

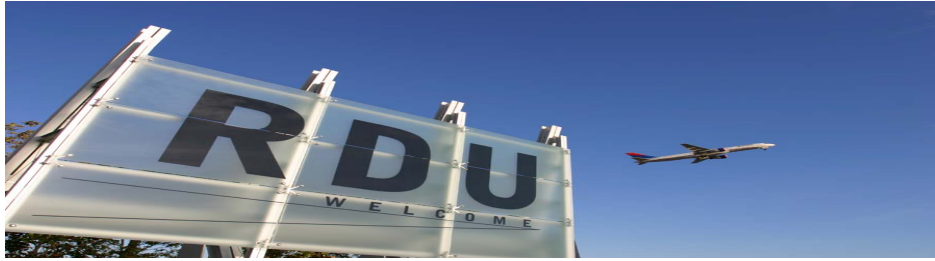


**The Shops of RDU Landing
Small & Emerging Business (SEB)
Assistance Program**

Effective: April 1, 2008

Table of Contents

1	Introduction	1
1.1	Raleigh-Durham International Airport (RDU)	1
2	The Shops of RDU Landing Concession Program.....	1
2.1	Concession Program Lease Models	1
3	Small Business Inclusion Goal	2
3.1	Impact of Direct Leasing on Small Businesses	2
4	Small Emerging Business (SEB) Assistance Program.....	3
4.1	Benefits	3
4.2	SEB Assistance Fund	3
5	SEB Assistance Program Implementation	3
5.1	SEB Assistance Program Requirements	4
5.2	Eligible Projects	4
5.3	Eligible Participants	4
5.4	Resources	5
5.5	Program Administrator	5
5.6	Application Process.....	5
5.7	Costs to the participant	6
6	Minimum Development Costs	6
7	SEB Assistance Application	6



1 Introduction

1.1 Raleigh-Durham International Airport (RDU)

Raleigh-Durham International Airport (RDU) is a medium hub airport located in western Wake County between the cities of Raleigh and Durham, North Carolina. RDU is served by ten major air carriers and fifteen regional carriers offering 230 daily departures. Six all-cargo carriers also serve RDU. Non-stop service from RDU is provided to 40 US cities as well as to London and Toronto. In 2007, 10 million passengers utilized RDU for air travel throughout the US and abroad.

RDU is operated by the Raleigh-Durham Airport Authority (Authority), a municipal corporation chartered by the General Assembly of North Carolina and existing by virtue of Chapter 168, Public-Local laws of 1939, as amended. The Authority's mission statement and guiding principle is, "To be the best airport in the world known for its uncompromising service as judged by our customers, employees and owners." The Authority is responsible for planning the use of terminal space. The Authority identifies and recruits potential concession partners, and leases concession space within the terminal buildings.

"To be the best airport in the world known for its uncompromising service as judged by our customers, employees and owners."

*Mission Statement
Raleigh-Durham Airport
Authority*

2 The Shops of RDU Landing Concession Program

The Shops of RDU Landing is the retail, food and beverage and personal services concession program at RDU. The Shops of RDU Landing offers a variety of shops and services to support the needs of RDU customers, both employees and travelers. Through The Shops of RDU Landing, the Authority makes available stores and restaurants that are open and inviting and reflect the vibrancy of the Triangle region and RDU itself. The stores and restaurants offer merchandise, services, food and beverages that meet not only the essential, but also the comfort needs of RDU customers.

2.1 Concession Program Lease Models

The Authority currently leases concession space in two formats: Direct Leases and Prime Concession Agreements. Direct leases are leases between the Authority and a retail or food and beverage operator that has a lease consisting up to four concession spaces. The business partner in a direct lease operates the concession spaces assigned to the

lease. Prime Concession Agreements are leases between the Authority and a retail or food and beverage operator that has a lease consisting of five or more concession spaces. The business partner in a prime concession agreement is responsible for the overall operation and administration of all concession spaces assigned to the lease. The prime concession operator typically operates a portion of the concession spaces assigned to the lease, and assigns through subleases or joint-ventures the remainder of the concession spaces assigned to the lease to other companies.

3 Small Business Inclusion Goal

The Authority has set a goal to diversify concession program leasing to create more opportunities for direct leases. The primary objectives of increasing direct leasing are: 1) to increase the Authority's ability to recruit food and retail concepts of interest directly into the concession program, and 2) to allow more opportunities for small and/or disadvantaged businesses to lease directly with the Authority.

The Shops of RDU Landing concession program historically offered few opportunities for small and/or disadvantaged businesses to lease directly with the Authority, particularly in food and beverage. Leasing opportunities for such businesses typically occurred through sub-leases with prime concessionaires or through joint ventures and/or other partnerships relationships with prime concessionaires. Such leasing formats offered limited opportunities for small and/or disadvantaged businesses to fully control the design, construction and operation of their concession business at RDU.

The 2008 concession leasing plan expands opportunities for direct leases for retail, food and beverage and personal services in the concession program. In conjunction with the change in the leasing plan, the small and emerging business initiative will create opportunities for small businesses to participate, compete and independently grow in the concession program at RDU. The initiative will foster entrepreneurship and create an operating environment that encourages the success of small businesses.

3.1 Impact of Direct Leasing on Small Businesses

There are many market-forces that impact the viability of commercial lease opportunities; however, two elements disproportionately affect leases held by small companies or leases that have a small number of concession spaces. The Authority has carefully considered these elements in conjunction with increasing direct lease opportunities.

First, a lease is impacted by the location and size of the concession space(s) and appeal of the concept(s) to be operated. The Authority has selected concession spaces that are located within shopping hubs to be included in direct leases. These spaces are located in the center court of the new terminal, at the start of moving sidewalks or co-located with adjacent units that have the ability to create synergy between the adjacent concepts. Additionally, direct lease units have been selected because the proposed concepts have broad appeal and are strong performers.

The second issue affecting direct leases held by small businesses is access to capital for design, development and operations. An essential component to the success of small businesses is readily accessible funding. Therefore, an element essential to the success of direct leasing to small businesses is ensuring ready access to capital.

4 Small Emerging Business (SEB) Assistance Program

The Authority has identified a need for greater access to capital by small and emerging businesses seeking to lease concession space at RDU. The Authority has developed the Small Emerging Business (SEB) Assistance Program in response to this need. The SEB Assistance Program will assist qualified businesses making financial resources available for capital development by small businesses (as defined by Small Business Administration standards) that have concession leases at RDU.

4.1 Benefits

Raleigh-Durham International Airport is a key contributor to the Triangle regional economy. In 2005 all airport business activity, vendors and on-airport payrolls had a \$12.6 billion direct impact on the regional economy¹. With the development of the SEB Assistance Program, the Authority will:

- Provide a non-traditional funding source to small businesses that support job creation; and
- Facilitate the positive economic impact of local businesses in the Triangle communities.

4.2 SEB Assistance Fund

The Authority has established an assistance fund dedicated to supporting the capital development needs of small concession operators in direct leases with the Authority. The fund is available to qualified firms that have a concession lease with the Authority. The initial amount of funds available is limited, but as obligations are repaid the fund will be replenished and funds will be available for reinvestment in future opportunities.

5 SEB Assistance Program Implementation

The Authority will establish a review committee to review and consider applications for assistance. The Authority may utilize the expertise of a local financial institution to administer the SEB Assistance Program.

In 2006 Raleigh-Durham Airport Authority on-airport business activity, vendors and on-airport payrolls had a \$12.6 Billion direct impact on the regional economy.



¹ Economic Impact Assessment of Raleigh-Durham International Airport, Center for Transportation Policy Studies, UNC-Charlotte, 2005

5.1 SEB Assistance Program Requirements

Qualified companies may apply for SEB Assistance Program funding for assistance with a maximum of two concession units. The Authority will loan up to 100% of the eligible development cost per concession unit. Participants must contribute equity or be able to obtain funding to cover all additional financial requirements. SEB Assistance Program assistance will be limited to the minimum build-out standards specified for each type of concession construction (See Section 6). Qualified companies may design concession units with estimated construction costs that exceed minimum build-out standards; however, the Authority may not participate in excess construction costs. The Authority will have a first position purchase money security interest in all leasehold improvements and equipment procured with SEB Assistance Program proceeds.

Participants may apply for SEB Assistance Program assistance to develop a maximum of two concession units during any lease term. All assistance must be repaid during the original lease term. The Authority encourages early repayment of SEB Assistance Program assistance and therefore does not assess a pre-payment penalty. Repayment will begin sixty (60) days following the commencement of business operations in a SEB Assistance Program funded concession unit. Payment deferrals will not be allowed.

5.2 Eligible Projects

SEB Assistance Program funds may only be utilized for capital improvements including fixtures and large equipment for new construction. To a limited degree, architectural and design costs may be eligible. All other soft costs including architectural, design, marketing and other such fees are not eligible costs. Funds may not be utilized for furniture, small equipment or refurbishment expenses. The Authority, in its sole discretion, will determine which components of the development program are eligible for funding participation on an individual basis.

5.3 Eligible Participants

Companies that satisfy all of the criteria listed below are eligible to apply for a SEB Assistance Program loan. Minority and women-owned businesses are encouraged to participate in the SEB Assistance Program.

- Company registered with the Secretary of State of North Carolina business enterprise or company and doing business in North Carolina at the time of the lease
- Company that meets the SBA size standards for the designated industry that corresponds to the concession concept(s) to be implemented
- Company with a direct lease for one or more concession units at RDU for whose development the loan proceeds would be used
- Company that has been denied commercial loans at reasonable costs, but who can demonstrate the ability to repay the loan during the original term of the lease
- Company that has the resources to fund all additional financial requirements

Joint ventures and companies with sub-lease agreements are ineligible to participate in the SEB Assistance Program.

5.4 Resources



For questions about Disadvantaged Business Enterprises (DBE) Program and/or Small & Emerging Business Assistance (SEB) Program please contact Shelby Moorman, Small Business Program Officer, via facsimile at (919) 840-0176 or by email at Shelby.moorman@rdu.com.

The following small business assistance centers are available to provide professional consulting assistance and services to business owners seeking assistance. Business owners are encouraged to contact a technical assistance provider of their choice for assistance with developing their financial package.

- Small Business Administration (SBA), 800-827-5722 www.sba.gov
- Self-Help Credit Union, 800-476-7428 or www.self-help.org
- Capital Opportunities for Small Businesses (SBTDC) 800-258-0862 or www.sbtcd.org
- NC Institute of Minority Economic Development, 919-956-8889 or www.ncimed.com.
- Women's Business Center, 910-323-3377 or www.wcof.org.

5.5 Program Administrator

Shelby Moorman is the designated SEB Assistance Program Administrator and can be reached at (919) 840-7712. Applicants and interested parties must direct all questions regarding the program, the application process and/or the application review process to the SEB Assistance Program Administrator.

5.6 Application Process

Interested parties may contact the SEB Assistance Program Administrator for an application. The underwriting guidelines of the SEB Assistance Program are comparable to traditional loan underwriting guidelines. Businesses must demonstrate the ability to repay the loan, the availability of collateral, a good credit history, and a documented management history in the retail and/or food and beverage industry.

Complete application packages must be submitted to the SEB Assistance Program Administrator, who will verify program eligibility and complete the application review process. The SEB Assistance Program Review Committee will recommend approval or denial of all applications submitted for consideration. The Authority will have final approval over all loans.

Applications will be approved as expeditiously as possible. Incomplete applications may delay the review process.

5.7 Costs to the participant

An application fee will be required for each application submitted. At closing, successful applicants will incur additional costs that may vary and include underwriting, credit verification, legal assistance, administration and other fees. The SEB Assistance Program will issue interest bearing obligations at market rates of interest. Interest rates will be based on degree of risk. Interest rates may be fixed or adjustable.

6 Minimum Development Costs

Separate design guidelines have been established for concession space development in each terminal. A minimum capital investment is required for all concession space development as noted below.

Food and Beverage: \$350/sf

Retail: \$325/sf

7 SEB Assistance Application

(See attachment A)