



# VSJF Flexible Capital Fund, L3C

## Overview

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**What?** The VSJF Flexible Capital Fund L3C provides Vermont companies in the agricultural, forest products, renewable energy and waste management sectors with flexible risk capital to grow, create quality jobs, preserve working landscapes, build healthy food systems and ensure a renewable energy future.

**How?** We use investment instruments such as subordinated debt and royalty financing (revenue share payments) to provide flexible, equity-like capital—at a Vermont scale—to match a company’s funding needs. Royalty financing is not readily available in Vermont for smaller, growth companies—the Flexible Capital Fund is a first mover in this area.

**Why?** The companies we invest in are moving Vermont and the region towards food and energy independence, and preserving Vermont’s working landscape. They play a critical role in maintaining the health of, and building resilience in, our communities and natural environment. These growth companies need more choices of flexible capital across the risk continuum to grow and prosper.

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### What’s the Fund’s Value Added Proposition?

- We are uniquely positioned to invest in Vermont’s growing natural resource and clean energy enterprises that are moving us towards a healthy food system and low carbon economy.
  - We are a high-touch investor. We combine our investment with business assistance through our partners to ensure the companies we invest in have resources they need to learn and grow sustainably.
  - We leverage our knowledge, expertise and networks in Vermont’s natural resource markets to build deal flow, and make connections for our portfolio companies.
  - We are focused on investment opportunities that enhance supply chains and nurture long term relationships in our sectors.
  - To portfolio companies, we offer flexible, higher risk debt instruments that don’t require them to sell their business or give up decision making authority in order to pay us back.
  - To investors, we offer preservation of capital, a financial return and a tangible way to help build sustainable food systems, preserve working landscapes and invest in communities where they live.
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### Accomplishments to Date:

- Built a Board of Managers and Investment Committee with strong fund management, investment, entrepreneurial and sector expertise.
- Raised \$265,000 in grants to serve as first loss allocation (reducing investor exposure to losses over time). Based on current capitalization, this represents 8% of our current committed capital.
- Made 6 investments in 5 companies to date ([Vermont Smoke & Cure](#), [Aegis Renewable Energy](#), [Farmers to You](#), [Liz Lovely, Inc.](#), and [The Vermont Butcher Block and Board Company](#)) in value-added agriculture, food manufacturing, and renewable energy markets totaling \$1,168,000.
- Have a growing pipeline of over 30 prospective opportunities throughout Vermont across our sectors.
- Licensed in the State of Vermont as Commercial Lender. Certified by the U.S. Treasury’s Community Development Financial Institutions Fund as a Community Development Financial Institution.
- Partnered with the Vermont Community Loan Fund, a CDFI institution with over 25 years of experience, to provide our back-end loan administration.
- Received national recognition for our model and mission in publications such as “Local Dollars Local Sense,” a new book by Michael Shuman; and through speaking engagements at the Slow Money National Gathering and Business Alliance for Local Living Economies.

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**Committed Capital to Date:** \$3,260,000 in equity raised from 30 accredited investors from Vermont and around the country—including Maryland, New York, Massachusetts, South Dakota, Florida, and California.

**Total Fund Capitalization Goal:** \$4.0 Million in equity from accredited investors; \$400,000 in first loss allocation from tax deductible, charitable donations (currently raised \$265,000).

**Term of Offering:** Ends December 31, 2014

**Fund Structure and Management:** Low Profit Limited Liability Company (L3C) managed by a 5-person Board of Managers; 3-person professional Investment Committee.

**Fund Investor Equity Minimum:**

- From Accredited Investors: Equity investments of \$50,000 for organizations; \$25,000 for individuals. Smaller investments are being accepted at the Fund's discretion.
- Charitable contributions to the managing member, Vermont Sustainable Jobs Fund, Inc.—of any size—accepted for first loss reserves for the VSJF Flexible Capital Fund, L3C and business assistance to our portfolio companies. To date charitable contributions of \$265,000 have provided a 10:1 leverage in private investment dollars.

**Fund Life:** 10 years with option to renew for 2 one-year terms

**Projected Internal Rate of Return (IRR):** 5% IRR over the life of the Fund

**Liquidity:** Unlike a venture fund which relies on the sale, merger or IPO of a company to get repaid (and thereby distribute back to investors), we have amortizing debt with repayment of principal and interest to support distributions out to investors earlier than the end of the Fund life. We intend to reinvest early year principal, interest and royalty payments into more Vermont businesses – allowing us to stretch our limited capital and keep it working and earning a return until year six or seven. If cash flow supports it, we may begin early distribution of capital to investors prior to year 10 of the Fund life.

**Protecting our Investors:** We have tried to reduce risk factors to the investor through: a loss reserve allocation; ensuring there's an experienced Board of Managers and Investment committee; partnering with a trusted loan fund for loan administration; structuring deals that provide for ongoing repayment; securing our investments with collateral whenever possible; and matching business assistance with our money.

**Our Board of Managers:**

Janice St. Onge, President, *VSJF Flexible Capital Fund, L3C*

Tim Storrow, Executive Director, *Castanea Foundation*

Jed Kalkstein, *CFO Consultant / Investor*

Christine Donovan, Managing Consultant, *VEIC*

Dorothy Suput, Executive Director, *The Carrot Project*

**Our Investment Committee:**

- Janice St. Onge, President, *VSJF Flexible Capital Fund, L3C*
- Tammy Newmark, President, *EcoEnterprises Fund II*
- John Kingston, CFO *Butternut Mountain Farm*, former Sr. Lender for *Key Bank*

FOR MORE INFORMATION CONTACT:

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