



State of Connecticut Department of Economic and Community Development



## **Small Business Express Program (“EXP”)**

*PROCEDURES AND GUIDELINES*

(Revised October 25, 2018)



## 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. DECD will generally no longer be accepting Express Grant-only applications, except as noted in Section V. Applications for a Matching Grant and Job Creation Incentive Loan combination will continue to be accepted as well as loan-only applications.

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 twenty-four (24) 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 combination consisting of a loan and a matching grant
- A grant only, in cases noted in Section V.

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. DECD will generally no longer be accepting Express Grant-only applications, except as noted in Section V. Applications for a Matching Grant and Job Creation Incentive Loan combination will continue to be accepted as well as loan-only applications.

**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 twenty-four 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:

  - o training;
  - o marketing;
  - o working capital; or
  - o 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:

  - o ongoing or new training;
  - o working capital;
  - o acquisition or purchase of machinery and equipment;
  - o construction or leasehold improvements;
  - o relocation within the state; or
  - o 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. DECD will generally no longer be accepting Express Grant-only applications. Applications for a Matching Grant and Job Creation Incentive Loan combination will continue to be accepted as well as loan-only applications.

Situations where the LOI committee will consider grant only funding:

- Non-Profits – if the project is focused on capital improvements
- A project, focused on capital improvements, where the majority of the project is funded through either bank financing and or other private funding sources (i.e. at least 1/3 leverage ratio)
- A company receiving EXP funds from one of the lender partners for the same project
- At the Commissioner's discretion

## 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

DECD has implemented a customer relationship management system for the Small Business Express Program. Please scan all required documents separately and label them with the name of the required document and email to [DECDexpress@ct.gov](mailto:DECDexpress@ct.gov). If you do not have the ability to scan documents, please contact the Express Hotline at (860) 500-2333 so we can provide an alternative way to submit the supporting documents.

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 four-step approval process:

- **Step 1** pre-screening
- **Step 2** review of the loan/grant application to determine project eligibility, applicant eligibility and appropriate use of funds;
- **Step 3** a financial due diligence evaluation by DECD; and
- **Step 4** DECD approval

**Step 1—Pre-screening** – In order to better serve our clients and improve efficiency of the application process, all applicants must meet or speak with a Project Manager prior to submitting a Small Business Express Application. Applicants can email [DECDexpress@ct.gov](mailto:DECDexpress@ct.gov) or contact the Express Hotline at (860) 500-2333 in order to request that a Project Manager be assigned to contact the applicant.

### Step 2—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 (may include: brief business history, current products/services, future plans, current and future employment levels, forecasted business trends)
- Project Description (may include: 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 and/or Notarized Trade Name Certificate)
- Project Financing Plan and Budget
- Last three years of historical financials. If not available, most recent three years of income tax returns.
- DECD Schedule of Existing Employees (Exhibit A) and DOL Release (Exhibit B)
- Personal Financial Statement form
- 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. The applicant will be notified and may be offered suggestions for the applicant to follow if they wish to re-submit their application to the Small Business Express Program.

### **Step 3—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:

- Financial condition of the company
- Project viability
- Adequate Collateral
- Job Creation and retention
- Management team
- Availability of State Funds
- 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 4—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 the client will receive notification.

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 a Letter of Intent which would include 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
- ACH Form
- 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 Letter of Intent and associated documents 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 and it is received by the Department, the DECD project manager will prepare a legal request to assign outside counsel and submit it to the Program Manager for approval. Upon the Program Manager's approval, the request will be forwarded to DECD's Legal Division. Once the Legal Division assigns outside counsel, the Project Manager will forward required 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 DECD outside counsel legal fees paid and (2) payment requisition and payment request to the Finance Office for payment processing.