

EXCLUSIVE REPORTS: Triangle Business Journal

Rural N.C. VC fund poised to go

Lee Weisbecker

RALEIGH - The newly created \$120 million-plus North Carolina Economic Opportunity Fund, a federally backed venture capital initiative for the rural sections of the state, will begin making investments in the fall.

Still an open question, however, is whether the fund's coffers will be expanded by an infusion of capital from state Treasurer Richard Moore's office.

Moore, who invests the state's \$60 billion pension holdings, has asked the General Assembly to approve a plan to put up to 5 percent of the pension money into alternative investments, including hedge funds and venture capital.

State Sen. David Hoyle, chairman of the 31-member Senate Finance Committee, where the bill currently sits, says he believes there is bipartisan support for Moore's request and that he expects a favorable committee vote on the question next week.

"We're ready to shake and bake and rock and roll on this thing," Hoyle says of Moore's request. "We set the rules (for pension fund investments). But the treasurer is the chief financial officer in the state, and we don't want to hamstring him."

Once out of the Senate, the bill must also win approval in the House.

If given the authority, Moore has said he would consider sinking up to 1 percent of the pension funds, or \$600 million, into venture capital. The state currently puts about \$80 million into VC investments.

Watching the action in the General Assembly closely are former Commerce Secretary Rick Carlisle and the other executives of Raleigh-based Dogwood Equity, the management group set up to oversee the North Carolina Opportunity Fund.

Insiders say Moore's office has circled \$50 million-plus for the Dogwood Equity fund, which was set up to scout investment opportunities in the state's 85 rural counties.

Establishing the fund was one of the recommendations of the North Carolina Rural Task Force, chaired by Charlotte investment banker Erskine Bowles, former chief of staff for President Bill Clinton. Bowles recruited Carlisle to run the Rural Opportunity Fund and also raised some \$30 million from his banking friends across the state to help get the initiative off the ground.

In addition to that seed money, the fund got \$15 million from the state last year and commitments of \$90 million from the Small Business Administration, which Bowles headed before taking the White House job.

Carlisle and his Dogwood partners - Dabney Smith, formerly of Bank of America, and Steve Buchanan, formerly of Charlotte-based Kitty Hawk Capital - already have started reviewing business plans from more than a dozen existing companies. The fund would make investments ranging from \$500,000 to \$2 million.

"We've seen a wide variety of things," says Carlisle, who says plans from start-up also will be considered.

© 2001 American City Business Journals Inc.