



2023 Rural Summit (11/4/2034)  
State Small Business Credit Initiative(SSBCI) Program

<https://dhcd.maryland.gov/Business/Pages/SSBCI.aspx>

Google - "Maryland SSBCI"

# SSBCI – What is it?

- The American Rescue Plan Act of 2021 (ARPA) reauthorized and expanded the Small Business Jobs Act of 2010 (SBJA), which established the original State Small Business Credit Initiative(SSBCI) program. SSBCI is a federally funded program administered by the Department of Treasury aimed at extending loans and investments to small businesses in Maryland. This program aims to provide emerging community businesses with equal access and opportunities for success, setting us apart from conventional banking services. Our mission is to empower and uplift individuals by granting them access to responsible and inclusive lending solutions.
- \$10 billion for loans and investments
- Focus on underserved areas and disadvantaged individuals ( **See Exhibit A – Eligible Candidates for SEDI funding** )



# Size and Purpose of the Maryland SSBCI Plan

- \$198,000,000 allocated to the state of Maryland from the U.S. Treasury.
- Carveout for very small businesses.
- Funding delivered in tranches and will conclude in the 2029/2030 timeframe

## Designed to support small business:

- Business seeking loans for expansion, equipment acquisition and improvements, working capital, contract financing, business owner occupied real estate acquisition.
- Business seeking equity investments
- Community Development Financing Institutions(CDFI) seeking capital to relend to small business (loans < \$250,000)

## Business Eligibility:

- Businesses with less than 500 employees.
- All businesses except those that are exempted by U.S. Treasury and the State of Maryland. **See Exhibit B – Businesses not permitted to receive SSBCI funds.**
- Matching funding required: minimum 1:1 private capital match to SSBCI funds. Public funds not considered as matching funds. Foundation funds are eligible as a private capital match.

## Lender Eligibility:

- Lenders must have at least 20% at risk. **See Exhibit C – Private Financing.**
- CDFIs

## Terms:

- Loans subject to credit underwriting. Amounts: \$25,000 up to \$5,000,000 based on program requirements.
- Investments subject to due diligence. Amounts: \$25,000 to \$2,000,000 based on program requirements.



## SSBCI Technical Assistance through Maryland SBDCs

- \$3,300,281 Technical Assistance funding to assist small business in gaining access to capital with the need for accounting, legal and financial advisory services.
- Technical Assistance eligible to those very small businesses (< 10 employees) and socially economically disadvantaged individual led businesses applying for SSBCI funds or other similar small financing business programs offered at the federal, state and local level.
- Requirement to fund SEDI and VSB meeting the 1.68 economic benefit ratio ( SEDI Allocation / VSB allocation). The economic benefit ratio is a jurisdiction's SEDI capital allocation divided by their VSB capital allocation.



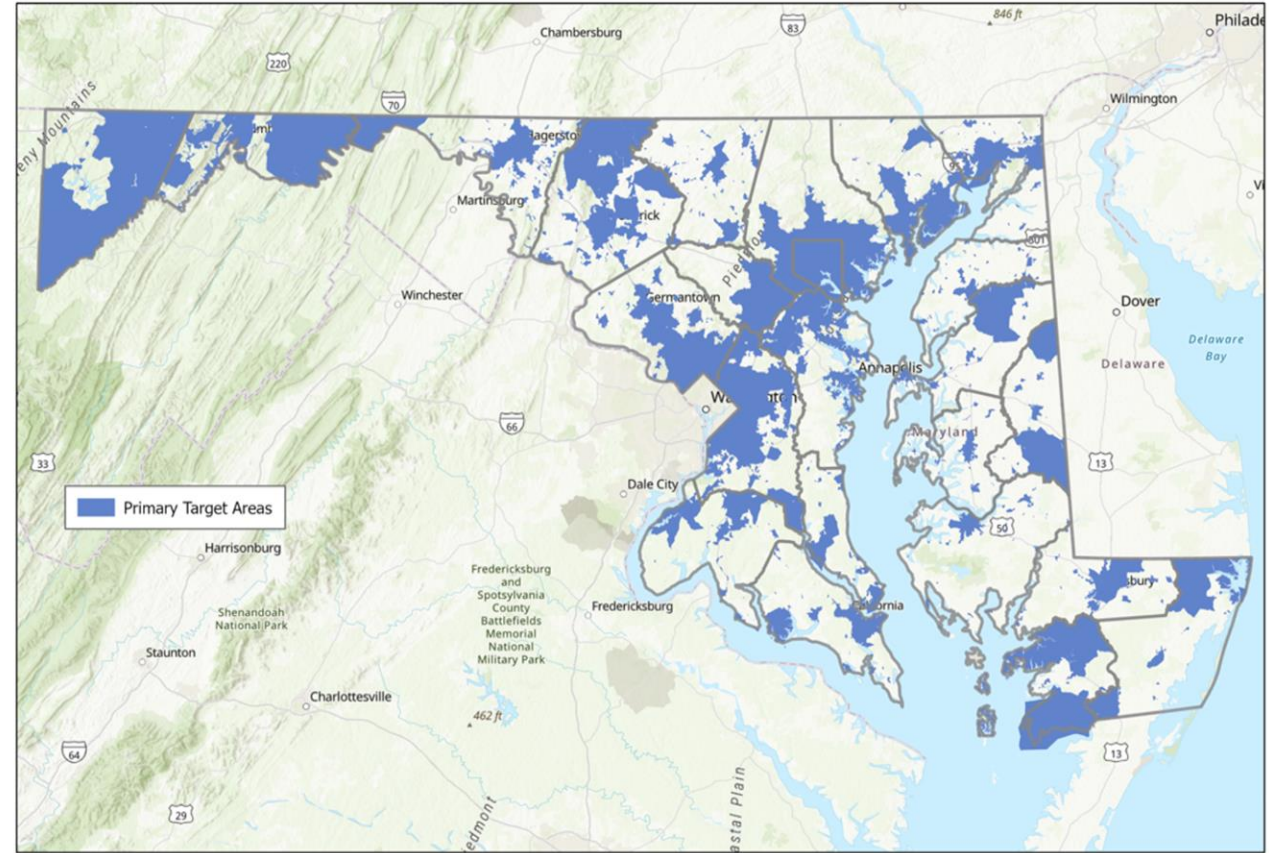
## Small business:

- Very small business ( $x \leq 9$  employees)
- Socially and Economically Disadvantaged Individuals
- CDFI Investment Areas
- Priority Funding Areas
- Opportunity Zones

**Note: Any small business is able to apply for funding.**

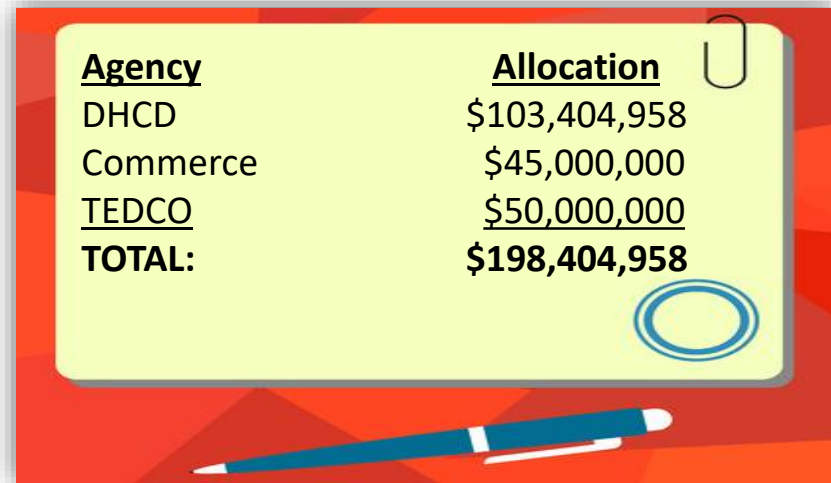


## Maryland's SSBCI Underserved Target Areas



# Maryland's SSBCI Deployment plan

- Deploying funds through 3 organizations and 8 existing programs:
  - Maryland Department of Housing and Community Development (DHCD) - Implementing Agency
    - Neighborhood Business Works (NBW) - Loans
    - NBW Venture Debt Program – Venture debt loans
  - Department of Commerce (Commerce) - Administrating Entity
    - Maryland Small Business Development Financing Authority (MSBDFA) – EPIP Loans
    - Maryland Small Business Development Financing Authority (MSBDFA) – EPIP Equity
  - Technology Development Corporation (TEDCO) - Administrating Entity
    - SEED Funds Equity
    - Social Impact Funds
    - Venture Capital Limited Partnership
    - Enterprise Venture



<u>Agency</u>	<u>Allocation</u>
DHCD	\$103,404,958
Commerce	\$45,000,000
<u>TEDCO</u>	<u>\$50,000,000</u>
<b>TOTAL:</b>	<b>\$198,404,958</b>



# Department of Housing and Community Development

- Direct Loans
  - Via CDFIs ( Lendistry, NCRC, City First, ...).
  - Neighborhood Business Works direct loan matched with private lender loan.
- Venture Debt
  - SSBCI Venture debt funds matched with private equity.



# DHCD - Loan Participation Program

## Designed to assist businesses:

- Working capital, growth and expansion
- Owner occupied real estate acquisition/rehabilitation

## Eligibility:

- Less than 500 employees
- Minimum 1:1 private capital match

## Terms:

- Senior or Junior Debt
- Loan Size: \$500,000 to \$5,000,000
- Up to 30% for SEDI/VSB business; Up to 20% for non SEDI/VSB business

**Example 1:** Business needs a \$1,000,000 working capital loan to fund expansion.

Business secures lender to provide a loan of \$500,000, and Program provides a \$500,000 loan on like terms or in a subordinate position.

**Example 2:** Business needs a \$2,500,000 loan to acquire and renovate a building for its operations.

Business secures loan from a lender of \$1,500,000, and Program provides a \$1,000,000 loan in junior financing to total a \$2,500,000 in funding.

\*\*\* All loans subject to repayment \*\*\*

\*\*\* Document SSBCI funding is "cause and result" of private financing \*\*\*



# DHCD Venture Debt and Convertible Notes

## Designed to assist businesses:

- Businesses with strategically high economic impact and job growth

## Eligibility:

- Less than 500 employees
- Minimum 1:1 private capital match

## Terms:

- Interest bearing, amortized/deferred
- Same cash flow rights with private capital
- Loan Size: \$500,000 to \$5,000,000
- Aggregate loan < \$20,000,000
- Convertible notes

**Example 1:** Business needs a \$1,000,000 working capital loan to fund expansion alongside a \$3,000,000 equity raise.

Business raises \$3,000,000 from equity investors and Program provides a \$1,000,000 loan.

**Example 2:** Business needs \$5,000,000 of debt to finance expansion of a new product line.

Business secures funding from private venture debt lender of \$3,000,000 with Program providing \$2,000,000 on like terms with private venture debt for a total of \$5,000,000.

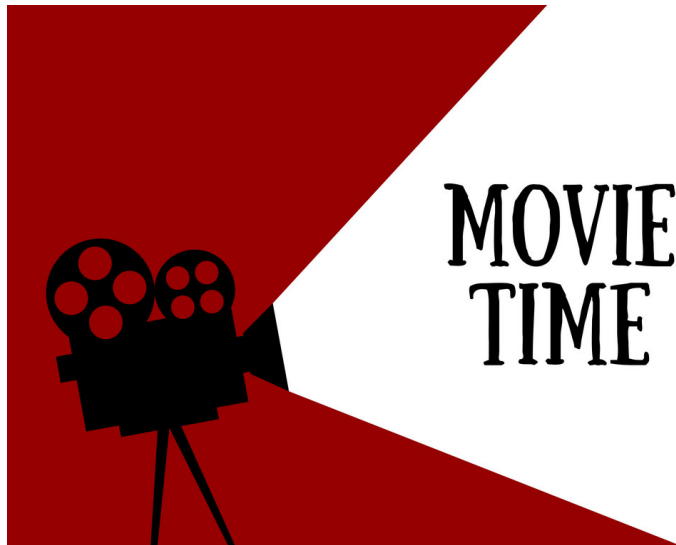
**Example 3:** Business needs \$2,000,000  
Business raises \$1,000,000 of equity from investors with Program providing \$1,000,000 in venture debt or convertible note.

\*\*\* All loans subject to repayment \*\*\*

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## SSBCI - Department of Commerce/MSBDFA

- Direct Loans
  - Maryland Small Business Development Financing Authority(MSBDFA).
- Equity
  - Maryland Small Business Development Financing Authority(MSBDFA).



# Department of Commerce - Maryland Small Business Development Financing Authority – Loan Program

## Designed to assist:

- Small businesses and businesses owned by Socially & Economically Disadvantaged Individuals.
- With term loans, lines of credit, and letters of credit.
- For working capital, equipment, real estate, leasehold improvements & refinancing.

## Eligibility:

- Minimum 1:1 private capital match.
- Must have a declination from a lender for total financing need.

## Terms:

- Loan Size: \$25,000 to \$2,000,000
- Interest Rates: 2% to 6%

**Example 1:** Company secures contract with to provide goods and services and needs \$500,000 to finance the mobilization of the contract.

Company could receive a loan from Program for up to \$250,000 at an interest rate of 3%.

**Example 2:** Owner of grocery chain opens a store and needs \$1,500,000 to acquire and renovate store location.

Company could receive a subordinated loan from Program of up to \$750,000 at an interest rate of 4%, that is subordinated to a bank.



\*\*\* All loans subject to repayment \*\*\*\*

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# Department of Commerce - Maryland Small Business Development Financing Authority – Equity Program

## Designed to assist:

- Small businesses and businesses owned by Socially & Economically Disadvantaged Individuals
- For development, working capital, equipment, real estate, leasehold improvements & refinancing

## Eligibility:

- Minimum 1:1 private capital match

## Terms:

- Investment Size: \$25,000 to \$1,000,000
- Equity via preferred stock, common stock, warrants, partnership interests and other equity-like structures
- Investment return expectations less than traditional investors.

**Example 1:** Business Founder raising \$2,000,000 to support fast growing consumer tech service company.

Business raises \$1,500,000 in equity from existing investors and \$500,000 in equity from the Program.

**Example 2:** Business Founder of government services business raising \$2,000,000 to expand and grow operations.

Business raises \$1,750,000 from an Angel Fund and Program co-fund with \$250,000.

\*\*\* All investments subject to repayment \*\*\*

\*\*\* Document SSBCI funding is “cause and result” of private financing \*\*\*

## SSBCI / TEDCO – Equity programs

- Equity
  - SEED Funds Equity
  - Social Impact Funds
  - Venture Capital Limited Partnership
  - Enterprise Venture



# TEDCO Seed Investment Program

## Designed to assist businesses:

- Seed stage investing

## Eligibility:

- Less than 15-30 employees based on funding source
- Minimum 1:1 private capital match
- Equity raised to date between \$2M-\$5M, based on funding source
- Four types of investment: cyber tech/info tech, Life sciences, general tech commercialization and gap funding.

## Terms:


- Convertible note or equity
- Investment Size: \$200,000 to \$750,000

**Example 1:** Startup cyber security business is raising \$1,000,000 to build team and prepare for a Series A funding.

Business raises \$500,000 from existing investors and Program invests \$500,000.

**Example 2:** Life Science company needs \$500,000 of equity to complete diagnostic testing of medical device.

Business secures \$250,000 funding from investors and Program provides \$250,000 convertible note.



\*\*\* All investments subject to repayment \*\*\*\*  
\*\*\* Document SSBCI funding is “cause and result” of private financing \*\*\*



# TEDCO Social Impact Program

## Designed to assist businesses:

- Pre-seed technology start-ups

## Eligibility:

- 50%+ founders ownership demonstrate economic and social disadvantage
- Minimum 1:1 private capital match
- Less than 251 employees
- Equity raised to date < \$15 million
- Technology based business

## Terms:

- Convertible note or equity
- Investment Size: \$200,000 to \$500,000

**Example 1:** Entrepreneur raising funds to support growth of her online payment platform.

Business raises \$500,000 from existing investors and Program invests \$500,000.

**Example 2:** Founder raising \$500,000 of equity to complete diagnostic testing of medical device.

Business secures \$250,000 funding from investors and Program provides \$250,000 convertible note.



\*\*\* All investments subject to repayment \*\*\*

\*\*\* Document SSBCI funding is “cause and result” of private financing \*\*\*

# TEDCO Maryland Venture Program

## Designed to assist businesses:

- Pre-seed to Pre-VC funding stage, technology based business

## Eligibility:

- Less than 251 employees
- Equity raised to date < \$15 million
- Minimum 1:1 private capital match
- Technology based business

## Terms:

- Convertible note or equity
- Investment Size: \$500,000 to \$2,000,000

**Example 1:** Startup cyber security business is raising \$1,000,000 to build team and prepare for a Series A funding.

Business raises \$500,000 from existing investors and Program invests \$500,000.

**Example 2:** Infotech company raising \$2,000,000 of equity to expand operations.

Business secures \$1,000,000 of angel funding and Program provides \$1,000,000 for equity.

\*\*\* All investments subject to repayment \*\*\*

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## NBW / SSBCI - Resources / Contact info

NBW Fact sheet

[https://dhcd.maryland.gov/Business/Documents/NBW/NBWFact\\_Sheet.pdf](https://dhcd.maryland.gov/Business/Documents/NBW/NBWFact_Sheet.pdf)

SSBCI Fact sheet

<https://dhcd.maryland.gov/Business/Documents/SSBCI/Factsheet.pdf>

US Treasury / SSBCI website

<https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci>

DHCD SSBCI Landing page

<https://dhcd.maryland.gov/Business/Pages/SSBCI.aspx>

CDFA/SSBCI Resource Center

<https://www.cdfa.net/rc/SSBCI.html>

## Exhibit A – Eligible Candidates for SEDI funding

Treasury will consider SSBCI funds to have been expended for SEDI-owned businesses if the states expend the funds for meeting the needs of SEDI owned businesses. “Meeting the needs of SEDI-owned businesses” means that the SSBCI funds are expended for loans, investments, or other credit or equity support to:

- (1) business enterprises that certify that they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their (1) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society;(2) gender; (3) veteran status; (4) limited English proficiency; (5) physical handicap;(6) long-term residence in an environment isolated from the mainstream of American society; (7) membership of a federally or state-recognized Indian Tribe; (8) long-term residence in a rural community; (9) residence in a U.S. territory; (10) residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization); or (11) membership of another “underserved community” as defined in Executive Order 13985;
- (2) business enterprises that certify that they are owned and controlled by individuals whose residences are in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii);
- (3) business enterprises that certify that they will operate a location in a CDFI Investment Area, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or
- (4) business enterprises that are located in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii)

## Exhibit B – Businesses not permitted to receive SSBCI funds

- The borrower or investee is not:
- A business engaged in speculative activities that develop profits from fluctuations in price rather than through normal course of trade, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business; or
- A business that earns more than half of its annual net revenue from lending activities; unless the business is a non-bank or non-bank holding company Community Development Financial Institutions; or 3
- A business engaged in pyramid sales, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants; or
- A business engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted. (Included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that knowingly permits illegal prostitution); or
- A business engaged in gambling enterprises, unless the business earns less than 33% of its annual net revenue from lottery sales.

# Exhibit C – Private financing

## U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines November 10, 2021

- **Section VIII, b**

“Private financing” means private financing across all approved state programs and includes all loans or investments from a private source to an eligible borrower or eligible investee, whether occurring at or subsequent to loan or investment closing (subject to certain restrictions to be set forth in the Allocation Agreement regarding permissible types of subsequent private financing), and whether funded or unfunded. It encompasses equity investments, written commitments of future equity investments, term loans, lines of credit, and any new infusions of cash by the small business owner into the borrower.<sup>25</sup> For a Tribal government program, private financing may include Tribal enterprise funds acquired in commerce, provided that the funds do not originate with the state, federal, or Tribal government. Private financing does not include financing provided by tax-credit supported vehicles, such as funds capitalized by the sale of state tax credits. <sup>26</sup> A participating state may count SBA-guaranteed loans or other financing that is credit-enhanced by federal, state, or local incentives, if (1) the financing is caused by, or is the result of, an SSBCI-supported transaction, (2) the capital comes directly from a private entity, and (3) the lender or investor has at least some of its own capital at risk.



# Program Contacts

CONTACT NAME	ORGANIZATION	PROGRAM NAME	TITLE / ROLE	PHONE	EMAIL ADDRESS
Brittney Dillon	Maryland Department of Housing and Community Development	Neighborhood Business Works Programs	Sr. Program Manager of Business Lending Programs	(301) 429-7496	<a href="mailto:brittney.dillon@maryland.gov">brittney.dillon@maryland.gov</a>
Frank Dickson	Maryland Department of Housing and Community Development	Neighborhood Business Works Venture Debt	Director Strategic Business Initiative (SSBCI POC)	(301) 789-4002	<a href="mailto:frank.dickson1@maryland.gov">frank.dickson1@maryland.gov</a>
Mike Haloskey	Maryland Department of Housing and Community Development	Neighborhood Business Works Loan Participation Program	Director of Business Lending Programs	(301) 429-7523	<a href="mailto:michael.haloskey@maryland.gov">michael.haloskey@maryland.gov</a>
Sergei Kuzmenchuk	Maryland Department of Housing and Community Development	Neighborhood Business Works Programs	Chief Financial Officer	(301) 429-7453	<a href="mailto:sergei.kuzmenchuk@maryland.gov">sergei.kuzmenchuk@maryland.gov</a>
Eddie Montalvo	Maryland Department of Housing and Community Development	Neighborhood Business Works Programs	Lending & Risk Analyst SR1	(301) 429-7867	<a href="mailto:eduardo.montalvo@maryland.gov">eduardo.montalvo@maryland.gov</a>
Teddy Gresser	Maryland TEDCO	Seeds Fund Equity	Director	(410)740-9442	<a href="mailto:tgresser@tedcmd.com">tgresser@tedcmd.com</a>
Jean-Luc Park	Maryland TEDCO	Social Impact Funds	Senior Director	(410)740-9442	<a href="mailto:jpark@tedcmd.com">jpark@tedcmd.com</a>
Katherine Hill Ritchie	Maryland TEDCO	Venture Capital Limited Partnership Equity	Senior Director	(410)740-9442	<a href="mailto:khillritchie@tedcmd.com">khillritchie@tedcmd.com</a>
Jack Miner	Maryland TEDCO	Venture Equity Fund	Chief Investment Officer	(410)740-9442	<a href="mailto:jminer@tedcmd.com">jminer@tedcmd.com</a>
Randy Croxton	Maryland Department of Commerce / Meridian Management Group Inc.	MSBDFA Equity Participation Investment Program - Loan	Chief Investment Officer	(410) 333-4270	<a href="mailto:randy.croxton@mmgcapitalgroup.com">randy.croxton@mmgcapitalgroup.com</a>
Les Hall	Maryland Department of Commerce / Meridian Management Group Inc.	MSBDFA Equity Participation Investment Program - Equity	Program Manager	(410) 767-6356	<a href="mailto:les.hall@maryland.gov">les.hall@maryland.gov</a>