

Small Business Investment Grant Fund

NOTICE: This program has depleted its funds for FY '18. Any qualifying investor applications received will be placed on a waiting list pending grant availability in FY '19.

The Virginia Small Business Financing Authority's Small Business Investment Grant Fund was designed to assist Virginia's small businesses seeking to raise equity to capitalize their growth. Grant funds are provided to qualifying investors in qualifying small businesses. With the influx of new investment, these businesses will then be better able to create economic benefit to the Commonwealth by increasing capital investment and creating jobs in Virginia.

Eligible Business:

- Has annual gross revenues of no more than \$5 million in its most recent fiscal year;
- Has its principal office or facility in the Commonwealth;
- Is engaged in business primarily in or does substantially all of its production in the Commonwealth;
- Has not obtained during its existence more than \$5 million in aggregate gross cash proceeds from the issuance of its equity or debt investments, not including commercial loans from financial institutions; **and**
- Has no more than 50 employees who are employed within the Commonwealth.

Eligible Investors:

- An individual subject to the Commonwealth's income tax (§ 58.1-320).
- "Eligible investor" **shall not** include an individual who engages in the business of making debt or equity investments in private businesses, or any person who is a partner, shareholder, member, or owner of an entity that engages in such business.
- Special purpose entities established for the purpose of making investments for an individual, such as special purpose LLC's and trusts, **are** considered to be "eligible investors" under the Code's definition as long as these special purpose LLC's and trusts **are not** applying for a grant under this program for the purpose of investing in passive real estate, residential housing projects. Passive real estate investments **are not** eligible investments for purposes of this program.

Qualified Investment:

- A cash investment in a qualified business in the form of equity or subordinated debt.

Eligible Investments:

- Qualified investments made in a qualified business on or after July 1, 2016, but prior to January 1, 2019.
- An eligible investor may apply for a grant for each qualified investment that is made to one or more small businesses.
- An eligible investor **shall not** be awarded a grant pursuant to this section for any investment in a small business for which the eligible investor has been allowed a tax credit pursuant to § 58.1-339.4 (the Qualified Equity and Subordinated Debt Investments Tax Credit).
- Further, passive real estate investment and investments in residential housing **are not** considered to be an "eligible investment".

Amount of Grant:

- Grants shall be in an amount equal to the lesser of 50% of the qualified investment or \$50,000 that is made to one or more small businesses not to exceed a total grant allocation from the Fund of \$250,000 per eligible investor.

Except under specific conditions enumerated in the Code of Virginia, any eligible investor that fails to hold such equity for at least 2 years shall forfeit the grant and shall pay the Authority interest on the total allowed grant at the rate of 1% per month, compounded monthly, from the date the grant was awarded to the taxpayer.

Complete application packages for businesses and investors, including the required attachments, will be reviewed by the VSBFA staff and are subject to requirements of the Code of Virginia as well as any policies developed and approved by the VSBFA. Once approved, the business and the investors will be notified.

If you have any questions, please feel free to contact our office at 804-371-8254
or visit our website at <https://www.sbsd.virginia.gov>.