

Request for Proposal (RFP)
To Qualify and Select a Fund Manager(s) for a
Vermont SSBCI Venture Capital Fund(s)

Issue Date: January 29th, 2024
Questions Due: February 16, 2024, 1:00 PM
EST Responses Due: April 1, 2024, 1:00 PM EST

Single Point of Contact (SPC): Thad Richardson, CFO, Vermont Economic Development Authority Email: trichardson@veda.org

Note: Questions shall be emailed to the SPC, and all respondents to this RFP (the “Respondents”) will receive an email stating the question and answer.

Respondents are restricted from contacting VEDA staff, selection committee, or board members during the RFP process

I. Background and Purpose

On March 11, 2021, President Biden signed The American Rescue Plan Act, which provides for the reauthorization and expansion of the State Small Business Credit Initiative (SSBCI). The State of Vermont has appointed the Vermont Economic Development Authority (VEDA) as the implementing entity to execute Vermont’s approved SSBCI plan. Pursuant to the approved plan, VEDA is looking for a fund manager(s) to manage the venture capital fund(s) (the “Fund”) in which VEDA will invest up to \$28 million of the total SSBCI monies that have been allocated to the State. VEDA expects the Fund to use the SSBCI monies to make investments that increase the amount of investment capital provided to new Vermont businesses or to existing Vermont businesses for the purpose of expansion.

The State’s vision for the Fund is to create a long-term vehicle for the investment and reinvestment of funds to develop entrepreneurial ventures. The Fund is viewed as a catalyst for business development and diversification of Vermont’s economy. At the same time, a vital objective of the Fund is to earn a return on its investments to replenish resources to the Fund and enable reinvestment. VEDA anticipates that the Fund will leverage the expertise and co-investment capabilities of cooperating organizations. **Any SSBCI funds invested through the Fund will remain under the ownership of the State of Vermont and administered by VEDA in perpetuity, for the benefit of the State of Vermont.**

VEDA requests proposals from organizations that have the capability and desire to serve as the Fund manager. The selected Fund manager(s) will be invited to participate in drafting and negotiating the documentation pursuant to which VEDA will invest the SSBCI funds in the Fund.

The current RFP is for the management of up to \$12.5 million for a period of up to 10 years, with potential renewal of management following completion of the SSBCI program.

VEDA plans to contract with up to two fund managers for the total amount and will accept proposals between \$3 million and \$12.5 million.

While not limited to this focus area, the State of Vermont is committed to the newly designated Tech Hub. Therefore, VEDA will have a selection preference for a fund with a focus in advancing new technologies, and a willingness to work with the State of Vermont's V-GaN Tech Hub. You can find more information on the V-GaN Tech Hub by visiting their [website](#).

Fund Structures:

Vermont's approved SSBCI plan includes the following two venture capital program models:

Direct Model: The Fund consists entirely of SSBCI funds invested by VEDA and managed by the Fund manager on behalf of VEDA. The Fund makes direct investments of SSBCI funds in small businesses alongside co-investments from private capital sources at a minimum 1:1 level. The SSBCI funds are managed under a management agreement with VEDA.

Venture Fund Model: The Fund consists of SSBCI funds invested by VEDA and at least an equal amount of private capital (i.e., 1:1 investment matching at the Fund level). The Fund then uses the pooled invested capital to invest in small businesses.

General Terms:

Disbursement of Funds: The Fund may call up to 15% of the SSBCI funds committed to the Fund by VEDA in an initial capital call. VEDA will make further disbursements of the SSBCI funds to the Fund as such funds are needed (a) to pay an expense or to reimburse the Fund for an expense incurred by the Fund that meets the requirements under the Uniform Cost Principles in 2 C.F.R. Part 200 Subpart E or (b) to fund a clearly documented loan or investment to an eligible small business.

Expense Reimbursement: Fund managers may draw up to 3.66% of the total SSBCI funds committed to the Fund by VEDA for administrative expenses that meet the requirements under the Uniform Cost Principles in 2 C.F.R. Part 200 Subpart E, including Fund manager salaries. Fund managers may also use "Program Income" generated by the portfolio for administrative costs.

Portfolio Company Service Fees: Venture Fund Model managers may retain up to 1.71% of VEDA's total capital commitment each year during the 10-year period immediately following the formation of the Fund to provide services to portfolio companies. The fund must indicate which services are to be provided to portfolio companies and certify that services have been provided to earn the fees. **Direct Model managers are not entitled to a portfolio company services fee per the Treasury Department program guidelines (link below). Direct Model respondents will need to demonstrate they can cover the costs of managing the funds in their response.**

Conflict of Interests: The SSBCI program has strict conflict of interest rules. Respondents should carefully review these rules before applying. The rules are included in the U.S. Department of Treasury State Small Business Credit Initiative Capital Program Guidelines, revised December 4, 2023 (link below in Section VI (Reference Materials)) (the “SSBCI Guidelines”).

II. Fund Manager Responsibilities

The Fund manager’s principal responsibilities will be as listed below. This list is provided for guidance to Respondents but does not limit the responsibilities that may be included in the Fund manager’s contract, which may be revised or be augmented as a result of the RFP and contracting process.

1. **Fund Formation:** Establish the legal and organizational structure of the Fund, including formation of the investment committee, establishment of the legal structure, institution of accounting processes, and reporting processes which satisfy the SSBCI Guidelines.
2. **Strategic Plan and Budget:** Develop the Fund’s strategic plan and budget, including guidelines for investment selection, structure, and supervision.
3. **Relationships and Publicity:** Establish relationships with a wide range of educational, research, economic development, venture development, and investment organizations, to ensure that investment candidates are aware of the Fund and that it can attract a wide range of co-investors. This includes outreach to businesses owned by socially and economically disadvantaged individuals (SEDI) and Very Small Businesses, each as defined in the SSBCI Guidelines.
4. **Investment Evaluation and Selection:** Establish and manage the evaluation and selection process for investment candidates.
5. **Transactions:** Structure and negotiate investment transactions that comply with the SSBCI Guidelines, including legal and reporting documentation.
6. **Oversight:** Establish practices for oversight of portfolio companies, including as appropriate, board membership and advisory roles, and compliance with federal reporting.
7. **Conflicts of Interest:** Establish practices based on the SSBCI Guidelines to uncover and avoid potential conflicts of interest.
8. **Reporting:** Provide quarterly and annual reports on Fund activities in accordance with the SSBCI Guidelines. Reports shall include investment performance, leverage, and results, including employment.
9. **Compliance:** Establish reporting mechanisms, audits, and other internal controls and compliance activities to enable compliance with the SSBCI Guidelines.

All the above responsibilities must be executed in accordance with the enabling legislation for the SSBCI program, the SSBCI Guidelines, and the other rules, regulations, guidelines, and guidance promulgated by the U.S. Department of Treasury relating to the SSBCI program.

III. Qualifications

Respondents must be incorporated or organized under Vermont law or qualified to do business in Vermont. Individuals primarily responsible for providing management services to the Fund on behalf of the Respondent must have an established business presence in Vermont and perform such services primarily from within Vermont.

The proposed Fund management team must have experience relevant to all the responsibilities listed above, as well as a long-term commitment to the mission and operation of the Fund. Of particular importance is the team's depth and a successful track record making and exiting from investments in entrepreneurial ventures. VEDA recognizes that the level of appropriate management fees from the Fund will not enable the Fund manager to directly hire all this expertise and that advisors, co-investors, and other relationships will be an important component of Fund management. Therefore, experience leveraging related resources such as universities, the business community, other financing institutions, and relevant government and non-governmental organizations and programs, will be viewed as valuable.

IV. Responses to RFP

Responses to this RFP must be submitted by email in PDF format to the SPC, and include the following:

1. General information:
Primary Contact Person
Organization Address
Phone
Email

2. Business Plan:

Respondent should provide a business plan that addresses how it would pursue the mission of the Fund and execute the responsibilities of the Fund manager in accordance with the SSBCI Guidelines. The business plan should include a description of the Respondent's background, nature of business activities, and experience, demonstrate a comprehensive understanding of the Fund's objectives, the federal guidelines that govern the Fund's operation, and present the intended approach to Fund management, including information on how the Fund intends to reach out to SEDI-owned businesses and Very Small Businesses. Respondents should include, as appropriate to their situation:

- Qualifications, including full chronological resumes of principals, expected organizational chart for the Fund, including board, advisors, and staff. Respondents should be specific about the expected source of expertise to meet the Fund manager responsibilities listed above.
- Name of individuals who Respondent would expect to appoint as its advisory board members.
- Expected structure (include minimum / maximum SSBCI investment into the proposed Fund, and anticipated amount of private funds raised, if any), plan, and timetable for launch of the Fund (within 90 days of approval from the U.S. Department of Treasury).

- Expected criteria for investments and the capital deployment model.
- Expected range of investment size and structure. Please include minimum and maximum investment amounts, max percentage of investment round (do not exceed 50%), and type of investments (e.g., equity, preferred equity, subordinated debt, etc.).
- Expected services the Fund will provide to support portfolio companies.
- Expected requirements or restrictions for portfolio companies.
- Expected administrative budget (please include D&O insurance, formation costs, and annual audit expenses), fee structure (this must conform with SSBCI Guidelines), and a description of how administrative expenses and fees will be paid and from what sources (including an explanation of how such payments comply with the SSBCI Guidelines).
- Expected limitations on use of investment proceeds.
- Expected process for negotiating and approving investment terms.
- Expected process for determining and documenting the “cause and result” of private capital leverage related to the investment. In addition, please complete the leverage ratio table for your VC program (link below in Section VI (Reference Materials)).
- Expected process for monitoring compliance and performance of outstanding investments.
- Expected process for addressing investment write-offs.
- Expected plan for attracting investable companies including how the Fund will reach out to SEDI-owned businesses and Very Small Businesses.
- Provide a statement describing the expected benefits of the proposed Fund to the State, its businesses, and its residents including the extent to which the resulting small business investments will expand economic opportunities and promote economic development in Vermont.
- Describe any private funds to be provided, including the preferred method of providing such funds (such as co-investment in the Fund, side by side funds, administration and so forth), the anticipated legal structure to be used for the matching funds, and the fund manager’s policies regarding making investments with other funds under its management or the management of its affiliates.
- A description of the internal accounting and administrative controls systems of the Fund and the extent to which such systems can provide reasonable assurance that the SSBCI funds will be safeguarded against waste, loss, unauthorized use, and misappropriation. For example, provide evidence of one or more of the following:
 - periodic internal audits;
 - annual independent audits (including management letters);
 - program financial statements current within the past year; and
 - adequate accounting and financial management systems.
- A statement attesting that the Respondent has read the Treasury issued guidance on the SSBCI program and is committed to operating the Fund in accordance with all federal rules and guidelines (link below in Section VI (Reference Materials)).
- A statement attesting that the Respondent has read the Treasury Assurance of Compliance with Civil Rights Requirements document and is willing to sign and comply with the terms set forth.

- A statement attesting that the Respondent has read and is able to comply with the Conflict-of-Interest Standards (link below in Section VI (Reference Materials)).

Respondents' business plan should include evidence of its long-term commitment to serve as Fund manager.

3. Recommendations and references:

- Provide two references from people who have worked with the Respondent and know their financial and venture-oriented expertise. Provide two references from entrepreneurs with whom the Respondent has worked.
- For each reference, provide a letter of recommendation, and include the name, address, phone number, and email address of the person providing the reference. All references must be available for phone interviews with VEDA.

4. Disclosures:

- Describe any conflicts of interest that may be presented by serving as Fund manager, and how those conflicts would be managed.
- Provide a representation for each principal of Respondent's organization, covering:
 - Ever convicted of a crime?
 - Ever been subject to a legal or regulatory allegation of improper, fraudulent, disreputable or unfair business transactions or conduct?
- Describe any legal, contractual or other restrictions on Respondents' ability to act as Fund manager.
- Describe any specific requirements Respondent will request in its contract with VEDA, if selected as Fund manager.

5. Certification:

Include the following certification at the end of the response:

On behalf of Respondent, the undersigned authorized signatory attests to the accuracy of the information contained herein.

Signature: _____

Name: _____

Title: _____

Date: _____

V. Selection Criteria

VEDA has sole discretion to select any number of contractors to perform these or similar services. The following criteria will be used to evaluate proposals submitted in response to this RFP:

Criteria
Overall Plan and Investment Strategy
SEDI and Very Small Business Outreach
Past Performance / Fund Manager Experience
References
Compliance Strategy / Capabilities in Record Keeping and Reporting

By submitting a proposal, each Respondent authorizes VEDA to contact any and all other persons identified in its proposal or in any investigation conducted by or on behalf of VEDA or the State and obtain the release of pertinent financial and other information, as well as to obtain verification of the information provided by each Respondent. VEDA will not be held liable for any costs incurred by any Respondent for work performed in the preparation and production of a proposal, nor for any work performed prior to written authorization from VEDA to proceed. All proposals submitted will become the property of VEDA. By submitting a proposal, each Respondent agrees to comply with the Standard State Provisions for Contracts and Grants revised as of December 15, 2017 (link below in Section VI (Reference Materials)), if Respondent is selected by VEDA to perform the services set forth in this RFP.

VI. Reference Materials

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

SSBCI Capital Program Policy Guidelines: <https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf>

SSBCI Leverage Ratio Table: <https://home.treasury.gov/system/files/256/Leverage-Ratio-Data-Tables-Template.pdf>

SSBCI Sample Certifications:
https://home.treasury.gov/system/files/256/SSBCI_Sample_Certifications.pdf

Standard State Provisions for Contracts and Grants:
<https://bgs.vermont.gov/sites/bgs/files/files/purchasing-contracting/Forms/ATTACHMENT%20C%20-%20rev%20Dec%202017%20CLEAN.pdf>