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State Small Business Credit Initiative (SSBCI)

The State Small Business Credit Initiative (SSBCI) is a \$96 million investment in growing Iowa's small businesses, startups and manufacturers. The funding is available through the U.S. Treasury Department's SSBCI, a small business aid program that was expanded through the federal American Rescue Plan Act. The Treasury Department approved Iowa's amount based on a plan submitted by IEDA.

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Iowa's SSBCI dollars will focus on encouraging venture capital and investment in scalable innovation companies through the following programs:

- **Small Business Collateral Support Program**
- **Loan Participation Program for Manufacturing 4.0 Investments**
- **Venture Capital Innovation Fund Program** (*VentureNet Iowa*)
- **Venture Capital Co-Investment Fund Program** (*InnoVenture Iowa*)

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Iowa Economic Development Authority (IEDA)

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Small Business Collateral Support Program

Through the Small Business Collateral Support Program, the state of Iowa can provide businesses up to 40% of a collateral gap needed to secure a loan through a commercial lender for loans ranging in size of \$50,000 to \$250,000.

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Eligibility

- At least 18 years of age.
- Located in the state of Iowa.
- Operating for a profit.
- Privately owned business.
- Have an average gross business income of less than \$4M, computed as an average of the preceding three fiscal years.
- Must have a credit score above 600.
- Must have less than 125 employees across all locations and divisions.
- Cannot earn a portion of revenue from lending activities.

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Funds can be used for:



Start-up costs



Generate more working capital



Invest in new employees



Business improvements



Purchase of equipment



Inventory and supplies



Marketing and advertising



Specific operating expenses

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Funds can not be used for:

Paying off existing business or personal debt.

Passive or investment real estate activities.

Contributions to charities or non-profits.

Lending.

Illegal activity.

The adult entertainment industry or be subject to any federal or state liens.

To purchase farmland or farm equipment.

To pay off any federal or state delinquent taxes.

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Lender Information

Small businesses can receive support of up to 40% of a collateral gap needed to secure loans ranging in size from \$50,000 to \$250,000. The state will only participate in the amount needed to secure the loan based on the lender's analysis of collateral shortfalls.

A lending institution must have an approved provider participation agreement on file. To apply to become a preferred lender, go to <https://www.iowaeda.com/state-small-business-credit-initiative/> and click on Small Business Provider Participation Agreement. The provider will be notified via email once approved, and applications for funding will then be available.

Lenders will be required to apply on behalf of the small business owner.

Lenders will set all terms and are responsible for their own credit underwriting decisions and loan originations.

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Lender Information continued

The lender agrees to service the loan and any collection on loan payments and remittance to the state's purchased portion.

Fees depend on the loan maturities and can be passed on to the borrower:

- Loans of one year or less will assessed a 0.5% fee of the amount of the state's collateral support participation on the loan.
- Loans with maturities of one year to five years will be assessed a 1% fee of the amount of the state's collateral support participation on the loan.
- Loans with maturities of five to ten years will be assessed a 1.5% fee of the amount of the state's collateral support participation on the loan.

Collateral support cannot be provided for any other federal loan programs, examples: SBA 7(a), SBA 504 loans and USDA loans as are any loans that have a government guarantee.

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Loan Participation Program for Manufacturing 4.0 Investments

- Funding to help Iowa manufacturers invest in the new technologies that are transforming the industry.
- IEDA will purchase a portion (up to 20%) of the loan to help offset risk for traditional lenders.
- Loans may range in size of \$100K up to \$10M.
- Interest rates, maturity, collateral, and other loan terms are determined by the financial institution lender.

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Eligibility

- Incorporated or authorized to do business in Iowa.
- Implementing Industry 4.0 technology or contributing to automation activities.
- Derive a minimum of 51% of their revenue from the sale of manufactured goods, or via a contribution to automation activities.
- Operating for a profit.
- Must have less than 500 employees across all locations & divisions.
- Cannot earn any portion of revenue from lending activities.
- Must be in good standing with Iowa Department of Revenue.
- Priority given to companies with a NAICS codes falling between 31-33.

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Funds can be used for:

- **Acquiring Industry 4.0 fixed asset equipment such as:**
 - Specialized equipment for automation.
 - Collaborative robotics and equipment for process improvements.
- **Acquiring Software assets required to implement Industry 4.0 technology such as:**
 - The implementation of Industrial Internet of Things.
 - Infrastructure hardware.
 - Cybersecurity protocols.
 - Sensor integration tools.
 - Predictive maintenance software.
 - Industrial wearable technology for injury prevention.
 - Data visualization software.
 - RFID tagging software.
- **Construction or renovations of owner-occupied real estate to support Industry 4.0 equipment installation.**

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Lender Information

The minimum request allowable is \$20,000 or 20% of a \$100,000 loan. The maximum request allowable is \$2 million or 20% of a \$10 million loan.

The maximum term is up to 20 years.

A lending institution must have an approved provider participation agreement on file. To apply to become a preferred lender, go to <https://www.iowaeda.com/state-small-business-credit-initiative/> and click on Manufacturing 4.0 Provider Participation Agreement. The provider will be notified via email once approved, and applications for funding will then be available.

Lenders will be required to apply on behalf of the manufacturer.

Lenders will set all terms and are responsible for their own credit underwriting decisions and loan originations.

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Lender Information continued

The lender agrees to service the loan and any collection on loan payments and remittance to the state's purchased portion.

Fees depend on the loan maturities and can be passed on to the borrower:

- Loans of one year or less will be assessed a 0.5% fee of the amount of the state's purchased participation on the loan.
- Loans with maturities of one year to five years will be assessed a 1% fee of the amount of the state's purchased participation on the loan.
- Loans with maturities of five to ten years will be assessed a 1.5% fee of the amount of the state's purchased participation on the loan.
- Loans with maturities greater than ten years will be assessed a 2% fee on the amount of the state's purchased participation on the loan.

Collateral support cannot be provided for any other federal loan programs, examples: SBA 7(a), SBA 504 loans and USDA loans as are any loans that have a government guarantee.

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America's Small Business Development Center - Iowa

- Offers personalized, confidential, and no-cost business counseling to small business owners and entrepreneurs in Iowa.
- We have 15 regional centers and 1 technology center.
- Can help with any stage of business. Experienced counselors provide resources and information to individuals wanting to start a business, grow an existing business, or plan for a transition.
- Services provided: business plans, customer discovery, financing opportunities, cash flow projections, loan proposal assistance, marketing strategies, business growth strategies, business transition, export assistance & startup assistance.

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America's SBDC – Iowa continued

- Offer a variety of workshops and classes that are relevant to today's businesses.
- We have a large network of partners.
- At www.iowasbdc.org:
 - Request Counseling
 - Find Your Nearest SBDC Center
 - Stay up to Date on the Latest Small Business News
 - See Upcoming Events
 - Find Resources

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SSBCI Technical Assistance (TA)

The Iowa SBDC also provide the Technical Assistance for the four SSBCI programs. Such as:

Accounting Services which we also subcontract with Community CPA:

- Preparing audits, financial statements, or business records.
- **Digitizing financial records.**
- Advisory services or training regarding accounting practices, recordkeeping, or accounting software.

****Community CPA only provides up to 26 hours of counseling for those that are applying for an SSBCI program.**

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SSBCI TA continued

**Financial Advisory
Services:**

- Assisting with the establishment of banking relationships or other financial services.
- **Assisting with applications for government small business programs, including preparing financial analyses.**
- Identifying sources of credit, capital, grants, and other financing.
- **Advising on factors that may impede access to financing for the business.**
- Advising on financial management.
- **Developing presentations to potential investors, financial models, and business plans.**

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Being Prepared For The Lender

Start-Ups: The focus is on the business plan, the owner's qualifications, and personal financial strength.

1. Business Plan: It outlines your business concept, strategies, market analysis, products/services, marketing and sales plans, organizational structure, your competition, and management team. Crucially, it includes your funding request (how much you need and how you'll use it) and financial projections (this includes projected income statements, balance sheets, and cash flow statements for the next 1-3 years, demonstrating how the business will generate revenue and repay the loan).

2. Personal Financial Statements: This includes details of your income (outside the business), assets (e.g., real estate, investments), liabilities (e.g., mortgages, personal loans), and net worth. Often, lenders will require a personal guarantee, making you personally responsible for the loan if the business defaults.

3. Personal Tax Returns: Typically, the past two to three years of personal tax returns are required to verify your income and financial history.

****If you own or are part owner of any other business, lenders will often request the business financial statements and tax returns to get a full picture of your financial position to make sure taking on another business makes sense from a risk standpoint.**

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Start-ups continued

4. Personal Credit Report: *600 & above. Lenders will pull your personal credit report and score to assess your creditworthiness and history of managing debt.

5. Professional Resume(s): Resumes of the key owners and management team demonstrate their relevant experience, skills, and qualifications to run the business successfully.

6. Legal Documents & Registrations: Articles of Incorporation/Organization: Documents filed with the state to formally establish your business entity (e.g., LLC, Corporation). Business Licenses and Permits: Proof that your business is legally authorized to operate in its industry and location. EIN (Employer Identification Number): Your federal tax ID number.

7. Collateral: If the loan is secured, you'll need to provide details and potentially appraisals of any assets you're offering as collateral (e.g., personal real estate, significant equipment you plan to purchase with the loan). A lender will require proof of insurance on any assets you are pledging as collateral on your loan, as well as an equipment list if you are also purchasing the equipment.

8. Bank Statements (Personal): Recent personal bank statements (typically 6-12 months) to show your cash reserves and personal financial management.

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Start-ups continued

9. Proof of Life Insurance/Collateral Assignment of Life Insurance: A common requirement for business loans, especially for small businesses or those heavily reliant on one or a few key people. It is a safeguard to ensure that the loan will be repaid, even in the most unfortunate of circumstances. This protects not only the lender but also the borrower's family and the business itself from a significant financial burden.

****Always be prepared to clearly articulate the purpose of the loan and your repayment plan. Lenders want to understand why you need the money and how you intend to pay it back. Having all of your documents organized and readily available will significantly streamline the application process.**

****Remember to allow the lender adequate time to review your documents. They will need to assess your financial strength and business information to evaluate the level of risk and prepare your file for review by their loan approval committee. This can take up to several weeks.**

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Established Businesses – the emphasis shifts to proven financial performance and stability.

1. Business Financial Statements: Lenders typically require the following for the past two to three years, plus recent interim statements: **Income Statement (Profit & Loss Statement):** Shows the business's revenues, expenses, and net profit or loss over a period (e.g., quarterly, annually). **Balance Sheet:** A snapshot of the business's assets, liabilities, and owner's equity at a specific point in time. **Cash Flow Statement:** Details the inflows and outflows of cash from operating, investing, and financing activities, indicating the business's liquidity. **Accounts Receivable and Payable Aging:** Lists outstanding invoices owed to the business (receivables) and bills the business owes (payables), showing how well cash flow is managed. **Debt Schedule:** A detailed list of all existing business debts, including outstanding balances, lenders, interest rates, and repayment terms.

2. Business Tax Returns: Signed federal tax returns for the business for the past two to three years. These provide a verified history of the business's income and expenses.

3. Business Bank Statements: Recent bank statements (typically 6-12 months) for all business operating accounts to demonstrate cash flow patterns, liquidity, and financial management.

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Established Businesses continued

4. Personal Financial Statements & Tax Returns (for owners/guarantors): Even for existing businesses, owners with significant ownership (often 20% or more) will typically need to provide personal financial statements and tax returns, especially if a personal guarantee is required. This helps the lender assess the owner's ability to support the business if needed.

5. Legal Documents & Registrations: Similar to start-ups, these prove the business's legitimacy and legal standing. This includes Articles of Incorporation/Organization; Operating Agreement (for LLCs) or Bylaws (for Corporations); Business Licenses and Permits; EIN (Employer Identification Number); and any relevant commercial leases or real estate deeds.

6. Collateral Documentation: If the loan is secured, documentation proving ownership and value of the collateral (e.g., appraisals for real estate, titles for vehicles/equipment, inventory lists, accounts receivable schedules). A lender will require proof of insurance on any assets you are pledging as collateral on your loan, as well as an equipment list if you are also purchasing the equipment.

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Established Businesses continued

7. Business Plan (Updated/Brief): While not as extensive as for a start-up, an existing business may need to provide a concise business plan or a **loan proposal** outlining the purpose of the loan, how it will be used, and how it will benefit the business's growth or operations, along with how it will be repaid.

8. Proof of Life Insurance/Collateral Assignment of Life Insurance: Is a common requirement for business loans, especially for small businesses or those heavily reliant on one or a few key people. It is a safeguard to ensure that the loan will be repaid, even in the most unfortunate of circumstances. This protects not only the lender but also the borrower's family and the business itself from a significant financial burden.

****Always be prepared to clearly articulate the purpose of the loan and your repayment plan. Lenders want to understand why you need the money and how you intend to pay it back. Having all your documents organized and readily available will significantly streamline the application process.**

*****Remember to allow the lender adequate time to review your documents. They will need to assess your financial strength and business information to evaluate the level of risk and prepare your file for review by their loan approval committee. This can take up to several weeks.***

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VentureNet Iowa

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VENTURENET IOWA

- VentureNet Iowa connects ideas to resources, management, and investors, to create jobs and build businesses in Iowa.
- We have developed relationships with some of Iowa's top experts and successful high-level management candidates to help the entrepreneur take the new company to the next level.
- VentureNet Iowa helps build companies in Iowa by assisting entrepreneurs who have an idea for a product or a service and helping them develop the structure, create the model, and assemble an effective management team.
- VentureNet Iowa is helping the State grow its economy and qualified workforce in order to sustain its economic future.

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IOWA'S PUBLIC INNOVATION FUNDING



	EARLY STAGE	LAUNCH	LATE STAGE		
	INVESTIGATIVE / PROOF OF COMMERCIAL RELEVANCE	DEMONSTRATION FUND	IOWA INNOVATION ACCELERATION - LAUNCH	IOWA INNOVATION ACCELERATION - PROPEL	IOWA INNOVATION ACCELERATION - EXPANSION
PURPOSE	Identify gaps and explore commercialization feasibility; Business opportunities that have demonstrated a innovative proof-of-concept. Patentable innovative technology IA university-based required. Functional prototype and two team members required.	Marketing, sales and distribution of market ready product, business model refinement; refinement of existing market ready software or platform. Full-time management team required.	Designed to help revenue generating companies/products overcome the principal challenges of launching new startups as they scale and move from a commercially viable product to an established customer base generating substantive revenue for the business.	Accelerate the pace of market development for companies that have critical management in place, a validated business model and an established customer base that is generating substantive revenue.	Expansion of product lines in companies with complete management infrastructure, proven historical profitability and with an established customer base. Product refinement, market expansion for unique innovative competitive products.
TARGET	Bio-medical, Medical Device, Therapeutic, Drugs; Advanced Manufacturing, Biosciences, Information Technology	Advanced Manufacturing, Biosciences, Information Technology	Advanced Manufacturing, Biosciences, Information Technology	Advanced Manufacturing, Biosciences, Information Technology	Key Industry Clusters
MAX \$	< \$50,000	< \$100,000 - \$175,000 (Variable whether SSBCI* or State Funded)	< \$250,000	< \$500,000 or 50% of Project Costs, whichever is the lesser	< \$1,000,000 or 50% of Project Costs, whichever is the lesser
MATCH <small>(% of total)</small>	1:2 (University match preferred for Investigative PCR)	1:2 or 1:1 (Variable whether SSBCI* or State Funded)	1:1	1:1	1:1
FORM	Royalty, Royalty or low interest loan	Royalty or low interest loan	Royalty or low interest loan	Royalty or low interest loan	Secured low interest loans
USE OF FUNDS	3rd party technology evaluation/review/opportunity assessment, regulatory path determination, identify partners or manufacturers, IP development and evaluation, validation of market potential, beta testing, team assembly	Marketing, sales, distribution, product refinement, market research	Increased research and capital investment funding, creation of successful collaborations and partnerships needed to scale technology, development of technical milestones to position the technology to scale toward a broader customer base	Recruit/hire key personnel; expand marketing/sales; advanced IP evaluation	"Recruit/hire key personnel; equipment purchase and construction costs"

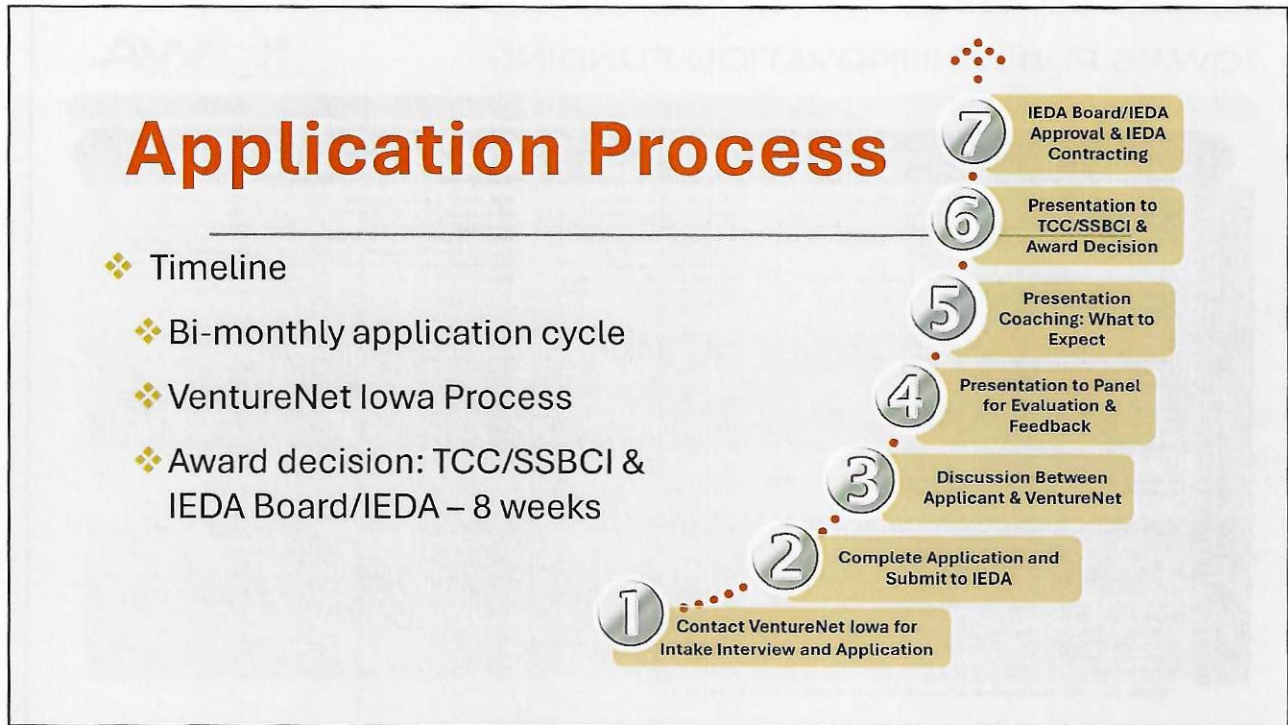
* SSBCI - State Small Business Credit Initiative; program authorized by the U.S. Treasury

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Eligibility

- **Focus on Innovative Technology:**
 - IP orientation – patents, trade secrets, 1st to market
 - Iowa based, scalable, platform technologies
 - Private match required
- **Targeted Industries:**
 - Bio/life Sciences
 - Advanced Manufacturing
 - Information Technology
 - Value-added agriculture

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InnoVenture Iowa

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InnoVenture Iowa

As the state's first public venture capital fund, our fund is uniquely positioned to close the gap in funding for early-stage Iowa startups while spurring future innovation in industries where Iowa is naturally competitive. InnoVenture Iowa is an evergreen venture capital fund, built by (and for) Iowa entrepreneurs. We are not state employees.

\$40 million co-investment fund designed to support early-stage, Iowa-based startup companies in bioscience, advanced manufacturing and information technology.

Average check size is \$250,000

Invest in priced rounds, convertible notes and/or SAFEs.

Funding is not a loan – we are buying equity in the company (an ownership stake).

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Qualifications

- **Industry Focus: Biosciences, Advanced Manufacturing or Information Technology.**
- **Based in Iowa or have “significant operations” in Iowa.**
- **Have a lead investor and/or signed term sheet.**
- **Co-Investment Partners: Private VC Funds, Businesses or Angel Investors.**
- **Are raising around \$2M or less, unless they are a bioscience company, in which case we can participate in rounds up to \$20M.**
- **Will need to show a signed term sheet from a lead investor for consideration from our investment committee.**

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The Process



INTERESTED STARTUPS SHOULD CONTACT KAYLEE WILLIAMS OR MICAH WALKER TO PITCH THE FUND.



IF YOU QUALIFY FOR FUNDING, THEN YOU WILL ADVANCE TO OUR DUE DILIGENCE PROCESS, WHICH INCLUDES CONVERSATIONS WITH CO-INVESTORS, POTENTIAL OR CURRENT CUSTOMERS AND AN IN-DEPTH REVIEW OF THE STARTUPS' FINANCIAL PERFORMANCE (TO-DATE) AS WELL AS THEIR FUTURE PROJECTIONS.



STARTUPS THAT ARE APPROVED FOR INVESTMENT MUST GO BEFORE THE INNOVENTURE INVESTMENT COMMITTEE FOR FINAL VOTE.



OUR BY-LAWS REQUIRE A SUPERMAJORITY VOTE (4 OUT OF 5 MEMBERS MUST VOTE YES) FOR THE TRANSACTION TO TAKE PLACE.



FUNDS ARE WIRED WITHIN 4-6 WEEKS OF THE FIRST MEETING.

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ADDITIONAL INFORMATION

State Small Business Credit Initiative (SSBCI)

➤ iowaeda.com/state-small-business-credit-initiative/

VentureNet Iowa

➤ <https://www.venturenetiowa.com/>

InnoVenture Iowa

➤ <https://innoventureiowa.com/>

America's SBDC Iowa

➤ <https://iowasbdc.org/>

Technical Support Sign-up

➤ <https://startupspace.app/v2/dynamic-survey/view/304/392>

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