



The University of North Carolina's Small Business & Technology Development Center

2005 Annual Report

Job Creation
Innovation
Economic Development



NC STATE UNIVERSITY



President Erskine Bowles

The University of North Carolina



Dear Fellow North Carolinians:

It's an honor and a privilege to be serving as president of your public University.

Soon after taking office in January, I outlined some of the leading challenges I see facing our University and our state. Chief among them is the enormous economic transformation underway in our state and nation. North Carolina has lost thousands of jobs in our traditional industries and faces even greater challenges from global competitors. To rise to this challenge and to prosper in a knowledge-based global economy, we simply must get more people better educated.

This challenge is compounded by the fact that we live in a time of limited state and federal resources. We must therefore set very targeted priorities and expect demonstrable returns on the investments we make.

Your University is committed to supporting the transformation of the economy of North Carolina. This includes improving our support for education from K-12 through graduate study and research. It includes building more seamless relationships with our community colleges. It also includes a commitment to applied research, innovation, and transfer of knowledge.

The University's extension, engagement and outreach resources like the SBTDC are a vital part of this collaborative effort. The SBTDC's business counseling and management education services help provide the state's small and medium-sized businesses with the education, tools, skills and other resources needed to improve their competitiveness and success.

I am proud of the record the SBTDC has built over the past 21 years. It's a cost effective program that produces tangible economic outcomes, and it must continue to play an important role in our future economic transformation efforts.

Chancellor
James Oblinger
North Carolina State University



I am very pleased that President Bowles has asked North Carolina State University to become the administrative host for the statewide Small Business and Technology Development Center (SBTDC).

The SBTDC has functioned as a business and technology extension service for two decades. Its services and activities naturally complement and support the work of NC State's Cooperative and Industrial Extension Services. I believe that positioning the SBTDC with NC State will allow us to have an even greater impact on economic development activities statewide in the years ahead.

As a leading land grant institution in the nation, NC State has a long history and deep commitment to extension, engagement and economic development activities across North Carolina. The SBTDC exemplifies this commitment, and its strong record of service to the state's small business and economic development communities is broadly recognized. The SBTDC is a most welcome addition to NC State's portfolio of extension, engagement and economic development resources.

NC STATE UNIVERSITY



Executive Director's Message Scott R. Daugherty



It's been a terrific year for the SBTDC.

Along with our colleagues across the University system, we have welcomed Erskine Bowles as the new President of the University. President Bowles' familiarity with and high regard for the SBTDC dates back to his service as Administrator of the U.S. Small Business Administration in 1993.

We have welcomed, as well, the transfer of the administration of The University's statewide SBTDC program to North Carolina State University. The SBTDC has joined the Extension, Engagement and Economic Development Division at this leading land-grant and research institution.

We also expanded the level of our business counseling and management education services across the state while retaining high quality and impressive economic impact results.

Some highlights for the year include:

- ✔ Over 12,000 North Carolinians received in-depth business counseling and management education services.
- ✔ Clients secured over \$1.1 billion in government contracts.
- ✔ Over 4,000,000 individuals visited our website.
- ✔ Clients secured \$175 million in capital - \$100 million of this represented by equity investments.
- ✔ With active support from the SBTDC, SBIR awards to North Carolina firms increased by 30% over the prior year.
- ✔ The SBTDC successfully administered the state's hurricane disaster recovery program - \$13 million in disaster loans were disbursed.
- ✔ A number of major boat builders located their businesses in North Carolina with Marine Trades Services assistance.
- ✔ Ex-Im Bank credit insurance policies issued with SBTDC support leveraged \$43 million in export sales.

The highly competent and dedicated staff of the SBTDC is making a real difference through their work with small and mid-sized companies. Our clients are making a real difference by creating and retaining the jobs needed to grow the economy. Together, we're enhancing job creation, innovation and economic development in North Carolina.

Perspectives on the SBTDC



**Marc Basnight, President Pro Tempore
NC Senate**

"Small businesses are the backbone of North Carolina's economy. As a key resource for small business owners and employees, the SBTDC is critical in supporting significant new job creation and business growth across the state.

The SBTDC provides a very effective return on our state's investment."



**Jim Black, Co-Speaker of the House
NC General Assembly**

"From our larger cities to our rural communities, the SBTDC helps our valuable business owners get off the ground, and it supports existing businesses with their efforts to grow and prosper."



**Lee Cornelison, District Director
US Small Business Administration**

"We are fortunate to have one of the very best SBDC's in the country. They provide very high quality, in-depth services to the state's small business community."



**Secretary Jim Fain
NC Department of Commerce**

"The SBTDC is a strong partner of the Department and an invaluable resource to us as the state's 'first responder' for business disaster recovery."



**Billy Ray Hall, President
NC Rural Economic Development Center**

"The SBTDC has one of the finest small business teams in the U.S. We're so grateful that this powerful resource is available in rural North Carolina."

OUR MISSION

The Small Business and Technology Development Center's (SBTDC) mission is to support the growth and development of North Carolina's economy by:

- ~ encouraging entrepreneurship
- ~ assisting in the creation and expansion of small to medium-sized enterprises
- ~ facilitating technology development and commercialization, and
- ~ supporting economic development organizations

A quick look at the SBTDC

The SBTDC is a statewide business development service of The University of North Carolina administered by North Carolina State University. It has been helping North Carolina businesses succeed since 1984. SBTDC professionals provide management counseling and educational services to small and mid-sized businesses in all 100 North Carolina counties from 17 offices – each affiliated with a college or university.

As a university-based program, the SBTDC promotes lifelong business learning and helps owners and managers gain knowledge essential to making better business decisions, create high-value innovative products and services, and enhance competitiveness. Most SBTDC services are free of charge, and all SBTDC services are confidential.

SBTDC services are well defined and are designed to meet our clients' needs:

Business Counseling – SBTDC counselors help business owners and managers with financing, marketing, human resources, operations, business planning, and feasibility assessment.

Management Education – The SBTDC also provides targeted, research-based educational products focused on change management, strategic performance, and leadership development for management teams, employees, and board members.

The SBTDC's Special Market Development Services are specifically designed to aid growing companies in expanding their markets and increasing competitiveness:

Business Research – SBTDC specialists provide research and marketing support services for SBTDC clients, primary research on small business needs and economic impact, and special projects such as small business incubator feasibility studies.

Procurement Technical Assistance – SBTDC government procurement specialists help businesses secure contracts by providing comprehensive assistance in selling North Carolina products and services to federal, state, and local governments.

Export Financing – SBTDC is North Carolina's City-State Partner for the US Export-Import Bank.

Marine Trades Services – The SBTDC provides business and regulatory services to marinas, boatyards, boat dealers, boat builders, marine construction firms, and product/service providers.

Technology Development and Commercialization – SBTDC technology

specialists assist technology-based businesses and university researchers in commercializing innovative technologies. The SBTDC is also the Governor's designated Small Business Innovation Research (SBIR) assistance resource.

The SBTDC has worked with over 96,000 business owners since opening in 1984. More than 95 percent of our clients rate the SBTDC's services as "good" to "excellent."

Partnerships are key to our success. Our primary funding – provided by The University of North Carolina and by the US Small Business Administration – supplies stability and sustains growth. Our cooperative working agreements with the US Department of Defense, the NC Department of Commerce, and the Export-Import Bank of the United States provide coordination and reduce duplication of effort.

"We believe you have developed a very high quality program – certainly one of the best in the nation..."

ASBDC On-site Review and Evaluation Report issued July 2004



An Accredited Member of the
Association of Small Business Development Centers

SBTDC IMPACT:

Making a real difference in North Carolina

Client Counseling, Management Education, Website

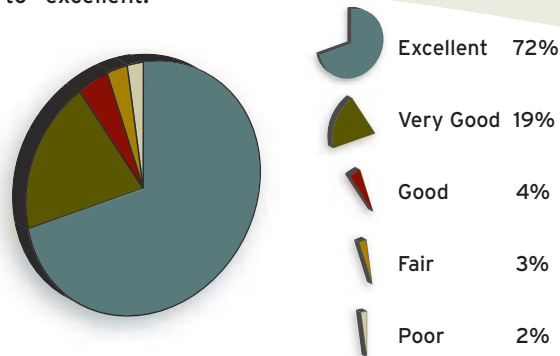
Since its inception in 1984, the SBTDC has provided over 650,000 hours of counseling to over 96,000 clients. In 2005, the SBTDC provided over 60,000 hours of counseling to more than 6,000 clients. Of these, 33% were woman-owned businesses and 33% were minority-owned businesses.

During 2006, over 7,000 individuals participated in SBTDC conferences and workshops. Of those, over 725 company owners, managers, board members, university administrators, and economic development professionals took part in 41 SBTDC Management Education Services (MES) events focused on strategic performance, leadership, and management team development.

Each month over 400,000 unique users visit the SBTDC website to access information on frequently asked questions, starting and growing a business, financing opportunities, technology commercialization, and other resources.

Opinion of SBTDC Counseling Services

The SBTDC surveys each client to determine the effectiveness of its counseling services. In 2005, 95 percent of our clients rated SBTDC services "good" to "excellent."

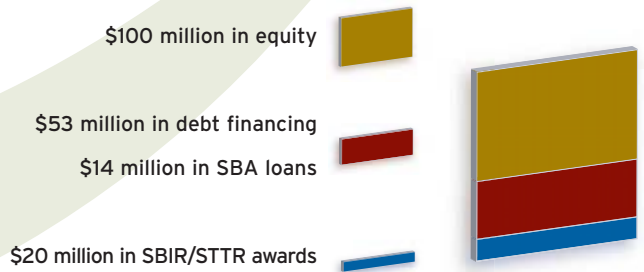


In addition, 96% of our clients "would recommend" SBTDC services to others.

Client Financing, Contracts and Jobs

In 2005 alone:

SBTDC clients received over \$175 million in funding (exclusive of owner's equity). Included in this amount were \$53 million in debt financing (including just under \$14 million in SBA loans), \$100 million in equity from venture capitalists, private ("angel") investors and other sources, and \$20 million in SBIR/STTR awards.



SBTDC's Procurement Technical Assistance Center (PTAC) helped clients obtain over \$1.1 billion in contract awards from government agencies and prime contractors in 2005. The Department of Defense estimates that these contract awards support over 30,000 jobs in North Carolina.

SBTDC Impact is 24/7

SBTDC in-depth clients create one new job every 2 hours

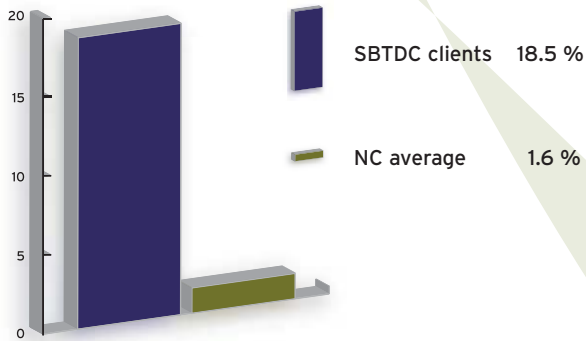
Every HOUR, they ...

- Obtain over \$10,000 in debt and equity financing
- Generate over \$30,000 in sales growth
- Generate over \$3,500 of incremental tax revenue

SBTDC Impact - Sales & Employment Growth

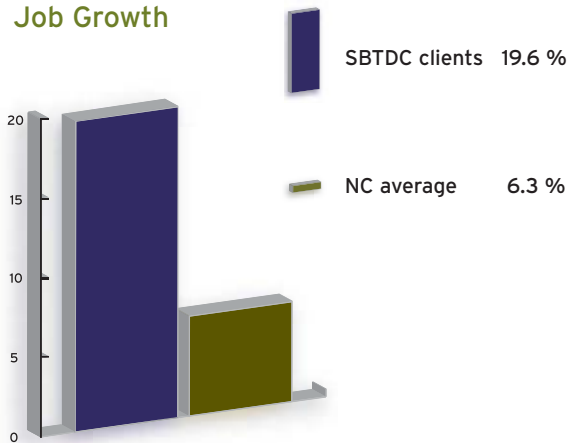
Each year, the SBTDC participates in a national study of clients who have received five or more hours of service. This research demonstrates that the SBTDC is helping client companies grow and create jobs at significantly greater rates than the average North Carolina business.

Sales Growth



Cost per job generated = \$1,755

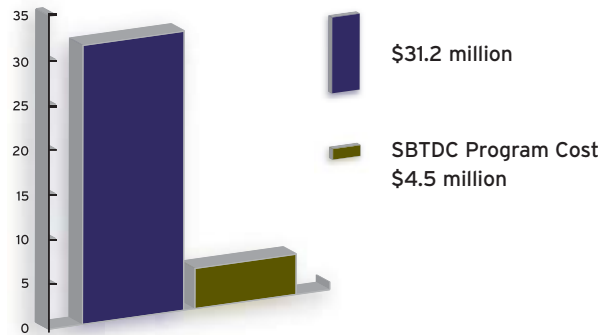
Job Growth



A Strong Return on Investment

Year after year, the national Economic Impact Assessment Study shows that North Carolina receives a strong return on investment from SBTDC services. Clients counseled in 2003-2004 achieved the following results:

Incremental Taxes Generated



Benefit-to-Cost Ratio: Counseling provided to clients generated \$6.88 in incremental tax revenues for every \$1.00 spent on the SBTDC program.

More significantly, while counseling is a one-time cost, the tax revenue stream will continue to benefit North Carolina's economy for years to come.

Source: 2005 Economic Impact Assessment Survey of 2003-2004 clients

Note: The study only includes federal income tax and state income and sales taxes. It does not include additional taxes such as corporate taxes, property taxes, unemployment taxes or social security payments.

SUCCESS STORIES

Individually, North Carolina's homegrown small to mid-sized businesses don't have much clout, but collectively they are leading the charge in job creation, innovation and economic development. Over the last twenty years, small businesses have consistently created 75% or more of the net new jobs in North Carolina. They employ 39% of high-tech workers (scientists, engineers and computer workers), and generate the majority of innovations, but often don't get the recognition they deserve.

This annual report introduces you to eleven SBTDC client entrepreneurs who are pursuing their dreams and making a difference. Their companies provide a wide variety of products and services, including biotechnology research, decorative sinks, advertising, telecommunications equipment, home health care, and custom trucks.

They represent the thousands of small to mid-sized companies across North Carolina that are innovating, creating jobs and helping to build North Carolina's economy.

Sherry Gray
Yesterday and Today Frame Shop
Frame shops
Hillsborough



Tammy McElreath & Terry Potts
Can-Am Custom Trucks
Custom trucks
Charlotte

Donna Lowry
Caring Touch Home Health
Home health care
Pembroke



Will Dougherty
Evolve Advertising
Advertising agency
Greenville

Amy Vermillion
The Dripolator
Coffee shops
Black Mountain



Claudette Finger
CODE LLC
Telecommunications equipment
Brookford



Job Creation.

Innovation.

Economic Development..

Dr. Deanna Nelson
Biolink
Contract research / drug repair
Cary



Tom Carter
EXPOGO!
Displays & graphics
Wilmington

Micah Pattisall
Magnet America
Automobile magnets, decals, flags
Pfafftown



Clifford Thompson & family
Thompson Traders
Decorative sinks, tubs, doors
Greensboro

Greg Godard
Upper Coastal Plain Development
Corporation
Business incubator
Wilson





BioLink Life Sciences, Inc.

Cary, NC
www.biolink.com

R&D FUNDING

"I'm a problem solver," says Deanna Nelson, PhD who is the founder, President, and Chief Scientific Officer for BioLink Life Sciences, Inc. "BioLink is an extension of my 30+ years of problem solving and innovation in the medical products arena. The only difference is that, for the first time, we at BioLink have an abundance of ideas and talent and insufficient funds to execute our plans."

Deanna holds more than 30 patents and over a 100 publications that endorse her ability to invent products that work. One example of her achievements is found in her 15 years leading Baxter's development team for HemAssist™, one of the blood substitutes that has progressed through clinical trials to the brink of FDA approval.

Past achievements and her own resources, however, were not sufficient to launch BioLink as a drug company in 2001. Instead, since its founding, BioLink has built revenues by providing contract resources for other pharmaceutical, biotech, and medical device companies who are developing their products. On at least four occasions, BioLink's clients have

been awarded patents that resulted from studies that were completed at BioLink.

Yet her dream of creating new and better drugs based upon novel formulation approaches has persisted. Having come from large corporate America (Baxter International), Deanna is quite accustomed to obtaining internal funding for projects by preparing ROI analyses and probability assessments to allow decision-making for the allocation of dollars. However, obtaining sufficient external funds to follow and develop your own ideas is a different ball game. This is where SBTDC fits in.

SBTDC provides a way to link necessary resources together with small companies like BioLink. The result is a conversion of ideas that have significant scientific merit and commercial potential into actions. For example, by working with SBTDC, BioLink has successfully gained two Small Business Innovation Research (SBIR) awards, one for novel "Pro-Dyes" and the second for innovative ways to provide iron supplements to patients who rely on intravenous nutrition. "Through their programs,"

Deanna acknowledges, "SBTDC interpreted the federal government's grant request language and translated it into simple English for companies like BioLink." In addition, BioLink participated in the SBTDC's summer intern program, which pairs high potential, high tech, small companies with MBA students from the Kenan-Flagler School of Business at UNC-Chapel Hill, the Babcock Graduate School of Management at Wake Forest University, and the Fuqua School of Business at Duke University. "SBTDC matched BioLink with an intern from Wake Forest University during the summer of 2005," she noted, "and we had him working day and night analyzing market opportunities and developing presentations." This program was so successful that Dr. Nelson hopes to have another intern for the 2006 summer.

With two "repaired" drugs ready for final market development, likely with strategic partners, BioLink's success exemplifies the successful way in which SBTDC has supported small businesses in North Carolina.



"By working with the SBTDC, BioLink has successfully gained two SBIR awards"



Can-Am Custom Trucks, Inc.

Charlotte, NC

www.canamcustomtrucks.com

IMPROVING OPERATIONS

When the price of steel suddenly escalated in 2003, Can-Am Custom Trucks, Inc. of Charlotte started losing money for the first time. Siblings Tammy McElreath and Terry Potts, Can-Am's owners, were accepting orders based on quotes valid for 90 days with no steel escalation clauses. Their banker could offer no help, but a referral from Self Help Credit Union led Tammy and Terry to the SBTDC.

Tammy and Terry presented the SBTDC with a six-year-old business that began with \$300 and matured into a versatile manufacturer. Can-Am manufactures custom truck bodies and provides installation and modification services for light- and heavy-duty trucks and vans.

After working with SBTDC counselors Carl Beal and Bion Schulken, Terry said he developed "an understanding of the business and how we can draw from other resources." Tammy and Terry have continued to build their business capability by engaging other resources including the N.C. Employment Security Commission and Central Piedmont Community College.

Bion also helped Can-Am's owners to select manufacturing software to improve production

planning, inventory management, and cost control.

"Most of our processes were manual and poorly documented," Tammy says. The company began the software implementation in February 2006 and according to Tammy, "we are looking forward to using the software as a tool to better understand and control our business and serve our customers."

Research that led Tammy and Terry to consider adopting the manufacturing software came from a Montreat College MBA student team assigned to Can-Am during spring semester 2005. The team also supplied capacity and cost analyses and recommended Can-Am add a second shift, which they did in March 2005. Tammy says the added shift "enabled us to increase production and improve on-time delivery to our customers without adding to capital expense." "We have built our business on relationships and trust; I don't want to damage that," Terry says. The MBA team's recommendations and impact also won them the SBTDC's statewide Graduate Business Student Competition.

Between 2004 and 2005, the company increased revenues 33%, but more importantly, they went from a 9% operating loss to a 5% profit. Tammy and Terry emphasize that Can-Am's success is a direct result of the many resources they now have available. The MBA team's recommendations, Carl's accounting background, and Bion's manufacturing background have directly impacted the company's results.

"Having a whole team . . . made different resources available to us," Tammy says. "They have become a vital part of our business and take an active interest in our success." Terry's advice to entrepreneurs: "Find the resources in your area before you start. Learn to float before you go swimming."



"Having a whole team ...
made different resources available to us."



Caring Touch Home Health Care, LLC

Pembroke, NC

www.caringtouchhomehealthcare.com

STUDENT ENGAGEMENT

Caring Touch Home Health Care is about making all possible efforts to look after its clients. The goal is to keep clients healthy in their homes, where they are outside the supervision of physicians and hospital staff. Nurses and nursing assistants from Caring Touch monitor vital signs and address medical concerns; they also prepare meals, foster mobility, and help with bathing and grooming. Donna Lowry, registered nurse since 1998 and agency director for Caring Touch, oversees the care of its 400 clients. From its headquarters in Pembroke, Caring Touch serves Robeson, Scotland, and Cumberland counties.

Caring Touch is also about doing the utmost to take care of its employees. The home health industry is saturated with contract labor, but Donna has chosen to treat and classify her workers as employees, despite the resulting tax burden and liability that befall her. Four times per year, Donna holds an appreciation event that provides games, food, and cartoon character appearances for employees and their families. Donna's close bond with her employees is evident even in her daily routine – she and her office staff eat lunch together almost every day. She states that support from her staff and from her husband has been essential.

Caring Touch employs about 250 individuals, so it has created that many jobs since start-up in 2003. After working in the hospital setting as a float nurse, Donna had decided that she wanted to help patients beyond what she could do as a hospital worker by providing care in their homes. A brochure directed Donna to the SBTDC for help with starting her own business.

Greg Taylor, now an SBTDC regional director, showed Donna how to create a business plan and informed her about state requirements for home health care providers.

"It was really great having a mentor," Donna says. "No one is going to hand you anything in life, but it's good to know that someone has lent you a helping hand."

In 2005, Johnnie Marshburn became primary SBTDC counselor for Donna, and he gave her advice about financing, technology, and expanding into a new building.

"If I see a big project, sometimes it can be overwhelming, but with Johnnie's advice, I can just take it one step at a time," Donna says. "Sometimes

people need that nudge, that guidance, and that really makes a difference.”

Johnnie and three MBA students from UNC-Pembroke teamed up to provide further assistance during the fall 2005 semester. To enhance marketing, the team orchestrated billboard advertising and created a brochure that potential clients find at doctors’ offices. Donna calls the ensuing upsurge in clientele “phenomenal”: the number of new clients increased 30 percent during the period that the team worked for Donna. The team also facilitated the implementation of employee health insurance, which became effective March 1, 2006.

Without the team, Donna might not have accomplished these improvements, she explains. She is too occupied with the business’ day-to-day activities, and, additionally, a change in Medicare protocol forced her to spend December 2005 through March 2006 reviewing files for all of her clients.

“I’m only one person,” she says. “But I felt like I had a board working nonstop in the background. . . . You can’t run a business efficiently without the right resources and the right people.”

Donna’s achievements led UNC-Pembroke to grant her the 2005 Business Visions Entrepreneur of the Year award, an honor presented in partnership with the SBTDC and UNC-Pembroke’s Regional Center for Economic, Community, & Professional Development. The award is presented to a Robeson County or Scotland County individual who has best shown the entrepreneurial spirit in running a business, creating jobs, and contributing to the community.



Caring Touch has created 250 jobs since start-up in 2003.



CODE LLC

Brookford, NC
www.codellc.com

GOVERNMENT CONTRACTING

"I want to grow this business to hire more and help this community's economy — that's my biggest dream," says Claudette Finger, president of CODE LLC. CODE (Coaxial, Optical, Devices & Equipment) manufactures and supplies telecommunications products in Brookford, just outside the Hickory city limit. Hickory's economy has been the victim of massive layoffs in the telecommunications sector in addition to layoffs in the hosiery and furniture industries.

CODE originated as a 1990s vision that lay dormant until Claudette's tenure in mid-level management at a major telecommunications company ended in fall 2002. She started CODE as a home-based enterprise with a three-tiered business model: value-added resale, manufacturing, and installation. In January 2004, she transposed the business so that its single undertaking was manufacturing, and CODE moved into its present facility. At peak production times, CODE has employed as many as 40 individuals.

Along the way, a team of SBTDC representatives have aided Claudette. The most recent team is composed of government contracting specialist Mark Mills, manufacturing expert Steve Bumgarner,

assistant regional director Blair Abee and regional director Bill Parrish.

Claudette's initial interview with the SBTDC occurred in October 2002, when she was on the verge of starting CODE.

"I asked every question you can imagine, and they were so very thorough . . . in telling me what had to occur to see my dream get into motion," Claudette says.

The SBTDC assisted Claudette with her business plan, and engaged a professor and student team from Appalachian State University who identified key challenges and made related recommendations.

Claudette was a student in Blair's NxLevelL class, a 10-week management course that in every session, according to Blair, gives executives ideas that they can apply the next day.

"I highly recommend [NxLevelL] to anyone who's considering their own business," Claudette says. Claudette is waiting for 8(a) certification, granted to small businesses owned by socially and economically disadvantaged individuals. Mark supported her during

“I asked every question you can imagine, and they were so very thorough ...”

the application process, and she expects to achieve certification in May 2006. Mark also provided her with materials from the General Services Administration library as part of an effort to qualify CODE for the GSA schedule of suppliers.

Sending Claudette on her way to selling to the government was Opportunities 2004, a regional conference designed to link small business owners with prime contractors and contracting officers from government agencies.

The SBTDC joined with four U.S. congressmen to sponsor the biennial event, which is held at Asheville's Grove Park Inn.

Opportunities 2004 “was a great way to incorporate business along with a little pleasure,” Claudette says.

“It made us more aware of all the other government opportunities that were available. We started to target a lot of the vendors that were present there. It energized. It got the momentum going.”

Claudette has since had her turn to play the parts of educator and leader as a panelist at the 2006 “Entrepreneurship Policy Summit” in Chapel Hill.

The session entitled “Showcasing Successful Entrepreneurs” featured Claudette and three other successful business owners.

Next up for CODE: Claudette wants to achieve ISO 2002 certification.





The Dripolator Coffeehouse

Black Mountain, NC

BUSINESS EXPANSION

The Dripolator Coffeehouse, Amy Vermillion's award-winning business in Black Mountain, has opened a second store this year in Asheville. The Black Mountain store was named the best coffeehouse in Western North Carolina by the Asheville Citizen-Times in 2000, and Amy was honored with a YWCA award for successful women in business. Since its inception in 1999, the Dripolator has become a social hub for Black Mountain. Retirees, students from the two neighboring college campuses, working professionals, mothers, and children are among its patrons.

"The community was ripe for a place where people could gather," Amy says. "The motto for the town of Black Mountain is the Front Porch of Western North Carolina. We have people tell us that the Dripolator is the living room."

Between 1999 and 2006, sales growth has averaged 15 to 20 percent each year. In 1999, Amy and one other employee worked at the coffeehouse seven days a week, 15 hours per day. Now, work at the Black Mountain location is spread among 8 to 12 employees, and the Asheville store employs about 15 more.

Amy is working with Wendy Cagle, director of the SBTDC's Western Regional Service Center, on plans for optimizing the new store's initial performance. Amy hopes to build on what she has learned since Wendy began counseling her in 1999.

Of her first store, Amy says, "I don't feel I could have done it without Wendy. She came to my shop on a regular basis and taught me how to use QuickBooks, and how to do my own payroll. She helped me with spreadsheets and taxes."



The most important assistance that Amy received in 2005 was Wendy's help with a spreadsheet that led Amy to believe that she and her partner for the new store, Susan Maruca, would have sufficient cash flow to make the new store feasible.

Amy "has learned that planning is necessary for a business," Wendy says.

Amy agrees, distancing herself from those entrepreneurs who "don't crunch numbers to see if they can make the dreams they have come true."

Amy is producing spreadsheets on her own now, and she is getting closer to her goal, which she says "is to not need Wendy's help any more."

Wendy's didactic approach is supporting Amy's goal: "My job as a counselor is to teach people how to make good business decisions through fact finding and analysis. Amy is a star pupil."

Of her first store, Amy says,
"I don't feel I could have done it without Wendy".



Evolve Inc.

Greenville, NC
www.evolveinc.com

MANAGING GROWTH

In its initial three years, Evolve Inc. has grown out of not one, but two, locations. The advertising, marketing, and public relations company has swelled from a one-man, in-residence startup to an agency with 10 employees and a 2,300-square-foot office in Greenville.

President Will Daugherty incorporated Evolve in August 2002. In the beginning, Evolve's distinctive business model and lack of tangible products made fitting Evolve to the conventional lending model difficult. Funding during the startup stage has been the greatest challenge, Will says. He had begun working with SBTDC counselor Jim Ensor earlier in the summer, and Jim encouraged him to prevent getting distracted from the heart of his business idea.

"[Will] had a plan that was, from the start, brilliant. It was just to stay focused that was key," Jim says. "I try and put myself in his shoes, understanding that I don't have the risk."

Rather than a particular SBTDC service, the all-purpose relationship between client and guide has been the most useful tool for Will.

"I'm hard to harness into services, so having a counselor is the best fit for me," Will says.

According to Will, the most important discussion he has had with Jim led Evolve to drop a client with which it had been doing wholesale business.

"We couldn't let funding continue to guide our decisions," Will says. "That client . . . showed they were in business only for themselves."

Evolve has acquired clients ranging from small businesses to international corporations whose sectors span banking, outdoor leisure, medicine, accounting, industrial manufacturing, retail, and more. Evolve's work now includes logo creation, television and radio commercial production, web design, trade show display units, print advertisements, and billboards.

In 2006, Will plans to use Jim as a sounding board as Evolve's growth persists. Sales growth was 41 percent in 2005, and Evolve is under contract to double sales in 2006.

“Right now our growth continues to come so fast,” Will says. “Jim and I are figuring out how to handle operations so we keep our reputation. Refining the systems that handle the work is critical.”

Serving customers’ best interests with high-quality work has always been crucial for Evolve’s business model. The result benefits customers and the surrounding community.

“We believe heavily in corporate responsibility — reinvestment in good quality people and great work to help our communities,” Will says.

In-house, Will continually endeavors to make his employees better and better. Outside Evolve, he commits his company to supporting community organizations through promotional aid and web design. Evolve has adopted nonprofits in Pitt and Wayne counties.

This year, Evolve will be supporting the Greenville Museum of Art, Young Life Wayne County, and the Pitt County Health Education Foundation.



In 2006, Will plans to use the SBTDC as a sounding board as Evolve’s growth persists.



EXPOGO!

Wilmington, NC
www.goEXPOGO.com

STRATEGIC VISIONING

Tom Carter's display and graphics company, ExpoStar Displays & Graphics, was one of the SBTDC's first clients in the late 1980s. He and his wife founded the company when they bought \$5,000 worth of inventory from another display company that was going out of business, intending to liquidate what they had purchased. Ultimately, they sold their purchases for \$150,000, hired the folding company's production manager, and developed a new product line. Tom is now president of EXPOGO!, the flagship wholesale manufacturer of products that were previously divided among the ExpoStar, Prezenta, and Archiform brands. EXPOGO! has obtained multiple patents for tradeshow, presentation, and sign products.

In the last two years, Tom's company has renewed its relationship with the SBTDC, this time as a high-growth and fast-moving company. January 1, 2006 marked the unveiling of the EXPOGO! name. In July 2003, what is now EXPOGO! relocated from an 8,700-square-foot facility to its present 40,000-square-foot facility in Wilmington. Now the EXPOGO! team is striving for \$10 million in sales, a goal it calls the Race to Ten.

Typical issues for which growth companies receive help from the SBTDC are often personnel-related and compensation-related, according to Leslie Langer, director of the SBTDC's Southeastern Regional Service Center.

Accordingly, the SBTDC assisted Tom in coordination of a Strategic Planning Retreat held in November 2005. The retreat generated a vision statement and dialogue about the upcoming name change.

"We'd never actually put a vision statement in writing before," Tom says. He adds, "The name change was big because we had an 18-year-old company and names that people know. Each product had its own logo. Now all the logos tie together." Of the services the SBTDC has made available to EXPOGO!, Tom values the retreat the most. The retreat involved all key employees in an organized discourse, according to Tom.

Terry Moore, marketing team leader at EXPOGO!, appreciates the retreat for the same reason. "By including employees, [the retreat] is priceless in how it makes them feel about their participation in this company," Terry says.

Of the services the SBTDC made available to EXPOGO!, Tom values the retreat the most.”

EXPOGO! has made multiple efforts to strengthen cooperation among its employees. The vision statement composed at the retreat has received the name, “Our Ambition.” It includes the statement, “We understand that company success requires the highest levels of performance by all employees and their contributions to our team will always be sought and valued.” Additionally, EXPOGO! is implementing a new plan for sales personnel that correlates bonuses with revenue generation as opposed to profit sharing.

“Gross sales is a number everyone here can relate to,” Tom says.

EXPOGO! employees take pride in their team-oriented mindset; likewise, they pride themselves in their company’s capacity for innovation. And for good reason: EXPOGO! boasts nine patents, and it continues to introduce new products.

A team from the MBA Learning Alliance of UNC-Wilmington worked with EXPOGO! to create criteria for analyzing the profitability and determining the market size of potential products. The team’s creative angle has been advantageous, Tom says, because it resulted in a scoring system for the prioritization of potential products, which helps EXPOGO! decide which innovative ideas to pursue. The system also provides methodical guidance when Tom is away from EXPOGO!, especially when he vacations with his family for five or six weeks at a time each summer.

“The angle of systematizing everything we do . . . helps ground us because we are blazing a trail,” Terry says.





Magnet America

Pfafftown, NC
www.magnetamerica.com

SUCCESSFUL TURNAROUND

As an entrepreneur, Micah Pattisall's greatest trial has been to determine which business opportunities to pursue. He is director of operations at Magnet America, a company that began in 2003 with the invention of the original yellow-ribbon automobile magnets that bear the message "Support Our Troops." From sales of 100 magnets per month in 2003, sales increased to more than 100,000 magnets per week in summer 2004. Management was able to donate \$45,000 to nonprofit organizations that benefit armed services personnel.

By September 2005, Magnet America's sales had dropped by 80 percent compared to 2004. Magnet America's leadership was trying to stabilize the company's financial position. To add to the changes Magnet America was experiencing, the original owner announced that he was stepping down from day-to-day operations.

At that time, Micah was sales director, and the general disjointedness of the company was his primary concern when he initially contacted the SBTDC for guidance. An SBTDC representative in Charlotte referred Micah to the SBTDC's office at Winston-Salem State University.

"I was concerned about the fragmented structure of a company that grew out of a fad. But we knew we had, and still have, a viable business," Micah says.

It is the advice about restructuring — financial, managerial, and operational — that Micah appreciates the most of the SBTDC's assistance.

From SBTDC counselor John Kovalich, Micah learned to streamline Magnet America's finances by making appropriate allocations for advertising, profit, salaries, and overhead. He received guidance about the company's leadership change. Through a Strategic Needs Assessment John provided, Micah also examined employees' disagreement regarding operations.

Micah calls John "a mountain of ideas" due to the myriad of helpful solutions he proposes. John augments Magnet America's success because he makes recommendations that put Micah's ideas into practice. John helps by "sorting through the uncertainty" that innovation presents, Micah says.

Micah emphasizes that practical assistance from the SBTDC — combined with the creativity of the Magnet America team — led to the company's successful turnaround.

Micah emphasizes that practical assistance from the SBTDC - combined with the creativity of the Magnet America team - led to the company's successful turnaround.

"Execution of a quality idea is much more difficult than just having a great idea," Micah says.

For instance, when the company was exploring foreign sales, John helped Magnet America's leadership craft unique pricing terms for a Japanese distributor. Micah learned from John how Japanese businessmen work; thus, the new pricing terms were based on levels of trust, timing, and shipping issues that suited Japanese commerce and Japanese culture. Micah also built a network of business contacts in Japan through connections the SBTDC provided, including one that resulted in a close relationship with the N.C. Department of Commerce representative in Japan.

In 2005, Magnet America cut costs by 50 percent. Revenue exceeded \$3 million. The company now offers wristbands, window clings, adhesive decals, nylon flags, and lapel pins in addition to magnets. Operations are centered in Pfafftown and inventory is stored in High Point — an organization that is simpler than before, when the company housed divisions in several more North Carolina towns.

Another indicator of its success is its emergence in new markets. Magnet America is expanding from the outdoor automobile magnets market with which it started into the indoor promotional magnets market. In 2006, Micah plans to decrease the products' dependence on patriotic and awareness genres by selling more products with themes such as humor and sports.

Magnet America is still able to support its country and community in distinctive ways. Ten percent of sales benefit the Autism Society of America, for example. The company also donates magnets to local groups for use in fundraisers. Magnet America is an ardent supporter of the Winston-Salem chapter of Relay for Life. And Micah is still working with John.

"[John] has been a great supporter and mentor," Micah says.





Thompson Traders

Greensboro, NC
www.thompsontraders.com

SELLING TO “BIG BOX” RETAILERS

“It’s a Cinderella story,” Clifford Thompson, co-owner of Thompson Traders, says about the company’s history. Clifford’s statement exemplifies the polite humility of the Thompson family. Upon a closer look, the family’s business acumen and creativity, along with a little help from the SBTDC, have driven the success of the company.

Clifford hails from a family of entrepreneurs, and his wife, Alejandra, owned a fashion accessory manufacturing business for 15 years before Thompson Traders was born in 2001. Now their son Jonathan is in charge of operations for Thompson Traders and their daughter Samantha is in charge of marketing and sales, concentrating on Lowe’s Home Improvement and EXPO Design Center. SBTDC counselor Mac McCumber characterizes the Thompsons’ entrepreneurial talent as “a golden touch.”

Alejandra’s artistic eye is another source of the success of Thompson Traders. Her natural design skills and her ability to forecast future design trends have been essential for ensuring that Thompson Traders delivers the right products. The company oversees the creation of high-end, distinctive home accent products - including sinks, vessels, bath tubs,

mirrors, vanities, and doors - by artisans as far away as Mexico and India, then distributes them from its warehouse in Greensboro.

In February 2004, the Thompsons were nervous about an opportunity that could revolutionize their company, and they contacted the SBTDC for help. Within hours of each other, Lowe’s and EXPO Design Center, a Home Depot company, had called Thompson Traders, asking to meet about the possibility of entering business agreements. According to Clifford, the Thompsons had only six weeks to prepare for the two meetings, and they were panicking about formulating a sales pitch.

Tim Janke, then director of the SBTDC’s Northeastern Piedmont Regional Service Center, guided the Thompsons with his expertise concerning the peculiarities of big box retailers. Tim’s law degree and extensive retail manufacturing background enabled him to make recommendations about the contracts Lowe’s and EXPO Design Center had proposed.

As for the pricing and competitor analysis that needed to be done before the meetings, the Thompsons worked with Mac.

“Clifford predicts that sales in 2006 will be 2.5 to 5 times greater than those of 2005.”

“Mac is a genius,” Jonathan says. “We couldn’t have done it without him.”

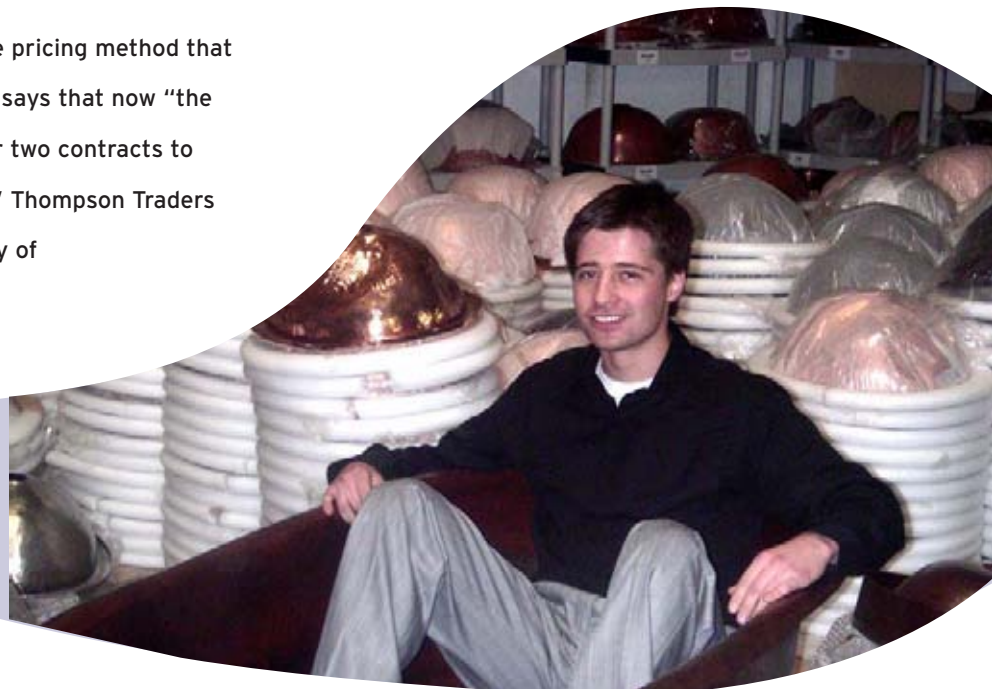
Clifford says that the most valuable contribution from the SBTDC is the confidence the Thompsons gained from Tim and Mac’s assistance. Thompson Traders signed a contract with EXPO Design Center in spring 2005 and started selling to Lowe’s in January 2005. Sales in 2005 were five times greater than sales in 2004, and Clifford predicts that sales in 2006 will be 2.5 to 5 times greater than those of 2005. Thompson Traders has spent zero on advertising. Instead, it maintains display trees with 12 sinks each in 34 EXPO centers nationwide. Internet users can view its products on Lowe’s website, and the 10 million customers who visit Lowe’s each week have a chance to take a page from the Thompson Traders tear pads that are posted.

Thompson Traders still uses the pricing method that Mac helped to develop. Clifford says that now “the real challenge is how to use our two contracts to generate substantial revenues.” Thompson Traders must also alleviate the difficulty of anticipating volume.

India’s 90-day delivery cycle, for instance, makes volume control particularly tricky. But Clifford is looking forward to an opportunity in 2006 that could lessen the problem: Thompson Traders will make its first appearance at a hospitality show, where hotels and other potential customers will be inquiring about large volumes.

“One thousand of this [product] and one thousand of that [product], and all of a sudden, the order process becomes much easier,” Clifford says.

He and Mac exchange knowing smiles - hinting that the businessman and the counselor share both a friendship and optimism about the future accomplishments of Thompson Traders.





Upper Coastal Plain Development Corporation

Wilson, NC
www.uppercoastalplainincubator.org

ECONOMIC DEVELOPMENT

Greg Godard, former Wilson County commissioner and N.C. Department of Transportation official, calls himself a civic entrepreneur. Presently, he is executive director of the Upper Coastal Plain Council of Governments (UCPCOG), which provides economic and community development services for Edgecombe, Halifax, Northampton, Wilson, and Nash counties. He is also chief executive officer of the Upper Coastal Plain Development Corporation, a 501(c)(4) nonprofit organization that is now helping him to achieve his goal of bringing a business incubator to the region.

The Upper Coastal Plain Business Development Center — the formal name for the incubator — will aim to foster creation of small businesses, boost their success rate, and increase the number of medium- to high-paying jobs. The incubator will serve the five counties that the UCPCOG governs in addition to parts of six surrounding counties. The service area has a 45-mile radius.

About the incubator's potential impact on the region, Greg says, "I'm very passionate. . . . This [incubator] is needed for our rural economy. . . . Without entrepreneurship, we cannot build on our rural economy."

As of February 2006, the \$2.3 million incubator project was just \$88,000 away from being completely funded.

The genesis of the project dates to July 2000, when Greg took notice of a recently abandoned store with infrastructure that could support an incubator. After months of further consideration and looking at other sites, Greg organized a task force.

Theresa Peaden, assistant regional director for the SBTDC's Northeastern region, was a member of that task force. She turned Greg's annual projections for the incubator into monthly cash flows, obtaining the detail that funding applications require.

"Theresa has been instrumental in setting up financial documents on the capital, operational, and facility sides," Greg says.

Greg also cites SBTDC assistance with marketing his incubator proposal. Theresa identified potential tenants while Jeff DeBellis and Carol McLaurin of the SBTDC's Business and Research Services unit spoke at outreach meetings at community colleges about incubation as an economic development strategy. The four meetings rallied about 10 potential tenants.

“[The SBTDC] has been instrumental in setting up financial documents on the capital, operations and facility sides.”

“It was a great service for [the SBTDC] to come in as a third party to introduce incubation,” Greg says.

The SBTDC helped Greg in a third way through research services. A study that analyzed the feasibility of operating an incubator in Rocky Mount was presented to Greg’s board of directors in January 2003. After Greg realized he was unable to garner sufficient support in Rocky Mount, he turned to Wilson as the target location for the incubator, and SBTDC researchers updated the feasibility study with a strong focus on the demographics in Wilson.

Greg was able to secure a site in Wilson, and he projects that the incubator will open in January 2007. In the incubator’s first three years, Greg anticipates that it will serve 32 new or expanded businesses, creating 100 jobs. Tenants will graduate from the incubator after three years. By year nine, it is projected that 100 new or expanded businesses will maintain \$10 million in private sector investment and create 300 jobs.

Greg is looking forward to an ongoing relationship between the SBTDC and the incubator. The SBTDC is one of 24 partner organizations that will provide mentoring and training.

“The SBTDC will be counseling us on incubator operations and meeting with our clients for technical assistance and research,” Greg says.

Greg emphasizes that he highly values the SBTDC for being one of the partnering organizations. Potential sources of funding are more likely to yield assistance when they know who will be cooperating with the incubator, according to Greg.





Yesterday and Today Frame Shop

Hillsborough, NC

www.yesterdayandtodayframeshop.com

ENHANCING PERFORMANCE

Without an inkling of framing experience, Sherry Gray purchased Yesterday and Today Frame Shop of Hillsborough in 1995. She spent one month training with the former owner, and then she was on her own.

Ten years later, Sherry received an Art & Framing Retailers Award from DECOR Magazine as the most profitable frame shop in the United States for shops with revenue less than \$300,000.

Sherry had approached the SBTDC in 2002 as a result of referrals from local chambers of commerce and the Service Corps of Retired Executives (SCORE). Scott Rockafellow of the SBTDC's Chapel Hill office guided Sherry then and continues to do so to this day.

One of Sherry's first lessons was the importance of monitoring inventory. Scott helped her reduce inventory from 270 days' worth of supplies to 45 days' worth.

"I am like a hawk at watching [inventory] now because it's made such a difference," Sherry says. Scott also transformed Sherry into a marketing expert.

At first, Sherry "did not like promoting her business or herself," Scott says. "Sherry looks at every opportunity now and tries to create one if there's not one there."

The shop's monthly email newsletter is a direct result of Scott's involvement. Sherry has collected 3,000 names for her contact database. She markets to new homeowners in the community through a greeting service. Her press releases have helped "far more than any print ad could do," she says.

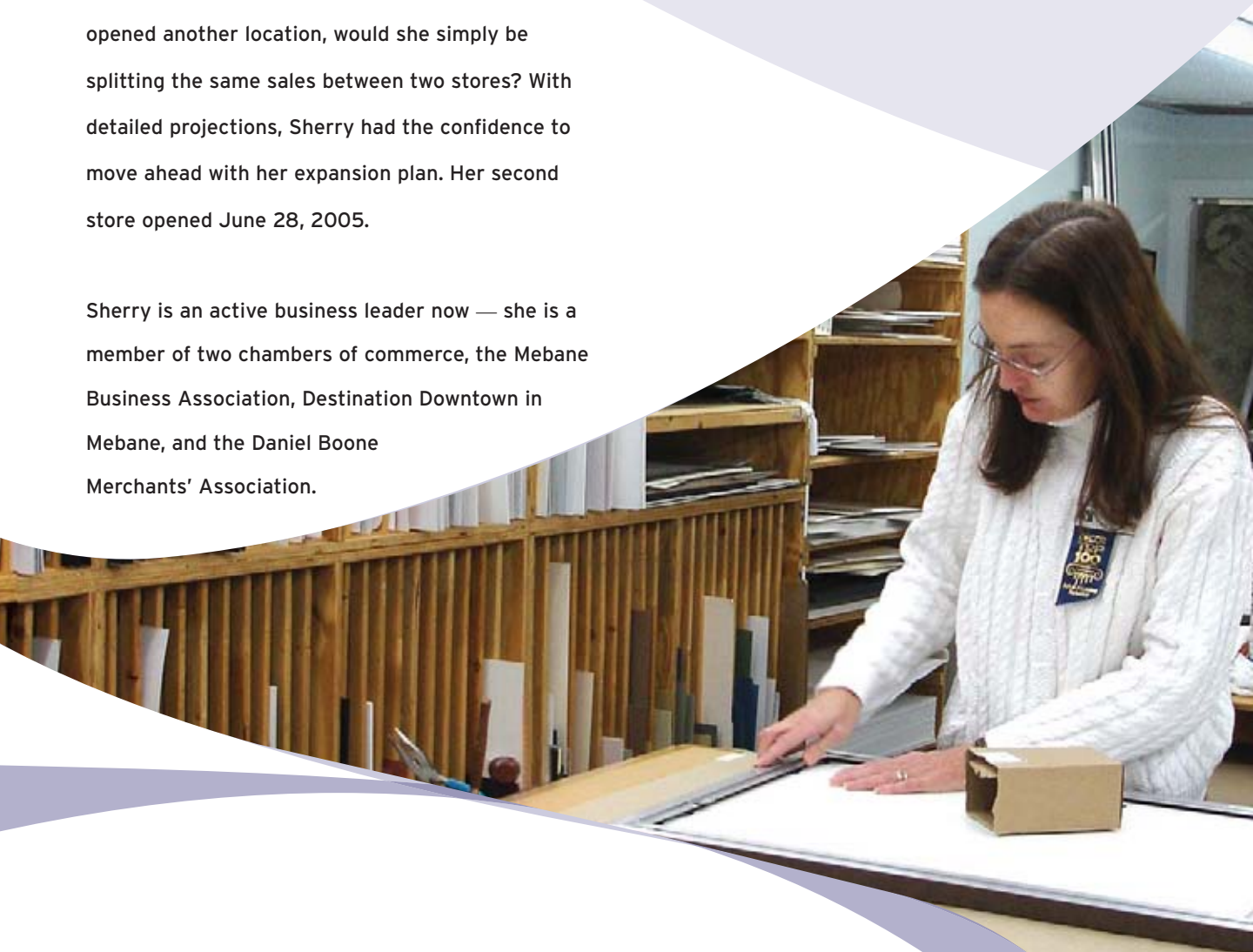
Since her business is built on genuine relationships with her customers, Sherry sends thank-you notes with a handwritten, personal message to every customer. Customers' reactions have been positive.

"We get thank-you notes for thank-you notes," Sherry says.

In addition to inventory control and marketing, Scott has helped Sherry with cash flow. When Sherry was preparing to open a second store in Mebane, he helped her answer an important question — if she opened another location, would she simply be splitting the same sales between two stores? With detailed projections, Sherry had the confidence to move ahead with her expansion plan. Her second store opened June 28, 2005.

Sherry is an active business leader now — she is a member of two chambers of commerce, the Mebane Business Association, Destination Downtown in Mebane, and the Daniel Boone Merchants' Association.

In the future, Sherry hopes to hire another framing employee and possibly add a third store. She also wishes to obtain a master's degree in business.



[The company] received an award from DECOR Magazine as the most profitable frame shop in the U.S. for shops with revenue under \$300,000."

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