

Harbor Bank of Maryland Community Development Corporation – Application for the SBA Aspire Challenge

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Organizational Background and Background of Management Team:

The Harbor Bank of Maryland Community Development Corporation (“Harbor Bank CDC”) is a U.S. Treasury certified Community Development Financial Institution (“CDFI”) with a dual mission of creating affordable housing opportunities and increasing access to capital and financial services. Harbor Bank CDC is a subsidiary of Harbor Bankshares Corporation; the only African-American owned and managed minority depository institution chartered in the Maryland. The CDC has an innovative structure to be able to provide both capital and technical assistance to entrepreneurs of all backgrounds focusing efforts on supporting those underserved through direct and referral-based advisory services and various capital access initiatives. The CDC has been a strong support for returning citizens in Baltimore who desire to use entrepreneurship to participate in today’s economy by providing and connecting individuals to resources such as education, technical assistance, and capital. The CDC itself provides capital throughout the capital structure of projects and small businesses through loan fund, mezzanine, equity, and other structured investments. The CDC prepares companies to be bankable and also introduces growing companies to capital providers; The CDC’s recent showcase of African-American technology companies led to approximately \$1 million in early-stage commitments for the firms involved. Further, the CDC is developing a business incubator at its Baltimore headquarters to support underserved entrepreneurs.

Joseph Haskins, Jr. – Mr. Haskins is the Chairman, President and CEO of Harbor Bankshares Corporation. In various capacities, he has served five Maryland Governors, and four Baltimore Mayors. He holds an AB from Morgan State University, a MBA in Finance from NYU, and a Masters of Liberal Arts from Johns Hopkins University. He holds an advanced banking certificate from Wharton School of Business. He has chaired the commission of Business and Economic Development for the Maryland. He was a board chair for the Maryland Carefirst BlueCross BlueShield, the Morgan State University Business School, and Associated Black Charities.

John Lewis – Mr. Lewis serves as Executive Vice President of the Harbor Bank of Maryland CDC. Mr. Lewis was formerly a consultant to community development corporations and technology entrepreneurs after founding and successfully exiting a financial technology start-up. He previously held various banking and managerial roles at Merrill Lynch & Co. Inc. and Credit Suisse First Boston. He serves on the Small Business Advisory Committee to the Mayor of Baltimore. Mr. Lewis holds a BS in Industrial and Labor Relations from Cornell University and an MBA from the Harvard Business School, where he was a Toigo Fellow. He is a member of the CFA Institute.

John McLean – John G. McLean, Jr., MBA, CPA, CMA, CGMA is CFO of the Harbor Bank of Maryland. He joined Harbor Bank in 2013 after 12 years in the accounting/auditing field. Mr. McLean received his BS in accounting from Saint Francis University and an MBA from Loyola University of Maryland. Mr. McLean is currently a member of the National Association of Black Accountants, Financial Managers Society, Financial Executives International, Institute of Management Accountants, American Institute of Certified Public Accountants, and the Maryland Association of Certified Public Accountants.

Tiffany Royster – Tiffany Royster is Vice President of The Harbor Bank of Maryland CDC. Ms. Royster has 15 years plus of experience in community development, real estate finance, and Loan Fund management. During her tenure including Reinvestment Fund, Enterprise Community Partners, and Marshall & Ilsley Bank CDC she has managed regional Loan Funds, grown assets, and executed over \$75 million in investments in urban areas throughout the country. She has a Bachelor’s of Arts from Beloit College.

Calvin Allen Young – Mr. Young is Vice President of the Harbor Bank of Maryland CDC. Young was a 2016 candidate for Mayor of Baltimore. Young began his career at United Technologies, heading multiple cross-functional teams. Young worked at White House National Economic Council, focused on small business acceleration and access to capital initiatives. Young earned a BS in mechanical engineering from NYU and a MBA from the Harvard Business School. Young currently serves on the board of the Pigtown Main Street Business Association.

Entrepreneurial Education Program:

Participant Recruitment Plan

Every year more than 13,000 individuals exit Maryland prisons. More than half return to Baltimore City. Harbor Bank CDC's programs operate largely by referral from existing business clients, our community activities, and walk-ins to our seven branches throughout the Baltimore region. Entrepreneurs have an initial one-on-one consultation with an officer who reviews the business idea and begins advisory activities with the client.

- Our existing business clientele are diverse and span the entire region, including 18% of our loan portfolio existing in Sandtown- Winchester, the neighborhood of Freddie Gray.
- Our community activities include advising neighborhood CDC's and strategic sponsorships. For example, Harbor Bank CDC sponsored the Baltimore 1000 initiative. In 2016, Baltimore 1000 is responsible for over 800 job offers to underserved citizens and returning citizens.

Classroom Instruction

Ex-offenders are among the participants in each of our programs:

- ***Harbor Bank Tech Showcase preparatory advisory:*** Harbor Bank CDC hosts' quarterly tech showcases of African-American tech companies in the Baltimore area. These showcases give the companies opportunity to present in front of angel investors and venture capitalists. Prior to these events, Harbor Bank CDC provides pro bono advisory to the businesses in pitch prep, slide deck design, and business planning. Prior to the most recent showcase, over 30 hours of preparatory and advisory services were logged for companies looking to improve their pitches, including five companies founded and run by ex-offenders.
- ***Emerging Developers Program:*** The Emerging Developers Program is an intensive weekly course where small and aspiring developers are trained in the best practices of commercial and residential development. The trainings facilitated by Harbor Bank CDC feature a variety of industry experts on everything from site selection to financing. The program culminated in an actual development project done in partnership with a local large development company. Participants participate in the equity of the projects, meaning that being in the program is ultimately a profitable endeavor.
- ***City Life Financial Literacy Program:*** Through its *Level 1 Construction Training* program, City Life Community Builders serves 20 Baltimore City residents between the ages of 18-29. The project delivers occupational skills training in the construction field and primarily targets communities of East Baltimore for candidate recruitment. Project participants receive training and certification for placements in housing renovation, repair and painting. Harbor Bank CDC supplements this training with financial literacy courses to put participants on a path to financial freedom. Core implementing partners include: Morgan State University School of Social Work, the Relevancy Project, the Baltimore City Health Department, Harbor Bank of Maryland Community Development Corporation, and Helping Empower All Lives. Industry-based partners include: Whiting-Turner, RAM Contracting Services, LLC, Kinsley Construction, and the Green and Healthy Homes Initiative.
- ***JUICE Entrepreneurship Boot camp:*** The JUICE Entrepreneurial Boot camp is an established program developed to fulfill the requirements of 2015 Maryland Senate Bill 582, which established a pilot program for small business development for ex-offenders. The 12-week training teaches a select group of ex-offenders the principals of starting a business culminating in the development of a business plan and introductions to capital providers. Harbor Bank CDC board member Stanley Tucker, an ex-offender who now heads a minority-managed professional asset management firm, and Dr. Jayfus Doswell, a serial entrepreneur, runs the program. Additionally, Dr. Doswell provides direct mentorship during the weeks of the camp.

Mentoring –

Harbor Bank CDC provides one-on-one mentorship directly to the entrepreneurs at no cost. As a two-time winner of the SBA Prime Grant, Harbor Bank CDC has been able to provide this support to over 50 companies in the Baltimore region over the past year, including many founded by ex-offenders. Here are a few examples:

- ***GunBail, Inc.*** – Provided technical assistance and \$25,000 convertible note financing. Made introductions to the Attorney General of Maryland, the State’s Attorney of Baltimore, a State Delegate, and venture capitalists, leading to their active support of the company. Our support has led this company to be a finalist in a major local business accelerator competition, which has led to more than \$125,000 in follow-on funding.
- ***Pigeonly, LLC*** – Provided introductions to government officials to help facilitate expansion to open a fulfillment center in the Baltimore region. Provided introductions to equity providers in the area.
- ***Rowdy Orbit*** – Provided technical assistance and pitch deck preparation, which has led to additional capital discussions.
- ***4u2c20/20 Mobile*** – Provided technical assistance, pitch review and introduction to loan administration
- ***Willie Cleaning Services*** – Provided technical assistance via pitch review

Harbor Bank CDC’s technical assistance and mentorship is unique in its approach. Each entrepreneur is given an initial in-person meeting to review the business and the Ask. Next, an individualized plan is developed with the entrepreneur based on the needs of the company and the milestones that should be accomplished in order to qualify for any desired capital resources. Thereafter, Harbor Bank CDC meets with the entrepreneur on a monthly basis to discuss actions to meet goals and the outcomes of activities. These services are provided at no cost to the entrepreneur.

Community Connections –

The CDC has extended connections into the community to provide access to many resources available to returning citizens throughout Baltimore City. Here are some of the programs to which we are able to connect individuals.

- ***SBA/ Milken PLUM Initiative:*** SBA/Milken Institute Partnership for Lending in Underserved Markets Initiative (“PLUM”) is a two-year pilot committed to developing straightforward, common-sense approaches to reducing barriers to capital, creating economic opportunities, and improving lending to minority small businesses initially in Baltimore and Los Angeles. Harbor Bank CEO Joseph Haskins serves as the Baltimore co-chair for the initiative.
- ***Coppin State University School of Business:*** Harbor Bank CDC’s strong relationship with the Deans office at the Coppin State University’s School of Business provides direct connection for any ex-offenders seeking to study undergraduate business courses.
- ***Center for Urban Families:*** CFUF strengthens urban communities by helping fathers and families achieve stability and economic success. John McLean, CFO at Harbor Bank, serves on the board of CFUF.
- ***Mission Launch:*** Mission Launch is a not-for-profit social enterprise committed to improving reentry outcomes by supporting and structuring innovation among government and nongovernment agencies.

Access to Capital:

As a Maryland- chartered commercial bank, Harbor Bank understands the importance of an individual being bankable and having the ability to access financing. Our existing capital access program provides entrepreneurs the opportunity to engage many different types of financing options for their businesses. We maintain and engage a variety of different financing options in order to provide the right financing solution to the entrepreneur.

Access to Micro Lending:

Our existing program links entrepreneurs to lending and investments in a variety of ways. Our innovations in financing small business have allowed us to offer structured financings, which include loan guarantees, royalty agreements, convertible notes, and equity investments in amounts as small as \$10,000.

- **Early-Stage Fund with TEDCO:** Harbor Bank CDC has a partnership with the Technology Development Corporation ("TEDCO") to provide \$40,000 of convertible note capital to ten Maryland-based and minority-led start-up companies. The application for these funds is set to release in March with first distributions available in June. Companies who receive the early stage funding will also be eligible for a follow-on \$100,000 convertible note from TEDCO.
- **Direct Investment:** Harbor Bank CDC accompanies its programs and technical assistance to entrepreneurs with direct investments into promising companies. Harbor Bank CDC focuses on the ability to provide flexible financing terms and to provide dollars to those entrepreneurs that would not otherwise be able to get financing, but have fundamentally sound businesses. In the past year, Harbor Bank CDC has done provided loan guarantees, direct loans, convertible notes, equity investments, and royalty agreements to entrepreneurs.
- **Park Heights Loan Fund:** Harbor Bank CDC provides a permanent mortgage facility to Park Heights Angels, a Maryland –based non-profit developer rehabilitating blighted properties in northwest Baltimore. Park Heights Angels is founded and run by a client who is a returning citizen.

Credit Building:

- **Financial Literacy training:** Harbor Bank CDC provides financial literacy courses to put individuals on a path to financial freedom. For example, participants of the City Life Level 1 Construction Training program are taught these trainings on Saturday mornings, cover various aspects of financial literacy from opening a bank account to credit monitoring and improvement.
- **Individual Advisory:** Harbor Bank CDC's individualized mentorship focus helps entrepreneurs to understand how to make a capital ask and at what size and terms is best for the business. This increases the likelihood of financing.

Connections to Capital and funding opportunities:

- **Bank Loans at the Harbor Bank/ Harbor Bank CDC:** Harbor Bank CDC has the ability to help companies prepare for receiving traditional debt financing. As such, we partner with loan officers in the bank to help companies meet loan qualifications. Harbor Bank CDC also can provide loan guarantees to subsidize the collateral needs of the business. We maintain relationships across Baltimore and are able to refer or partner with various capital sources.
- **Capital Introductions:** For companies that we are advising, several of whom are led by returning citizens, we make introductions to a wide range of capital providers which includes local and national foundations, private equity and venture capital firms, banks, CDFI's, and SBA lenders. Our advisory includes intensive preparation of business planning, marketing, and operations.
- **Tech Showcases:** Harbor Bank CDC hosts quarterly showcases of minority-led start-up companies in the Baltimore area. The local venture capital firms and angel investor community attend these events. Our last event has led to approximately \$1 million in commitments.
- **Acceleration competitions:** Harbor Bank CDC has successfully supported applications into local acceleration competitions. GunBail, a company founded by a returning citizen, is a finalist in the 2017 Accelerate Baltimore competition. This distinction provides them with a \$25,000 convertible note from the Abell Foundation and a change at another \$100,000 in equity financing.