DECD

State of Connecticut Department of Economic and Community Development

Small Business Express Program ("EXP")

PROCEDURES AND GUIDELINES

(Revised August 2012)

Introduction

The Small Business Express program ("EXP") provides small businesses with various forms of financial assistance, using a streamlined application process to expedite the delivery of such assistance. To assist with fulfilling the requirements of this program, the State of Connecticut Department of Economic and Community Development ("DECD") may partner with lenders of the Connecticut Credit Consortium, established under CGS Sec. 32-9yy.

I. Program Components

There are three financial assistance components to the Small Business Express Program:

- Revolving Loan Fund—to support small business growth
- Job Creation Incentive Loan—to support hiring
- Matching Grant—to provide capital to small businesses that match the State grant amount

The commissioner shall give priority for available funding to:

(1) small businesses creating jobs, and

(2) economic base industries, as defined in subsection (d) of CGS Sec. 32-222, including, but not limited to, those in the fields of precision manufacturing, business services, green and sustainable technology, bioscience, and information technology.

Each eligible small business applicant receiving financial assistance under EXP will be required to retain and/or create a certain number of full-time employees in Connecticut and maintain its contracted employment obligations for a period of twelve (12) consecutive months. The recipient's employment numbers that are prior to the date of the application shall not be considered. If the employment obligation is not met, penalties shall apply.

II. Types of Assistance under EXP

A financial assistance package under EXP may include any of the following:

- A loan only
- A grant only
- A combination consisting of a loan and a matching grant

Eligible applicants may request the assistance above, but may not combine two loans at once.

Approval of financial assistance on each application package is subject to:

- fulfillment of eligibility criteria of the applicant, the project, and the use of funds, and
- availability of Small Business Express Program funds.

As a condition to receiving Small Business Express program assistance from DECD, a small business receiving such assistance shall not relocate, as defined in said CGS Sec. 32-5a, for five years after receiving such assistance or during the term of the loan, whichever is longer. Other conditions and penalties may apply as determined by the Commissioner of the DECD.

III. Minimum and Maximum Award Amounts under EXP (A determination of funding award amounts are subject to DECD's due-diligence review and approval)

- Small Business Express Revolving Loan Fund—Loans are available at a minimum of $10,000 to a maximum of $100,000, to assist small businesses with capital and operational needs.
- Small Business Express Job Creation Incentive Program—Loans are available at a minimum of $10,000 and a maximum of $300,000, to assist small businesses to spur growth. DECD may forgive part of the loan based on the attainment of job creation goals and deferral periods can be offered.
- Small Business Express Creation Matching Grant Program—Grants are available at a minimum of $10,000 and a maximum of $100,000, to provide a dollar-for-dollar matching grant for specific job creation, capital investment and working capital goals.

Note: Funding amounts are subject to DECD's review and approval

IV. Eligibility Criteria—Applicants to EXP

An "eligible applicant" is any small business that meets all of the following criteria, as defined at CGS Sec. 32-7g, as amended by June 12 Special Session, 2012:

- employ not more than 100 employees; and
- have operations in Connecticut; and
- have been registered to conduct business for not less than 12 months; and
- be in good standing with all state agencies; and
- be current regarding the payment of all state and local taxes.

V. Eligible Criteria—Proposed Project Activities and Use of Funds Under EXP

All eligible small business applicants requesting financial assistance through the EXP program are assessed to determine if the proposed projects and use of the funds are consistent with overall program goals.

- **Small Business Express Revolving Loan Fund**—CGS Sec. 32-7g(d):
  Purpose: To provide loans to small businesses meeting the eligibility criteria.
  Eligible use of funds: EXP Revolving Loan Fund loans may be used for:
  - acquisition or purchase of machinery and equipment;
  - construction or leasehold improvements;
  - relocation expenses;
  - working capital; or
  - other business-related expenses as authorized by the Commissioner of DECD.

  Minimum / Maximum allowable per each EXP revolving loan: $10,000/$100,000
  Goal: Job retention and job growth.
  Priority: The Commissioner of DECD shall prioritize and approve applications for revolving loan terms, conditions and collateral requirements in a manner that prioritizes job growth and retention, based upon applications that, as part of the business plan, create new jobs and maintain such jobs for not less than twelve consecutive months.
  Note: Loans will be made at a rate of up to 4% and terms of not more than 10 years. If the contracted employment obligations are not met, then the loan interest rate would be increased and/or there would be a penalty for each job not retained and/or created.

- **Small Business Express Job Creation Incentive Program**—CGS Sec. 32-7g(e):
  Purpose: To provide loans to small businesses meeting the eligibility criteria.
  Eligible use of funds: EXP Job Creation Incentive loans may be used for expenditures that support job creation:
  - training;
  - marketing;
  - working capital; or
  - other business-related expenses as authorized by the Commissioner of DECD.

  Minimum / Maximum per each EXP Job Creation Incentive Loan: $10,000/$300,000
  Goal: New job creation.
  Priority: The commissioner shall prioritize applications for job creation incentive loans based upon the likelihood that such loans will assist in maintaining job growth.
  Note: Commissioner of DECD may offer loan payment deferral as well as the option for some loan forgiveness, based upon the Commissioner's assessment of the small business's attainment of job creation goals. Loans will be made at a rate of up to 4% for a term of not more than 10 years. If the contracted employment obligations are not met, then the loan interest rate would be increased and/or there would be a penalty for each job not retained and/or created.

- **Small Business Express Creation Matching Grant Program**—CGS Sec. 32-7g(f)
  Purpose: To provide grants for capital to small businesses meeting the eligibility criteria.
  Eligible use of funds: EXP Matching grants may be used for:
  - ongoing or new training;
  - working capital;
  - acquisition or purchase of machinery and equipment;
  - construction or leasehold improvements;
  - relocation within the state; or
  - other business-related expenses authorized by the Commissioner of DECD.

  Minimum / Maximum allowable per each EXP matching grant: $10,000/$100,000 (determinations of funding award amounts are subject to DECD's due-diligence review and approval).
  Goal: Maintaining job growth.
  Priority: The commissioner shall prioritize funding awards for matching grants based upon job creation and retention; use of funds and industry type.
  Note: If the contracted employment obligations are not met, then a partial repayment of the grant will be assessed as penalty for each job not retained and/or created.

VI. Marketing and Outreach of EXP

DECD with its lending partners will market EXP based on the availability of funds in order to maintain an active pipeline of applicants under all components of the program.

VII. Application Procedures to EXP

Eligible small businesses may apply for financial assistance by submitting an application form along with supporting documents via U.S. mail, fax, personal delivery, courier, or via e-mail. EXP applications are available on DECD's website at www.decd@ct.gov or by contacting Michelle Lugo at (860) 270-8052.

It is the goal of the DECD that applicants to the Small Business Express program would be assessed for meeting eligibility of requirements of applicant, program goals, and use of funds within each EXP program component; and processed in accordance with DECD procedures.

VIII. DECD's Approval Process for Small Business Express Program (EXP)

The EXP program uses a three-step approval process:

- **Step 1** review of the loan/grant application to determine project eligibility, applicant eligibility and appropriate use of funds;
- **Step 2** a financial due diligence evaluation by DECD; and
- **Step 3** DECD approval

Step 1—Eligibility Determination

In order to be considered eligible for funding under the EXP program, each application must satisfy the elements of the program, each application package must be complete, and the proposed use of the funds must be consistent with the goals of the EXP program.

Assessing for Application Completeness

In order for an application package to be considered complete under EXP, it must contain the following:

- Small Business Express Program Application Form (with applicant certification)
- Ownership Information
- Business Plan (brief business history, current products/services, future plans, current and future employment levels, forecasted business trends)
- Full Project Description (time frame, proposed use of funds, estimated costs)
- Small Business Legal Structure Documents (e.g., Articles of Incorporation, Partnership Agreement, By-laws, Secretary of State Certificate of Legal Existence/Certificate of Good Standing, Notarized Tradename Certificate)
- Project Financing Plan and Budget
- Last three years of historical financials. If not available, most recent three years of income tax returns.
- And all other documentation required by DECD.

Eligible applicants will be given an opportunity to provide clarification on sections of their respective application where information may be unclear or subject to interpretation.

Any applications that fail to meet the EXP eligibility criteria, or applications that are deemed incomplete, will not be funded. Written notification will be sent to the applicant that may include suggestions for the applicant to follow if they wish to re-submit their application to the Small Business Express Program.

Step 2—Financial Review and Evaluation Process

The EXP uses an internal standardized evaluation process to assess and evaluate information gathered during the due diligence process. This process includes review and analysis of the following:

- Small business applicant's risk/mitigation factors
- Employment (retention/creation of jobs)
- Eligible project and use of funds
- Availability of State Funds
- Performance/condition of the small business applicant
- Small business applicant's standing with state agencies and local and state taxes
- Financial assistance deal structure – protecting investment and return on investment
- Under the Small Business Revolving Loan Fund and the Small Business Express Job Creation Incentive Program components, the financial review process will look the applicant's cash flow to repay the loan, and secure funding (DECD will determine collateral requirements)

Step 3—DECD Decision Regarding Intent to Fund

Following completion of the financial review and due diligence evaluation process:

a) If it is determined the application is not eligible under the Small Business Express program, if there is an ineligible proposed project and/or an ineligible use of funds, then a declination letter will be sent to the applicant.

b) If it is determined the applicant is an eligible applicant with an eligible project and an eligible use of funds, then DECD will send the applicant an acceptance package, which would include a letter of intent to fund the proposed project, an approved project financing plan and budget, along with a request for completion of the following:

- Certified Resolution Form
- Non-Discrimination Certification
- W-9 Taxpayer Identification Form
- Agency Vendor Form
- Electronic Funds Transfer Form
- Gift Affidavit
- Letters of Good Standing
  - Connecticut Department of Labor (DOL)
  - Connecticut Department of Revenue Service (DRS)
- Evidence of Match (if applicable)
- Evidence of Required Insurance Coverage
- Contact information for client's legal counsel

Upon agreement of the terms and conditions within the DECD's letter of intent to approve financial assistance to the eligible small business applicant for its proposed project, as well as execution of the letter of intent and the supporting documents, the eligible small business applicant will return the acceptance package to DECD.

NOTE: All eligible small business applicants agree to accept responsibility for the payment of all necessary and appropriate fees associated with its respective transaction, whether or not a closing takes place. Such costs may include reasonable attorney fees, appraisal costs, and other possible fees and costs related to this including the closing costs associated with securing the State Financial Assistance. State funds may be used to pay fees and can be incorporated into the Project Financing Plan and Budget.

IX. Contract Phase—Assistance Agreement (AA)

Applicants approved for a loan and/or grant under the EXP will be required to execute an assistance agreement with the State of Connecticut Department of Economic and Community Development ("DECD", and "Department"). Once the approved applicant accepts a letter of intent package and it is received by the Department, the DECD project manager will forward all documentation to outside counsel. The AA executed between DECD and the small business funded through EXP will include reporting requirements, a payment schedule, and the required employment retention and new job creation obligations associated with the funded project.

Once the contract has been executed by all parties the DECD will, with the authorization of the applicant, publish a press release.

X. Payment Phase—Payment Requisition

Financial assistance provided under the Small Business Express program shall be transmitted electronically upon receipt from the approved eligible small business applicant:

(1) verification of legal fees paid and (2) payment requisition on forms approved by the Commissioner of DECD.