiva is at one end of the spectrum, where the microlender is more interested in social change than the financial return, which may be as low as 0%. At the other end, companies like Prosper and Lending Club are enticing people to invest in a microlending model with an eye towards more significant financial returns. Some of these emerging companies are facing challenges with the U.S. Securities and Exchange Commission (SEC), so availability of loans from these sources may vary.

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23. Retrieved from: <http://www.techcrunch.com/2009/06/10/kiva-brings-microlending-home-to-us-entrepreneurs-in-need/> on November 30, 2009

Examples of Peer-to-Peer lending organizations in the U.S.:

- **Kiva**<sup>24</sup>
- **Prosper**<sup>25</sup>
- **Lending Club**<sup>26</sup>
- **Loanio**<sup>27</sup>

### New Microlenders (\$50,000 - \$100,000)

The credit crisis is currently driving innovation in lending markets. Entrepreneurs are struggling to pay their bills and keep their doors open, creating an opportunity for new financiers to step in and offer small loans—sometimes at steep interest rates.<sup>28</sup> We expect to see more of these innovative microlenders forming in the future to meet the growing demand for working capital and startup loans.

Examples of New Microlending institutions in the U.S.:

- **Grameen America:** <http://www.grameenamerica.com/>  
In 2007, Grameen America, a non-profit, launched a pilot office in New York to bring the model of microfinancing popularized overseas to the U.S. Muhammad Yunus, who won the Nobel Peace Prize for his microcredit efforts in Bangladesh, is spearheading this effort in the U.S.
- **On Deck Capital:** <http://www.ondeckcapital.com>  
On Deck Capital is a private lender specializing in loans for small businesses that banks or conventional lenders might consider too risky. On Deck Capital recently announced a partnership with the Urban League to offer loans for small businesses through Urban League affiliates.<sup>29</sup>

### ➤ GREEN BANKS (UP TO \$3 MILLION)

In the wake of the credit crisis, a handful of new, emerging banks are aiming directly at supporting green entrepreneurs.<sup>30</sup> These “green banks” provide traditional banking services with a green twist. They offer personal and business checking and saving accounts, as well as loans and other financial services. What sets these banks apart from more conventional banks is that they are founded on “triple bottom line” guiding principles—both

24. <http://www.kiva.org>

25. <http://www.prosper.com>

26. <http://www.lendingclub.com>

27. <http://www.loanio.com>

28. Retrieved from: <http://online.wsj.com/article/SB122347723865615409.html> on December 2, 2009

29. Retrieved from: <http://www.startribune.com/business/70347757.html> on November 30, 2009.

30. Retrieved from: <http://archives.chicagotribune.com/2009/jun/16/business/chi-tue-green-banking-jun16> November 30, 2009

internally and via their lending activities. For example, when underwriting a loan, a green bank may take into account the sustainability, energy-efficiency, or social equity impacts of the loan applicant. Green banks also offer products like loans for renewable-energy installations or green building activities. In general, their lending policies favor individuals and businesses that have a positive impact on the environment and their local community.

Green banking is just taking shape. Even in the midst of this recession, the idea seems to have power. Even as the recession was beginning in early 2008, First Green Bank exceeded its fundraising goals.<sup>31</sup>

Examples of green banks in the U.S. that are already open, or plan to open in 2010:

- **ShoreBank Pacific**<sup>32</sup>—Ilwaco, Washington (FDIC member)  
Sustainable bank focusing on “triple bottom line” business philosophies for themselves and their customers. Support and financial services available for for-profit and non-profit businesses. Shorebank is also a certified CDFI.
- **New Resource Bank**<sup>33</sup>—San Francisco, California (FDIC member)  
A community bank focusing on efficiency, sustainability and community building. New Resource Bank offers specific loans and certificates of deposit (CDs) for solar installations.
- **First Green Bank**<sup>34</sup>—Florida (FDIC member)  
Promotes environmental and social responsibility.
- **Green Bank**<sup>35</sup>—Texas (FDIC member)  
Committed to environmentally and socially responsible practices.
- **e3bank**<sup>36</sup>—Malvern, Pennsylvania (Opening in 2010)  
e3bank will be a B Corporation,<sup>37</sup> and will be committed to building sustainable communities and businesses, protecting the environment, and promoting social equity.
- **GreenChoice Bank**<sup>38</sup>—Chicago, Illinois (Opening in 2010)  
A local, community bank with a sustainable mission, LEED-certified branch construction, and operational and lending policies that support sustainable practices.

31. Retrieved from: <http://www.nytimes.com/gwire/2009/04/06/06greenwire-green-banks-sprout-from-ruins-of-economic-cris-10437.html> November 30, 2009.

32. <http://www.eco-bank.com/>

33. <http://www.newresourcebank.com>

34. <http://www.firstgreenbank.com/>

35. <http://www.greenbank.com>

36. <http://www.e3bank.com/contact>

37. For more information on B corporations: <http://www.bcorporation.net/>

38. <http://www.greenchoicebank.com>

### ► GOVERNMENT-BACKED LOANS

When the government backs a loan, it promises to repay a major proportion of the debt should the borrower default to the bank. Government-backed loans are designed to increase loans made to start-up and small businesses, which lending institutions would otherwise deem too risky.

#### The U.S. Small Business Administration Guaranteed Loan Programs

The Small Business Administration (SBA) is a federal agency responsible for assisting small businesses. Depending on the industry you are in, where you are located, and what stage you are in forming your business, the SBA offers a variety of technical, financial, and contracting support services designed to help you succeed. This guide focuses only on select financial services offered by the SBA. For additional information regarding SBA loans and free technical assistance, please visit <http://www.sba.gov/aboutsba/sbaprograms/index.html>.

The SBA does not make loans directly to businesses, but rather guarantees the loans that banks and other lending institutions make to small businesses. The SBA also has two little-publicized environmental loan programs: the Energy Conservation Loan Program and the Pollution Control Loan Program. To inquire about the availability of SBA loans in your area, contact local banks and ask to speak with a loan officer regarding SBA loans.

Examples of SBA loan-guarantee programs available to American businesses:<sup>39</sup>

- **Energy Conservation Loan**<sup>40</sup>  
This loan is for small businesses that design, manufacture, distribute or install devices that conserve energy. These loans are not for the end user of the product. End-user businesses needing a loan to install renewable energy devices can apply for a 7(a) loan.
- **Pollution Control Loan Program**<sup>41</sup>  
This loan provides financing for small businesses to install pollution-control facilities (including recycling).
- **7(a) Loan Program** (maximum is currently \$2 million, but this cap may soon increase to \$5 million)<sup>42</sup>  
This is the most common and flexible loan program for start-up or existing small businesses. Most U.S. banks participate in this program, and borrowers can use

39. Quick reference guide to SBA Loans:

[http://www.sba.gov/idc/groups/public/documents/wv\\_clarksborg/wv\\_sbaquickreferenceguide.pdf](http://www.sba.gov/idc/groups/public/documents/wv_clarksborg/wv_sbaquickreferenceguide.pdf)

40. For additional information about the Energy Conservation Loan Program:

[http://www.energystar.gov/index.cfm?c=sb\\_state.sba\\_loans](http://www.energystar.gov/index.cfm?c=sb_state.sba_loans)

41. For additional information about the Pollution Control Loan Program:

[http://www.energystar.gov/index.cfm?c=sb\\_state.sba\\_loans](http://www.energystar.gov/index.cfm?c=sb_state.sba_loans)

42. For additional information about the SBA 7(a) Loan Program:

[http://www.sba.gov/financialassistance/borrowers/guaranteed/7alp/FINANCIAL\\_GLP\\_7A\\_TERMS.html](http://www.sba.gov/financialassistance/borrowers/guaranteed/7alp/FINANCIAL_GLP_7A_TERMS.html)

these funds for a variety of purposes such as start-up or working capital needs, equipment purchases, renovations, property acquisition, or debt restructuring.<sup>43</sup> The terms of 7(a) loans are negotiated on a case-by-case basis, but they are typically structured as long-term loans with favorable interest rates. Eligibility is restricted to for-profit businesses that meet SBA small business size standards.<sup>44</sup>

- **7(a) Express Loans** (up to \$350,000)  
These loans have streamlined application and review procedures, and offer a 36-hour response turnaround.<sup>45</sup>
  - **Community Express** loans are specifically for borrowers in underserved and distressed communities, such as the SBA's Historically Underutilized Business Zones (HUBZones).<sup>46</sup>
  - **Patriot Express** loans are designed for businesses owned and controlled by veterans (minimum 51% ownership).
- **7(a) Small/Rural Lender Advantage Loans (S/RLA)** (up to \$350,000)  
The SBA initiated the S/RLA program in 2008 to promote lending in small, vulnerable communities facing high unemployment, population loss, etc.<sup>47</sup> The program streamlines the application process with a one-page application and a 3-5 day processing turnaround.
- **Certified Development Company Loan Program (CDC/504)** (up to \$2 million)  
The CDC/504 loan program is designed for purchasing fixed assets, such as equipment or property, as well as for financing construction or renovations. The program allows borrowers to purchase real estate with low down payments, long-term financing, and competitive interest rates. These loans cannot be used for start-up funds or working capital. The SBA recently changed its rules to allow borrowers to refinance existing fixed-asset loans as part of a 504 expansion loan (as long as the refinancing portion is less than 50% of the total expansion cost).<sup>48</sup> Eligibility is restricted to for-profit businesses that meet SBA small business size standards.
- **Microloan Program** (increased from \$35,000 to \$50,000 maximum in 2009)<sup>49</sup>  
Microloans are short-term loans for startup or expansion. They can be used for working capital, inventory and equipment purchases. These loans cannot be used

43. For additional information on 7(a) loans: <http://www.sba.gov/financialassistance/borrowers/guaranteed/7alp/index.html>

44. SBA Size standards: <http://www.sba.gov/contractingopportunities/officials/size/index.html>

45. For more information on 7(a) Express loans: [http://www.sba.gov/financialassistance/borrowers/guaranteed/7alp/FINANCIAL\\_GLP\\_7ALP\\_EXPRESS.html](http://www.sba.gov/financialassistance/borrowers/guaranteed/7alp/FINANCIAL_GLP_7ALP_EXPRESS.html)

46. <http://www.sba.gov/hubzone/>

47. For more information about the S/RLA program: <http://www.sba.gov/rurallenderadvantage/>

48. Retrieved from: <http://online.wsj.com/article/SB124588146947550063.html> on November 29, 2009.

49. Retrieved from: [http://www.businesswire.com/portal/site/home/permalink/?ndmViewId=news\\_view&newsId=20091021006530&newsLang=en](http://www.businesswire.com/portal/site/home/permalink/?ndmViewId=news_view&newsId=20091021006530&newsLang=en) on November 30, 2009.

to pay debt or purchase real estate.<sup>50</sup> These loans are administered through micro-lending institutions (see previous section). To find microloan partners listed by state, please see [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/serv\\_microloan\\_intermediary.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/serv_microloan_intermediary.pdf). Eligibility is restricted to for-profit businesses that meet SBA small business size standards, as well as non-profit childcare centers.

- **America's Recovery Capital (ARC) Loan (up to \$35,000)**  
The ARC loan is a temporary program that the SBA is offering to existing small businesses experiencing financial hardship. The loans are interest-free and 100% backed by the SBA.<sup>51</sup> They are designed to help businesses make principle and interest payments on other existing loans so that they can free up funds for building their business and saving jobs. The ARC program is part of ARRA, and loans are available from SBA commercial lenders until the money runs out, or September 30, 2010, whichever comes first. Eligibility is restricted to existing for-profit small businesses that were profitable in the past but are currently experiencing financial hardship, and that have qualifying small business loans.

### U.S. Department of Energy (DOE) Loan Guarantee program

The DOE Loan Guarantee Program is intended for projects that “avoid, reduce, or sequester air pollutants or anthropogenic emissions of greenhouse gases” and “employ new or significantly improved technologies as compared to technologies in service in the United States at the time the guarantee is issued.”<sup>52</sup> These loans are typically very large—in the multimillion-dollar range for large-scale projects. For example, Solyndra (a solar manufacturing company) was awarded a \$535 million dollar loan guarantee in March 2009.<sup>53</sup>

Its lengthy and costly application process has led to mixed reviews for this program from the private sector.<sup>54</sup> In October 2009, the DOE announced a new Financial Institution Partnership Program (FIPP) designed to leverage public and private partnerships to expedite the Loan Guarantee Program.<sup>55</sup>

To apply for a loan guarantee, you must search for a solicitation on this website: <http://www.lgprogram.energy.gov/keydocs.html>

50. <http://www.sba.gov/financialassistance/borrowers/guaranteed/mlp/index.html>

51. [http://www.sba.gov/recovery/arcloanprogram/REC\\_WHATISARCLOAN.html](http://www.sba.gov/recovery/arcloanprogram/REC_WHATISARCLOAN.html)

52. Retrieved from: <http://www.lgprogram.energy.gov/features.html> On November 28, 2009

53. Retrieved from: <http://cleantech.com/news/4286/solyndra-nabs-535m-doe-loan-500-mw> on November 25, 2009.

54. Retrieved from: <http://www.greentechmedia.com/articles/read/doe-loan-guarantee-is-it-a-good-deal/> on November 30, 2009.

55. Retrieved from: <http://www.lgprogram.energy.gov/press/100709.pdf> on November 28, 2009.

### ► FEDERAL GRANTS

A handful of federal grants are available to businesses involved in energy efficiency and technology innovation. Each program has different guidelines and requirements. In many cases, grantees do not need to repay the awarding agency. Finding and applying for these grants can be confusing for entrepreneurs who have not previously dealt with the federal government. If you plan to apply for one of these grants, prepare to be persistent and patient with the required forms and the online registrations necessary to access information.

#### Federal Small Business Innovation Grants

Two federal programs provide highly competitive grants to startups and small businesses engaged in research and development (R&D) and technological innovation. The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs administer grants through 11 different federal agencies. If you are engaged in scientific R&D, or you are working on a new technology that has commercial appeal, you may want to explore these grant programs in more detail by visiting <http://www.business.gov/expand/green-business/product-development/innovation.html>.

Select agencies offering SBIR/STTR grants that may appeal to green entrepreneurs:

- Department of Agriculture (USDA)
- Department of Energy (DOE)
- Department of Health and Human Services
- Environmental Protection Agency (EPA)
- National Oceanic and Atmospheric Administration (NOAA)
- National Science Foundation

For additional information on government loans, grants, bonds and tax incentives for small businesses, visit: <http://www.business.gov/finance/financing/>

### ► STATE RENEWABLE-ENERGY AND ENERGY-EFFICIENCY GRANTS, TAX INCENTIVES, AND REBATES

A number of federal, state and local incentives and policies across the U.S. promote energy efficiency and the use of renewable-energy technologies. Unfortunately, given the wide variety of policies across the country, this guide cannot provide a comprehensive or exhaustive review of them all. Instead, we recommend you research available tax incentives and rebates available in your state that apply to your specific business.

For comprehensive information on energy-efficiency and renewable-energy incentive programs in your state, please reference one of these three sites:



- <http://www.dsireusa.org/>
- [http://www.energystar.gov/index.cfm?c=sb\\_join.sb\\_financeproducts](http://www.energystar.gov/index.cfm?c=sb_join.sb_financeproducts)
- [http://www.energystar.gov/index.cfm?c=tax\\_credits.tx\\_index](http://www.energystar.gov/index.cfm?c=tax_credits.tx_index)

### Weatherization Assistance Program

The U.S. DOE Weatherization Assistance Program (WAP) provides funding through state agencies to help low-income individuals and families reduce energy costs.<sup>56</sup> Under WAP, state or federal funds may also be available for companies that create new jobs or offer job training to conduct energy-efficiency upgrades. Contact your state energy agency to inquire about available funds and programs.<sup>57</sup>

### ► COMMUNITY AND ECONOMIC DEVELOPMENT LOANS AND GRANTS

A number of new and existing federal programs are designed to promote energy conservation, the use of renewable energy, economic and community development, green job growth, and small business development. For example, ARRA provided new funds to state agencies for green-job training<sup>58</sup> and the Energy Efficiency and Conservation Block Grant (EECBG) Program.<sup>59</sup> Most federal funds allocated through ARRA and other policies are awarded to state and local government agencies and tribes, which in turn distribute these funds to individuals and businesses on a case-by-case basis. Loans and grants distributed by state and local agencies often have low interest rates and deferred payment plans designed to help startup businesses succeed and help small business achieve scale.

In order to receive these funds, you must apply and compete with other business owners and entrepreneurs. It is critical for you to understand the specific goals of the programs for which you are applying. In your business plan and application, be sure to clearly state the positive environmental and community development impacts of your business. Also highlight the number of green jobs you will be creating in your area.

Once you have a business plan, you should contact your local city or county development office, or one of the agencies listed below, to inquire about loans and grants for which you may apply.

56. For more information about the WAP, please go to: <http://apps1.eere.energy.gov/weatherization/apply.cfm> and also refer to the Green For All guide "Understanding the Weatherization Assistance Program": <http://www.greenforall.org/resources/reports-research/wap>. A helpful fact sheet can also be found here: [http://apps1.eere.energy.gov/weatherization/pdfs/wx\\_recovery\\_fact\\_sheet.pdf](http://apps1.eere.energy.gov/weatherization/pdfs/wx_recovery_fact_sheet.pdf)

57. For a list of state WAP contacts, go to: [http://apps1.eere.energy.gov/weatherization/state\\_contacts.cfm](http://apps1.eere.energy.gov/weatherization/state_contacts.cfm)

58. Green For All Guide "Understanding the Competitive Grants for Green Jobs Training": <http://www.greenforall.org/resources/reports-research/understanding-the-competitive-grants-for-green-jobs-training>

59. <http://www.eecbg.energy.gov/>

Here is a list of some helpful places to start:

- **City/County Development office**  
If your city does not have a specific development office, ask for the staff member in your city government who handles community development issues.  
Examples:  
<http://www.lacdc.org/CDCWebsite/home.aspx>  
<http://oaklandnet.com/government/ceda/>
- **City/County Redevelopment Agencies**  
Redevelopment areas are specially created districts within blighted communities, where local property taxes are collected for a dedicated redevelopment fund. These funds are then used to encourage economic development in these areas through financial and technical support to small businesses.  
Examples:  
<http://www.hudsonedc.org/>  
<http://www.thejcra.org/>  
<http://www.crala.org/>
- **State Redevelopment Associations**  
Example:  
<http://www.calredevelop.org>
- **State or county Workforce Investment Boards (WIBs)**  
These entities typically receive green-job training funds  
Example:  
<http://www.cwib.ca.gov/>
- **National Community Development Association**  
Example:  
<http://www.ncdaonline.org/>

Below is a brief summary of the Community Development Block Grant programs, one other major source of economic development funds at the state and local level. These funds will be available to you through your state, city or county government offices.

### **Community Development Block Grant (CDBG) Program**

CDBG is a program of the federal Housing and Urban Development Department (HUD). Based on the size of their low- and moderate-income populations, CDBG provides state and local governments with financial resources to stabilize local communities and provide local jobs. When applying for these grants, it is critical to demonstrate the impact your business will have on the local economy. You will be required to estimate the number of full-time equivalent (FTE) jobs your business will create. For more information on CDBG, please see this site: <http://portal.hud.gov/portal/page/portal/RECOVERY/programs/COMMUNITY>

### ➤ GREEN BUSINESS ANGEL INVESTORS AND VENTURE CAPITAL FUNDS

Many startup and early-stage companies with unproven ideas and technologies do not have access to sufficient credit to launch their businesses. These entrepreneurs often turn to angel investors (angels) or venture capital (VC) firms for funding. Angels and VCs provide both debt (loans) and equity financing (investment in exchange for part ownership of your business). Angel investors and VCs are focusing on the green business and clean technology (clean tech) sectors in numerous ways. If your business plan has been well received and you are confident about your organization's chances for success, you may want to consider approaching angels or VCs that focus on your industry. Each deal is structured differently; some investors may want a say in how you run your business (e.g., a seat on the board), whereas others may simply provide financing in exchange for prospective returns ("silent investor"). You should consult a lawyer prior to signing any agreements with investors.

#### Green or Clean Tech Angel Networks (\$150,000 - \$1.5 million)

Angel investors are individual investors, or groups of investors that invest in early-stage startup companies. Angels typically provide "bridge" financing to companies after the self-funding or bootstrapping stage, and prior to VC funding.<sup>60</sup> Some also provide seed capital. Angel investment terms tend to be more flexible than VC investment terms.

Examples of Green/Clean Tech Angel Investors:

- **Investors Circle<sup>61</sup>**  
A nonprofit network comprised of angel investors, professional venture capitalists, foundations, family offices, and others who use private capital to promote the transition to a sustainable economy.
- **The Cleantech Angel Network of Networks<sup>62</sup>**  
A network of leading clean technology angel investors created to exchange deal flow information, improve clean tech education, and connect clean tech entrepreneurs with early-stage investors.
- **EcoElectron Ventures<sup>63</sup>**  
A seed-stage capital investment fund focusing solely on clean-energy companies located in Southern California. They provide strategic planning, business management, and equity to startup and early-stage companies.

60. For additional information on Angel Investments: <http://www.smallbusinessnotes.com/financing/angelinvestors.html>

61. <http://www.investorscircle.net/>

62. <http://www.cleantechangels.org>

63. <http://www.ecoelectron.com/>

### Venture Capital (VC) Organizations (\$500k++)

Unlike angel investors who invest in startup companies, VCs typically fund established companies as they look to expand. VCs generally invest significantly larger sums of money, albeit in fewer companies, than their angel counterparts. For example, in 2006, VC companies in the U.S. invested in 2,900 firms with an average investment of \$8.9 million, whereas angels invested in 51,000 businesses with an average investment of \$500,000.<sup>64</sup>

While there are a large number of VC firms in the U.S., many of them have very distinct focal areas. Only a very small portion of these firms considers investments in companies with an environmental and a social mission. That said, the federal government is also partnering with private VC firms to stimulate economic growth and to help some of these small businesses achieve scale.

For more information about Green VC funds or community development venture funds, see the following:

- **SJF Ventures<sup>65</sup>**  
SJF Ventures is a venture capital partnership. Through its investment funds, the firm provides equity financings from \$500K to \$5MM, solo or in syndicates, to companies seeking expansion capital. SJF looks to partner with entrepreneurs who are committed to impacting the world positively through their businesses.
- **Greenvc.org<sup>66</sup>**  
Provides resources and information for green entrepreneurs.
- **Community Development Venture Capital Alliance (CDVCA)**  
A network of community development venture capital investors who invest in businesses in economically distressed areas in the U.S. and abroad.<sup>67</sup> Investments are made in companies at different stages of development, from startup to expansion. For a list of CDVCA Member funds offering financing, see this website: [http://www.cdvca.org/index.php?option=com\\_content&view=category&id=42&Itemid=66](http://www.cdvca.org/index.php?option=com_content&view=category&id=42&Itemid=66)

Examples of public/private VC partnerships currently active in the U.S.:

### SBA Small Business Investment Companies (SBICs) Program

Licensed by the SBA,<sup>68</sup> Small Business Investment Companies (SBICs) are privately owned venture funds that offer equity financing for small businesses. The SBA also offers an additional designation for “Specialized Small Business Investment Companies” (SSBICs), which solely fund small businesses owned by socially or economically disadvantaged

64. Retrieved from: <http://www.nsf.gov/statistics/seind08/c6/c6s8.htm> on December 2, 2009.

65. <http://www.sjfund.com/>

66. For the Green VC list of green and social VC firms: <http://www.greenvc.org/green-and-social-venture-capital.html>

67. For additional information: <http://www.cdvca.org/>

68. <http://www.sba.gov/financialassistance/borrowers/vc/sbainvp/index.html>

persons. SBICs are government and private-sector partnerships aimed at funding small businesses in the U.S. The SBA provides funds to SBICs, and in turn SBICs invest in small businesses. Eligibility is restricted to small businesses with a net worth under \$18 million. To find SBICs near you, visit <http://www.sba.gov/aboutsba/sbaprograms/inv/localsbic/index.html>

### **SBA New Markets Venture Capital (NMVC) Program**

The NMVC program is similar to the SSBIC program. NMVC companies are privately owned and managed funds, licensed by the SBA, that make equity investments in small businesses in distressed communities. Eligibility is restricted to Smaller Enterprises (net worth less than \$6 million) in “Low-Income Geographic Areas.”<sup>69</sup> For a list of NMVC funds, visit [http://www.sba.gov/aboutsba/sbaprograms/inv/nmvc/INV\\_NMVC\\_COMPANIES.html?cm\\_sp=ExternalLink\\_-\\_Federal\\_-\\_SBA](http://www.sba.gov/aboutsba/sbaprograms/inv/nmvc/INV_NMVC_COMPANIES.html?cm_sp=ExternalLink_-_Federal_-_SBA).

Additional resources for angel and VC firms in the U.S.:

- **List of Venture Capital Organizations in each region of the U.S.**  
[http://www.nvca.org/index.php?option=com\\_content&view=article&id=106&Itemid=134#regional](http://www.nvca.org/index.php?option=com_content&view=article&id=106&Itemid=134#regional)
- **Energy Venture Capital and Angel Investors List**  
A list of firms investing in energy companies and clean tech companies.  
[http://energypriorities.com/entries/2005/11/energy\\_venture.php](http://energypriorities.com/entries/2005/11/energy_venture.php)
- **The Funded.com**  
An online community of entrepreneurs that researches, rates, and reviews funding sources worldwide.  
<http://www.thefunded.com>

### ► **FELLOWSHIPS, COMPETITIONS AND FOUNDATION AWARDS**

A handful of U.S. foundations offer highly competitive fellowships and grants for entrepreneurs with proposals or existing businesses that address critical social or environmental issues in the U.S. and abroad. If your proposal or organization has received a lot of attention and has been endorsed by well-known entities, we strongly encourage you to consider applying for one of the fellowships or awards listed below. Please be aware that the application process can be challenging and lengthy, so we recommend that you apply only if you suspect you have a good chance of winning. (Please also keep in mind that there are typically application fees.)

<sup>69</sup> For additional NMVC eligibility information: [http://www.sba.gov/aboutsba/sbaprograms/inv/nmvc/INV\\_NMVC\\_PROGOV-ERVIEW.html](http://www.sba.gov/aboutsba/sbaprograms/inv/nmvc/INV_NMVC_PROGOV-ERVIEW.html)

Examples of awards and competitions:

- **The Skoll Awards for Social Entrepreneurship**<sup>70</sup>  
These are extremely competitive three-year grants (\$765,000 each) for social entrepreneurs tackling critical issues in the areas of health, economic and social equity, peace and security, institutional responsibility, and environmental sustainability. Out of hundreds of applicants each year, only a handful are awarded grants. Eligibility is restricted to non-profit and for-profit organizations with a successful track record (minimum of three years in operation).
- **Echoing Green Fellowship**<sup>71</sup>  
Provides seed funding (\$60,000-\$90,000) for 12-15 fellows per year. Eligibility is restricted to non-profit and for-profit startup social enterprises.
- **Cleantech Open**<sup>72</sup>  
A business plan competition for clean tech companies that promote environmental sustainability. Eligibility is restricted to startup companies, comprised of at least two individuals, with less than \$500,000 of outside funding.
- **Clean Tech Open Grants Program**<sup>73</sup>  
A trial program that includes access to funds, workshops and training, and support with federal contract bids. Eligibility is restricted to companies already shipping a product, or very close to doing so.
- **Draper Richards Foundation**<sup>74</sup>  
Funds select social entrepreneurs for three years, providing \$100,000 per year. Eligibility is restricted to non-profit startups.
- **The Energy Foundation**<sup>75</sup>  
Makes grants to non-profits that aim to increase energy efficiency and promote the use of renewable energy in the U.S. and China. Eligibility is restricted to non-profits with regional impact.
- **Green VC's Resources for Business Plan Competitions and Awards**  
<http://www.greenvc.org/business-plan-competitions.html>  
<http://www.greenvc.org/fellowships-awards.html>

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70. <http://www.skollfoundation.org/skollawards/index.asp>

71. <http://www.echoinggreen.org/fellowship>

72. <http://www.cleantechopen.com>

73. <http://www.cleantechopen.com/app.cgi/content/programs/grants>

74. <http://www.draperrichards.org/>

75. <http://www.ef.org>



# CONCLUSION

As the variety of resources listed in this document shows, a large number of public and private programs are designed to support small businesses seeking financing. Both the public and private sector recognize that green entrepreneurs are capable of catalyzing an economic recovery that protects the environment and is inclusive of all citizens. Together, hard-working, innovative entrepreneurs and collaborative public and private partnerships are creating a historic opportunity to repair the damaging effects of social and environmental inequalities in the U.S.



# ADDITIONAL RESOURCES

## Green For All Publications

### **The American Recovery and Reinvestment Act: A Guide for Small Businesses and Nonprofits**

<http://www.greenforall.org/what-we-do/capital-access-program/business-guide-to-the-recovery>

### **Bringing Home the Green Recovery: A User's Guide**

<http://www.greenforall.org/resources/recoveryusersguide>

### **Minority Business Development Agency (MBDA) (U.S. Department of Commerce)**

A Federal agency created specifically to foster the establishment and growth of minority-owned businesses in America.

MBDA financing resources: [http://www.mbda.gov/?section\\_id=3](http://www.mbda.gov/?section_id=3)

MBDA Capital Locator (coming soon):

<http://www.mbda.gov/index.cfm?fuseaction=crl.main>

### **Community Investing Center resources**

<http://www.communityinvest.org/resources/add.cfm>

## Others:

### **Seedco small business recovery report Crisis on Main Street:**

[http://www.seedco.org/documents/publications/Seedco\\_Small\\_Business\\_Recovery.pdf](http://www.seedco.org/documents/publications/Seedco_Small_Business_Recovery.pdf)

### **Startup Fundraising 101 presentation:**

<http://entrepreneur.venturebeat.com/2009/07/08/startup-fundraising-101/>