

# IMPORTANT UPDATE: Small Business Investment Grant Program (SBIG)

The Virginia Small Business Financing Authority (VSBFA) application period for the Small Business Investment Grant (SBIG) program will be March 18th, 2024, 9:00AM EST - March 22nd, 2024, at 4PM EST.

SBIG provides a meaningful return on investment from the Commonwealth to encourage individuals or special purpose entities (created for the purpose of investing in small businesses) to make cash investments in Virginia's small businesses for working capital, growth, and expansion.

SBIG grants are awarded to eligible investors (this includes business owners who invest in their own business) that have invested in eligible small businesses. They are not grants awarded to the small business that received the investment. All eligibility conditions must be met to qualify for an award.

Click [HERE](#) to view the website for details regarding the program and required documents.





## ***SMALL BUSINESS INVESTMENT GRANT FUND***

The Small Business Investment Grant Fund (SBIG), as directed by the Code of Virginia §2.2-1616, incentivizes Investors to inject capital into Virginia's small businesses by offering them an opportunity to receive a cash return on their investment of up to \$50,000.

The Virginia Small Business Financing Authority (VSBFA), under the auspices of the Department of Small Business and Supplier Diversity, administers the SBIG program. The VSBFA certifies the eligibility of the investor, the small business, and the investment, to award the grant.

All eligibility conditions must be met to qualify for an award:

### **Eligible Investors:**

- Are individuals subject to Virginia State Tax pursuant to § 58.1-320 or a special purpose entity established for the purpose of making investments for such individuals.
- Are not engaged in the business of making equity or debt investments in private businesses, or any person who is a partner, shareholder, member, or owner of such entities.

### **Eligible Small Business:**

A business must meet all the following criteria:

- Is a corporation, pass-through entity, or other entity (sole proprietorships are not eligible).
- Has annual gross revenue that does not exceed \$5 million in its most recent year of operations.
- Has its principal office or place of business located in VA.
- Primarily conducts its business or substantially produces its goods in VA.
- May not have received more than \$5 million of cash investments from the issuance of stock or subordinated debt in its existence (commercial loans from financial institutions are not included).
- Has no more than 50 employees in VA.

### **Eligible Investments:**

- Are cash investments in the form of equity or subordinated debt issued on or after July 1, 2021, and prior to January 1, 2024.
- Must remain in place for 2 years, and if it is subordinated debt (i) principal payments cannot be made during the first 3 years after issuance; (ii) it cannot be guaranteed by any other person or secured by assets of the eligible business or any person; and (iii) must be subordinated to all bank indebtedness of the business.
- Not eligible: Investments in which the investor has been or will be allowed a Virginia Tax Credit pursuant to § 58.1-339.4

### **Amount of the Grant:**

- Grants shall be the lower of 25% of the qualified investment or \$50,000.
- Lifetime maximum award per qualified investor is \$250,000.
- Annual maximum award per qualified small business is \$150,000.
- Awards are subject to the availability of funds.

For more details, please use this link: <https://www.sbsd.virginia.gov/virginia-small-business-financing-authority/>

## **Small Business Investment Grant Fund – Frequently Asked Questions**

**1. Will I need to create an account with DocuSign to send an application?**

No, you may create an account if you wish, but it is not required in order to submit the application. An email address is all that is needed.

**2. I'm an investor that wants to apply, how does the application process work with DocuSign?**

Great question! Facilitating the submission of the application through DocuSign will make this process seamless. Here's what to expect:

1. Investor clicks the link to the SBIG application on VSBFA's website.
2. Investor completes their name and contact email address as well as the name and email address of the small business in which they made the investment.
3. Investor follows the DocuSign instructions to complete their portion of the application.
4. Investor attaches required documents to the application as directed.
5. Investor electronically signs the application and marks it complete as directed.
6. Application is then sent to the email address of the Small Business provided in Step 2.
7. Small Business clicks link provided in their email that takes them to the application.
8. Small Business follows the DocuSign instructions to complete their portion of the application.
9. Small Business attaches documents to the application as directed.
10. Small Business electronically signs the application and marks it complete as directed.
11. Application is automatically sent to VSBFA's SBIG Review team to verify the application and documents submitted.
12. Investor will receive notification of receipt of application by VSBFA within 5 business days.
13. If, after verification of attached documents, Investor is deemed eligible and is approved for an award, notification will be sent via email. Award will be sent via check within 10 business day of receiving email notification.
14. If, after verification of attached documents, Investor needs to supply additional or different documentation, Investor will be notified via email of this requirement and will be provided **10** business days to send valid documentation.
15. If after 10 business days valid documentation is not received, application will be considered withdrawn.

3. **I have more than one document to upload per required documentation space. Is there a way to upload more than one file?**

Yes, you may upload as many files as necessary to each space that notates documentation is required for that step.
4. **I've reviewed the [list of required documentation](#) and I'm missing a document, can I submit an application anyway?**

We encourage you to ensure you have all the required documentation prior to submission. However, you can return to the application at a later time by clicking the "Finish Later" button in the top right-hand corner. You will be emailed a link you can use to complete when you have obtained the necessary documentation.
5. **If I invested in multiple eligible small businesses, do I have to submit more than one application?**

Yes, you will need to submit one application per small business in which you invested.
6. **If I am the small business contact, do I have to complete multiple applications if I have multiple individual investors?**

Yes, if there are multiple applicant investors in one small business, it is possible you will have to complete more than one application. One application is required per small business in which the investment was made.
7. **The information sheet says an eligible investor is "an individual subject to Virginia State Tax pursuant to § 58.1-320..." What exactly does that mean and how do I know if I qualify?**

An eligible investor for the SBIG grant is an individual that usually lives and works in Virginia. There are exceptions so to best define eligibility, the legislation uses the qualification of paying Virginia income tax. If you have a Virginia Driver's License and/or can produce documentation that you have paid Virginia state taxes within the last two years, you are considered an eligible investor.
8. **What is a special purpose entity established for the purpose of making investments for an individual?**

This is an entity or business established to make investments for an individual or a group of individuals. There are various reasons not relating to this grant to invest through a special entity. A qualifying entity will be a Virginia established company where the member or members pay Virginia income tax on their share of profits.
9. **What is considered an "equity investment"?**

An equity investment is money or cash that is invested in a company in exchange for a percentage of ownership in the company. The grant also allows for a cash investment to be in the form of subordinated debt which is a loan agreement between the business and investor.
10. **What is a sole proprietor?** A sole proprietor operates legally under his or her individual name (but can use a dba or other name) and operates by the individual's social security number. A sole proprietor is not considered an eligible business for the purposes of the SBIG grant. A one member LLC, however, works much like a sole proprietor but is a registered and established business under a tax identification number. An LLC is considered an eligible small business for the purposes of the SBIG grant.
11. **I still have questions, is there somebody I can talk to?**

Of course, we have a dedicated team to provide you with the assistance you need. You may reach them by phone at 804.371.8221 or by email at [vsbfa@sbsd.virginia.gov](mailto:vsbfa@sbsd.virginia.gov).

### **Small Business Investment Grant Fund – Required Documentation for Submission**

Below is a list of required documentation for submission with applications for the *Small Business Investment Grant*. Please ensure you have access to these important documents prior to starting the application.

#### **From the investor applicant:**

1. A copy of the applicant's driver's license
2. Completed Virginia Substitute W-9 form (for the investor applicant)
  - a. Must use the Virginia Substitute W-9 form as other forms such as the federal form are not accepted.
  - b. All sections must be completed. Instructions are within the form.
  - c. As most applicants are individuals, please note Entity Type and Entity Classifications are still required.
    - i. Individual should be selected for Entity Type and Other for Classification.
    - ii. Business Name and Exemption fields can be left blank.
  - d. Printed Name and Signature are required. Signature may be electronic if using a digital signature application (such as DocuSign or Adobe Sign).
3. A copy of the executed legal document of the equity investment
  - a. When evidencing an equity investment that is cash, a copy of the stock offering, stock certificate, subscription is required.
  - b. If small business in which investment was made is a single-member LLC, a copy of the organizational documents confirming as such can serve in lieu of stock documentation.
  - c. When evidencing an equity investment that is subordinated debt, a copy of the subordinated note is required.
  - d. The note cannot require principal repayment for the first 3 years.
  - e. Must be subordinate to all indebtedness of the qualified business.
  - f. May not be guaranteed by any other person.
  - g. May not be secured by assets of the business or any person.
4. Evidence of the cash investment
  - a. Required from both the investor and the small business applicant.
  - b. All documentation must include the account owner's name or other identifying information.
  - c. Documentation submitted must show the transfer of funds from the investor.
  - d. Bank statements are usually provided; however, copies of wires or ACH confirmations can be accepted.
  - e. If physical cash is transferred, it is required that cash be deposited into an investor account and then transferred to a business account. The transfer must be documented and the documentation submitted with the application.

**From the small business applicant:**

1. Organizational documents, submit one of the following depending on business legal structure:
  - a. Investments into sole proprietorships are not eligible for this grant.
  - b. Stock corporations, non-stock corporations, or professional corporations: Articles of Incorporation
  - c. Limited Liability Companies, Professional Limited Liability Companies: Articles of Organization  
Limited Partnership; Certificate of Limited Partnership
  - d. General Partnership: Statement of Partnership Authority or Partnership Agreement
  - e. Business Trust: Articles of Trust Agreement
  - f. Registered Limited Liability Partnership: Statement of Registration as a Domestic Limited  
Liability Partnership
2. Tax Returns for the most recent year.
  - a. Must be within last two years.
3. Certificate of Good Standing or Fact from the SCC
  - a. Must be registered with the SCC and have current status.
  - b. SCC registration must reflect principal place of business is in Virginia.
4. Most recent Payroll Report, submit one of the following:
  - a. Payroll report submitted to the Virginia Employment Commission (VEC FC-20 or FC -21).
  - b. Statement from third party payroll vendor.
  - c. Statement from owner to evidence business has less than 50 employees.
5. Evidence of the cash investment
  - a. Required from both the investor and the small business applicant.
  - b. All documentation must include the account owner's name or other identifying information.
  - c. Documentation submitted must show the transfer of funds to the business.
  - d. Bank statements are usually provided; however, copies of wires or ACH confirmations can be accepted.
  - e. If physical cash is transferred, it is required that cash be deposited into an investor account and then transferred to a business account. The transfer must be documented and the documentation submitted with the application.