



Vermont Works Impact Partners I


- Investing in Vermont's Future -



VERMONT
WORKS



November 2016



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Executive Summary

Vermont Works is an independent alternative investment firm, focusing on delivering both competitive financial returns and social impact in support of Vermont's job and enterprise development

Vermont Works Impact Partners I ("Vermont Works" or the "Fund") is unique in its focus on Vermont social impact

- ❖ No other organized, professionally managed fund which focuses solely on investing in Vermont is measured on a "double bottom line" basis

The Fund will be comprised of a diversified investment portfolio, carefully selected by professional investors with established histories of generating attractive returns and risk control

- ❖ Targeted total capital raise of \$30mm to \$50mm in a two tranche structure
- ❖ Both senior partners have over 30 years of comprehensive investment management experience
- ❖ Skill sets cut across public and private markets, debt and equity interests, and most asset classes

The investment team incorporates its deep knowledge of the macroeconomic environment and portfolio composition theory during the Fund's buildout phase

Vermont Works will be a leading sponsor in the establishment of and ongoing management of a new business accelerator, providing a competitive advantage in early investment identification

- ❖ Business Accelerator created in conjunction with BTV Ignite whose shareholders include the University of Vermont, the University of Vermont Medical Center, Burlington Telecom, and Burlington's Chamber of Commerce

With its history of creative entrepreneurship and technical savvy, Vermont and its lifestyle are uniquely positioned for this type of initiative

We believe current valuations favor private equity investing in Vermont relative to public markets, or other private equity where too many dollars are chasing too few opportunities



ROBERT ZULKOSKI

Chairman and Head of Investment Committee

- ✓ \$5 billion of private equity invested in both domestic and international markets
- ✓ Investment experience in venture capital, growth capital, real estate and distressed debt
- ✓ Established and managed several award-winning managers of fiduciary capital
- ✓ Lead role in several domestic and global social impact investments
- ✓ Member of Board of Advisory, UVM Sustainable Entrepreneur MBA Program; Board of Directors, BTV Ignite



FRANK KOSTER

CEO and Member of Investment Committee

- ✓ Chief Investment Officer and senior fixed income executive with 35 years of comprehensive investment industry experience
- ✓ Recent positions, including CIO of Dwight Asset Management in Vermont, focused on team building and process transformation while improving accountability and investment performance
- ✓ Responsible for \$90 billion AUM

PURSUING A UNIQUE VALUE-ADDED APPROACH

Targeting the underserved market in Vermont for growth-oriented equity investments averaging \$2 million+

- Smaller, earlier stage, investments to be identified by the Fund's support of a new business accelerator established in conjunction with BTV Ignite
- Expect limited number of investments to support more mature companies should the economy slow dramatically ("special situations")

Focused on impact investments into companies or assets seeking to generate both social and financial returns

- Involvement in governance to ensure execution of blueprint, measurement and accountability for impact.
- Ability to "call back" capital if portfolio company seeks to re-domicile away from Vermont

Fund Overview

Fund Description:

Vermont Works Impact Partners I, L.P. will be a closed-end, private equity fund that will invest in a portfolio of early, growth stage, and mature Vermont companies, with products and services that may eventually reach nationwide and even global customers.

Mission Statement:

Through impact investing initiatives, Vermont Works will promote commercial solutions that address social and civic challenges across Vermont. We will build investment portfolios that transfer forward-looking values focused on the environment and our communities, reversing population loss, and fostering innovation. We believe that it is possible to do good while doing well, and to be a catalyst to unlock each entrepreneur's moral mission.

Investment Strategy:

- ❖ A value-added approach to building companies that deliver competitive financial returns and meaningful, measurable social and environmental good
- ❖ Supporting Vermont entrepreneurial spirit with global best practices, and helping viable companies during difficult times
- ❖ Target base case returns of 18%+ gross IRR across the portfolio
- ❖ Strong Senior Management alignment through 2% co-investment

Target Capital Commitments:

- ❖ Vermont Works Impact Partners I Fund's target is \$30mm
- ❖ Minimum of 10-15% to be raised in Vermont; the balance of the funds to be raised out-of-state

Closing: First Quarter 2017



Investment Thesis—The Need For Growth Capital

To reach a sustainable orbit, startup companies, like rockets, need certain capital investment boosters—many of which are not available in Vermont



Liftoff

Vermont hosts a small number of active angel investors, public and quasi-public institutions, and at least one local fund, which provide some—but not enough—angel or venture capital funding



Acceleration

Limited professionally managed private equity funds, or bank lending, which provide early-stage funding

A select few, but not all viable early-stage companies receive funding



Failure To Reach Sustainable Orbit

Growth-stage capital is where the local market for funding crashes

At this stage, most startups fail or leave Vermont

Startup companies in Vermont are not only challenged by access to a limited pool of capital; specific types of capital—which are needed for self-sufficiency—are completely absent from the market



Innovation in Vermont...

Vermont has the key building blocks necessary for innovation in today's economy

- First-rate universities, colleges, teaching hospitals, modern fiber optic backbone (Burlington)
 - Long-established tech roots (tech is Vermont's #1 export)
 - Quality of life advantages
-

But Vermont has few sources of growth-stage capital to support local fledgling companies

"If I could just wave my hand and see something appear here, it would be a funder that could invest \$1 million or \$3 million a year in early-stage deals."

—David Bradbury, VCET CEO.

[View Article Here](#)

Out-of-state capital sources often require Vermont-grown startups to move out of state

Vermont also lacks an in-state "accelerator program" to nurture startups

...is stifled by the lack of capital

Investment Thesis—The Opportunity For Impact Capital

Impact capital bridges the funding gap that limits Vermont startups from reaching their full potential

IMPACT INVESTING 101

Definition: Investments made to companies, organizations, and funds with the intention of generating social and environmental impact alongside a financial return

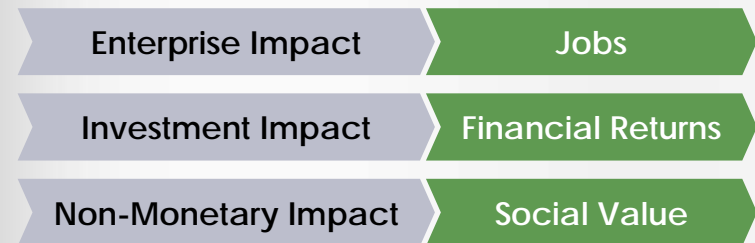
Impact, or “Double Bottom-Line”, investing addresses social causes such as those pursued by the Fund, with “attributed value” for achieving the stated social mission to be added to receiving a market-based financial return

- Vermont startup companies can greatly benefit from impact investors’ receptivity to longer exits balanced with achievement of a social mission
- From an investor standpoint, new research suggests social impact investments may generate higher returns due to less crowded and competitive markets like Vermont

Increasing realization (along with philanthropy and government aid, private enterprise can contribute to solving social and environmental problems) has led to a rapid expansion of the available pool of impact capital from foundations and family offices

- *“Do good while doing well”*
- Vermont has no existing organized effort to access this pool of sympathetic and empathetic capital

Vermont Works Impact Partners I (the “Fund”) fulfills the basic parameters of impact capital:

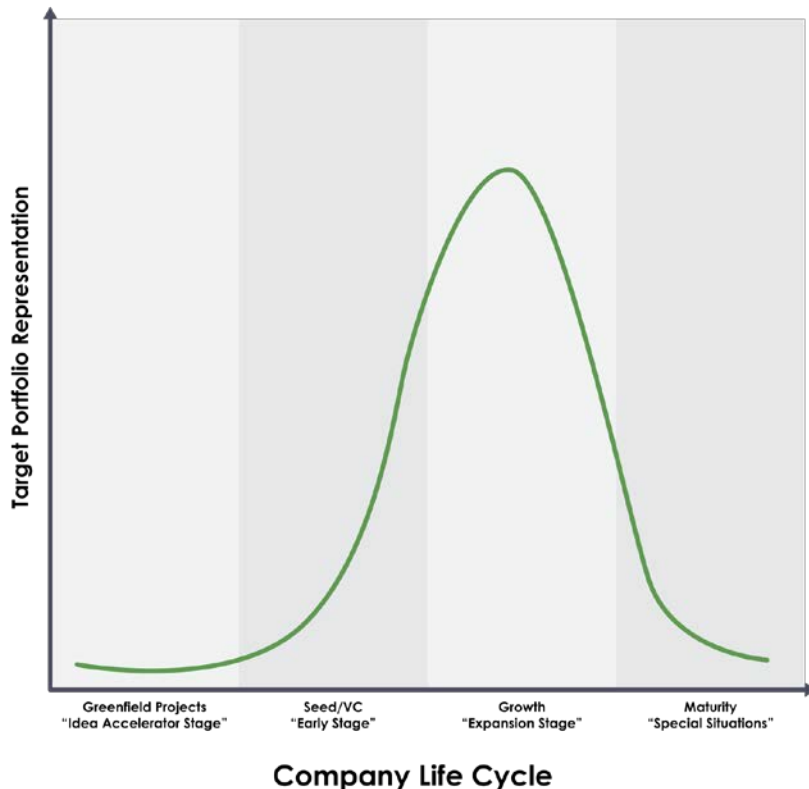


The Fund provides Vermont start-ups with much-needed early-stage growth capital which is patient, and empathetic of their unique challenges

Target Opportunity Set

Utilize Vermont Works proven investment skills, global best practices and approaches to develop insight and meaningfully sound foundations in portfolio companies to enable significant operational competitive advantages

Target Portfolio Composition
contemplates a mix of investment entry points with different risk return profiles



Investment Sectors

- **Early Stage Capital:** Will include, but not limited to, investments into early-stage companies participating in our accelerator program
- **Growth Capital:** Investments that will be used to develop and expand an established business whose products or services have the possibility to reach outside Vermont
- **Real Assets:** Investments into clean power, green and/or affordable real estate, sustainable agriculture and aquaculture, and timber
- **Special Situations:** When, and if, the economy slows and capital dries up, the Fund will provide financial support to viable companies

Focus On Three Core Impact Themes...



Employment and Economic Development

- o Build strong companies which expand economic opportunity, create good jobs, attract youth and innovation, promote ownership, and catalyzing long-term growth
- o Back companies that support policies that ensure a "living wage"



Sustainable Living

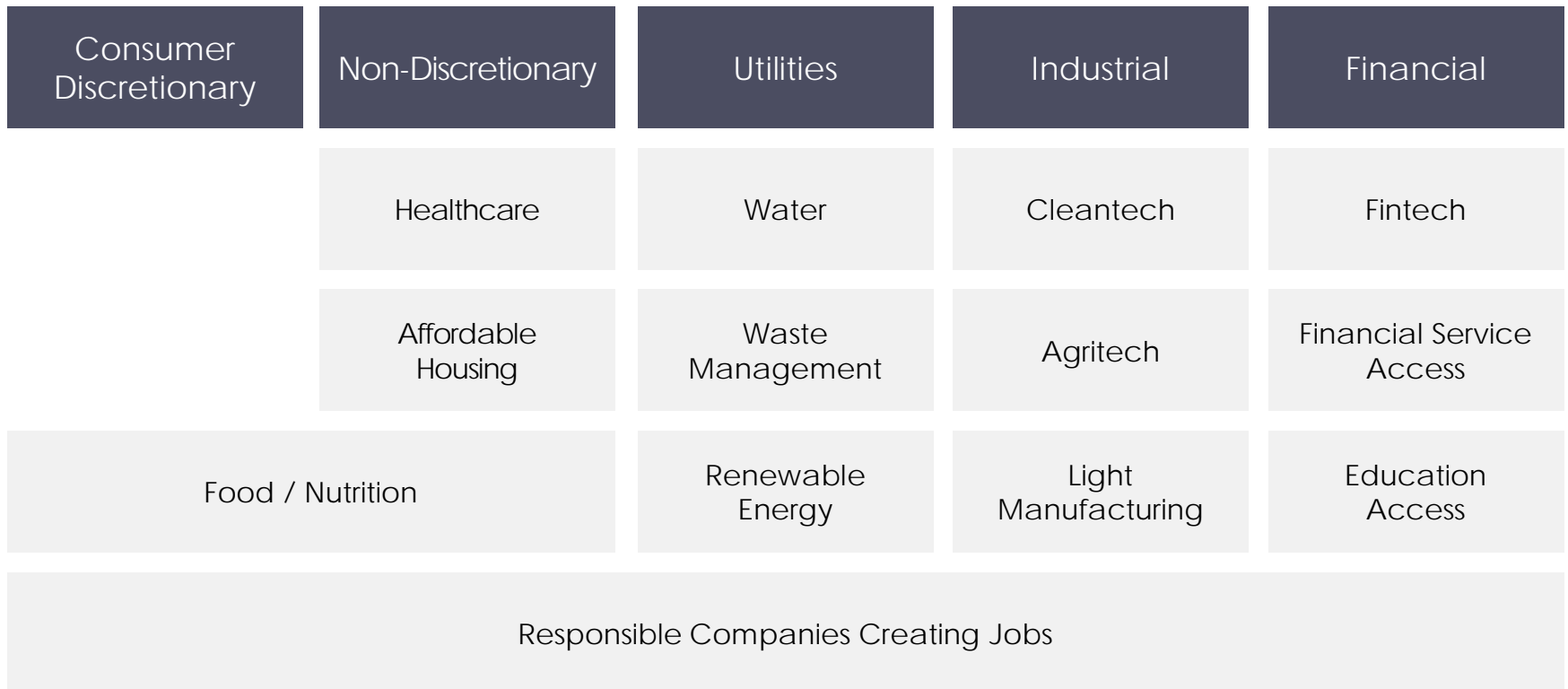
- o Sustainable products and/or operations that minimize environmental impact.
- o Products or services that promote ecological and beneficial water, energy, and agriculture practices through efficiency gains and sustainable alternatives



Health and Wellness

- o Improve health outcomes through food access and quality products and services
- o Promote healthy lifestyles, access to healthcare, better education, training and human development

...With Industry Diversification



Sample “Idea Accelerator” Stage Investment



Impact Theme: Employment & Economic Development

Background: BTV Ignite was established by its shareholders, UVM, UVM Medical, Burlington Telecom, and the city of Burlington to expand use of the city's new fiber optic network.

Beginning in September 2015, when BTV Ignite 2.0 was publicly launched, hundreds of conversations regarding Burlington's emerging technology ecosystem occurred among individuals, nonprofits, small and medium-sized businesses, and organizations—and those conversations had several common themes: fostering innovation and tech-centric growth in the greater Burlington area. Among these themes was also a consistent desire for “place and space.”

Innovation districts are emerging drivers of the knowledge-based and tech-centric US economy. They represent new ventures among economy shaping, place-making and social networking features of compact urban environments.

They are places where companies and organizations tend to cluster and form dynamic relationships with startups, businesses, incubators, and accelerators.

Proposed Investment: Cosponsor (and invest) with BTV Ignite, a new business accelerator (The Accelerator) in Burlington, which is connected to the city's new high-speed fiber optic network. The Accelerator will include space for:

- Second stage space rentals for companies in growth phases beyond initial startup/co-working space needs
- Co-locating banking, finance, venture, human resource, marketing, training/coaching and other resources
- Multiuse performance and learning space(s)
- Public/event/gathering and collision spaces

In addition to any expected financial return from the investment, Vermont Works expects to be in a preferential position to invest in “graduates” of the Accelerator due to its co-location.





Sample “Early Stage” Investment



Impact Theme: Health & Wellness

Background: THINKMD was founded by two pediatricians committed to improving access to quality healthcare for everyone, everywhere. By combining next generation clinical intelligence software with mobile technology, THINKMD aims to expand and distribute clinical assessment competency and dramatically increase access to primary healthcare for communities worldwide.

The company's first product is MEDSINC, a mobile clinical assessment platform that enables users to accurately assess a child's health and immediately provide appropriate triage, treatment, and follow-up instructions. Once implemented, MEDSINC will rapidly improve healthcare delivery systems, save lives, reduce costs, and collect real-time health data to improve worldwide health.

Proposed Investment: With extensive penetration rates (>90% in LMIC; 120% in the developed world), the global mobile health (“mHealth”) market is currently valued at \$14 billion, and is estimated to surpass \$200 billion by 2020 (McKinsey). Rapid growth in mHealth is projected in Asia, South America, and Africa with strong growth expected in North America and EU.

To date, THINKMD has raised \$695K in two convertible debt rounds to fund product development, validation, and business development. THINKMD is currently raising \$2.5M in a Series A financing round; funds will be used to implement the MEDSINC product with initial customers, grow its data and analytics offering, and expand the product to include new clinical capability such as:

- Screening for pandemic threats (e.g. Zika, Ebola)
- Expansion beyond pediatrics to mothers, newborns, adolescents, and adults
- Electronic Health Record (EHR) functionality

Sample “Expansion Stage” Investment



Impact Theme: Sustainability

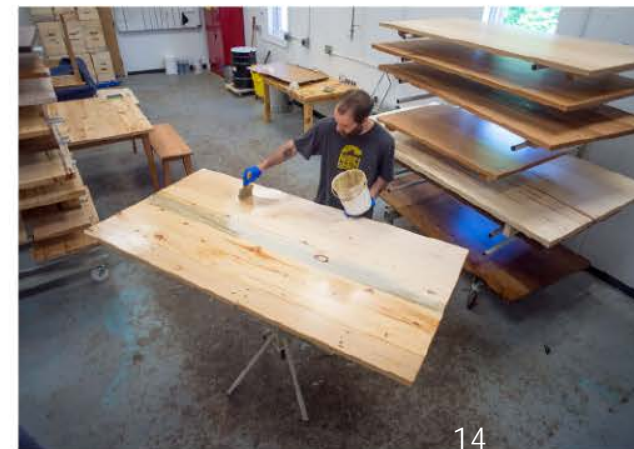
Background: Vermont Farm Table (“VFT”) is a technology-forward furniture company on a mission to bring people together. VFT makes made-to-order, premium handcrafted furniture products through a lean manufacturing model. Most importantly, VFT bridges the gap between handmade, premium goods and a scalable, efficient model that enables mass customization.

Vermont Farm Table believes in a good life, based on authenticity, hard work, sustainability, and celebration—and wants to be much more than a furniture company. They are working to build an iconic Vermont brand that will someday include a destination offering experiences rooted in the Vermont working landscape. Today, VFT’s core business is focused on value-added forest and food products. In future years, VFT plans to expand its product depth and breadth, add Vermont-based experiences, craft education and food services.

Proposed Investment: Since its inception four years ago, VFT has grown at 60% CAGR. The company has successfully established its premium brand in Vermont and elsewhere. The company serves not only residential customers, but also commercial customers, including Google. VFT’s management team has been responsibly managing its product line and introducing new products based on customer input.

VFT’s management team has provided Vermont Works with a well-researched business plan and budget supporting their immediate needs and long-term vision. In all respects, VFT represents the values and objectives of the Vermont Works investment strategy.

Successfully closing a targeted \$500,000 capital raise will allow VFT to increase its production, meet its strong existing order book, add staff to increase marketing reach, and offer sales and administrative support.





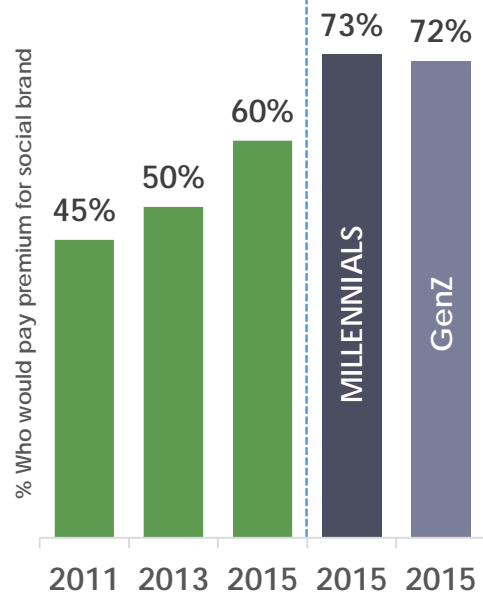
ADDENDUM

Impact Investing Overview

Impact investing market at inflection point with consumers, entrepreneurs, and investors increasingly attracted to mission-driven enterprises

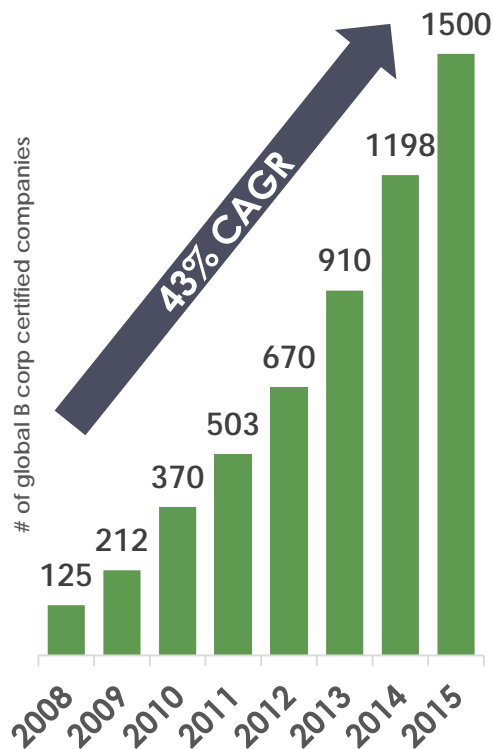
Consumers increasingly driven to mission-driven brands

% of respondents who would pay premium for product / service committed to positive social or environmental impact; n=30,000 across 60 countries

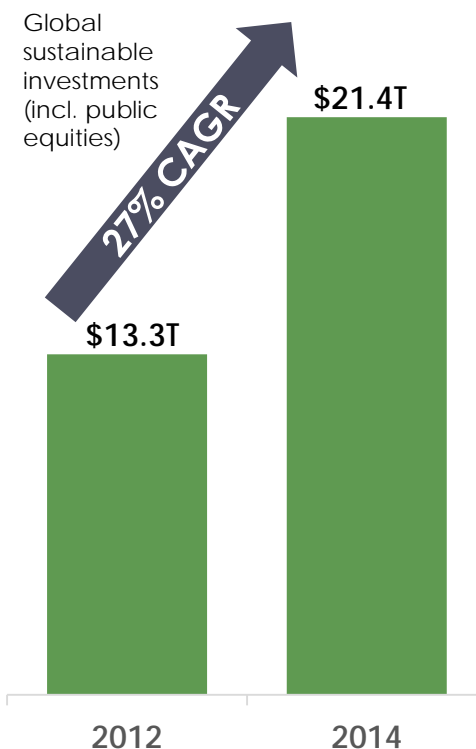


Source: Bain Capital

Sharp increase in B Corp formation/certification



Global investors more conscious about sustainability

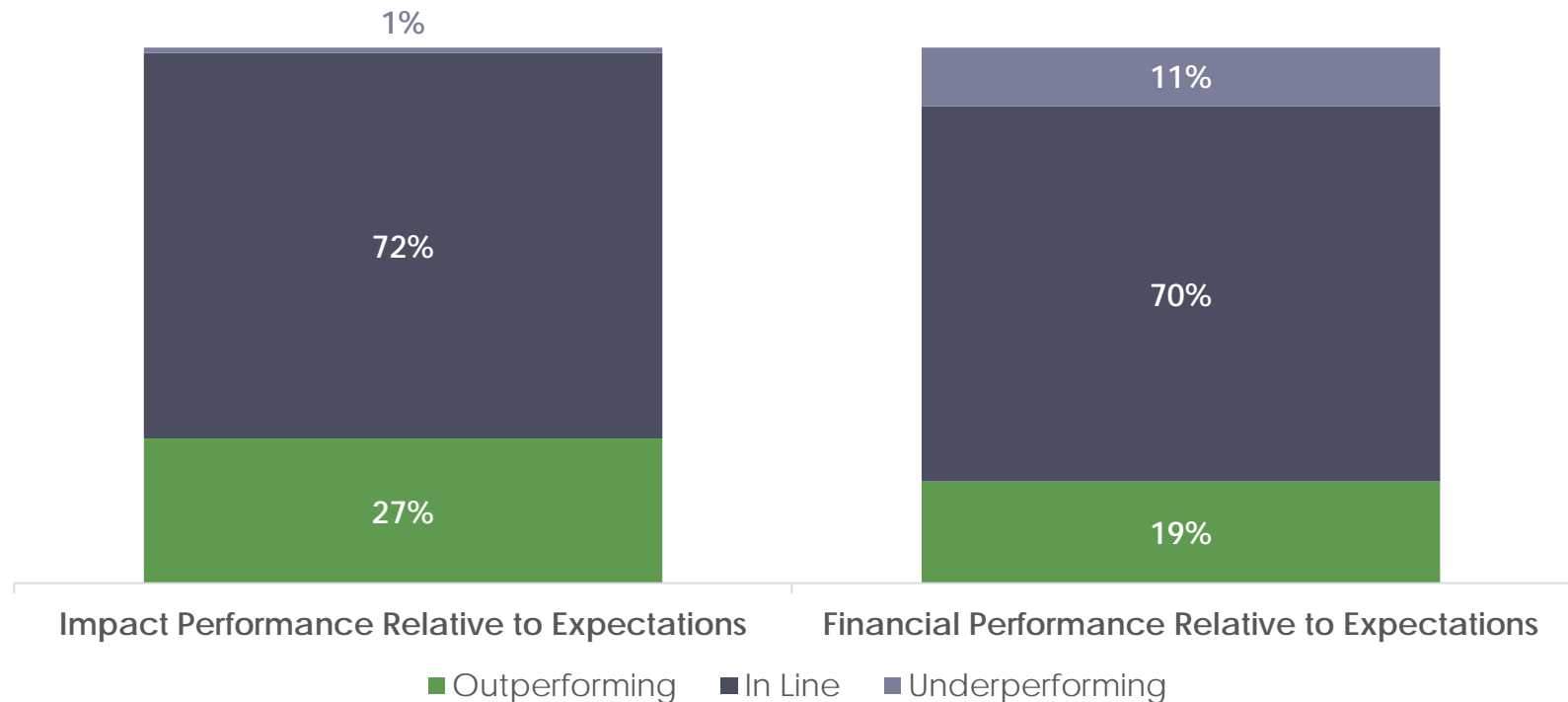


Impact Investing Overview *(cont.)*

A 2015 survey by the Global Impact Investing Network found that portfolio performance overwhelmingly meets or exceeds investor expectations for both social and financial return.

Performance Relative to Expectations

n = 151; Some respondents chose "not sure," and their responses are not included here

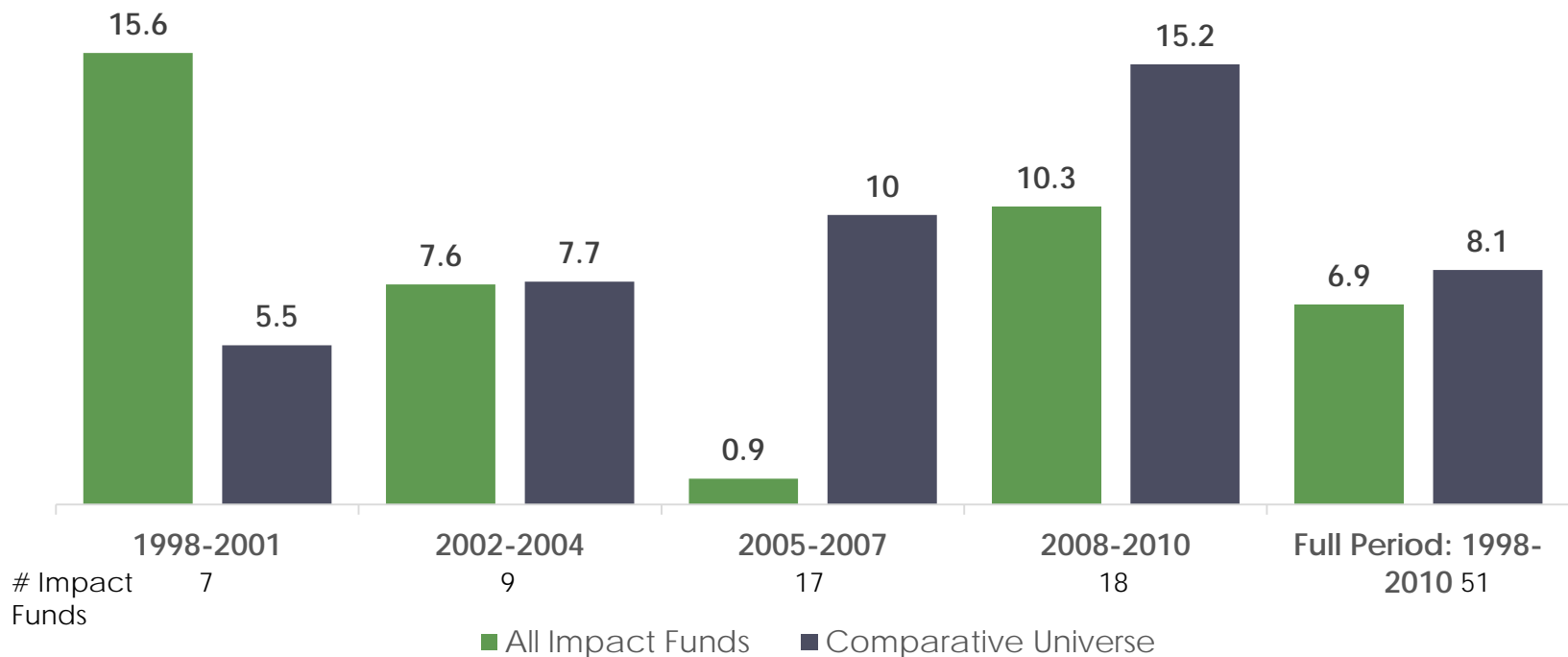


Impact Investing Overview *(cont.)*

According to a Cambridge Associates survey, impact funds have exhibited a tighter range of performance outcomes than traditional private equity funds, and across all vintage years, the pooled IRR for impact funds is 6.9% versus 8.1% for traditional private equity funds and -0.65% for the S&P 500.

Performance by Vintage Year

As of June 30, 2014 • Pooled IRR (%)



Impact Investing Overview *(cont.)*

Vermont Works is committed to measuring and reporting underlying investments' social and environmental performance and progress. We ensure transparency and accountability while building the field.

Vermont Works will report on portfolio social impact measurements by following IRIS 4.0 standards, which measure social, environmental, and financial success; evaluate deals; and grow the sector's credibility.

- Financial performance, including standard financial reporting metrics like current assets and financial liabilities
- Operational performance, assessing the social and environmental impacts of our investees' governance policies and employment practices during day-to-day business activities
- Product performance, describing and quantifying the social and environmental benefits of your investees' products, services, and unique processes
- Sector performance, including metrics that describe and quantify impact in particular social and environmental sectors like agriculture, financial services, and healthcare
- Social and environmental objective performance, including metrics that describe and quantify progress towards specific impact objectives like employment generation or sustainable land use.

Environmental, Social, & Governance Issues

Environmental, social, and governance issues are very important to Vermont Works. Our approach is highlighted below:

- **Environment:** We follow a strict internal environmental policy to maintain a sustainable working environment.
- **Social:** We are fully committed to international standards on health, safety, human rights, and labor rights. We always consider our investments' social effects.
- **Governance:** We ensure the highest level of transparency and integrity, mitigating any conflicts of interest and communicating openly and frequently with our investors.

During our rigorous investment process, we examine company management, governance ownership, risks, and ESG disclosures. Each company must be approved by the investment committee before an investment is made.





Manager Biography: Robert Zulkoski

- Mr. Zulkoski has been an investment manager since the early 1980s, and as general partner, invested over US\$5BN of fiduciary capital over the past several years. He has built a number of large-scale fund management businesses and has played a lead role in a number of other successful business start-ups as a personal investor, advisor, and/or board member. The majority of Mr. Zulkoski's current activities are focused on social impact investment projects or initiatives.
- Mr. Zulkoski is currently Chairman and Managing Partner of Vermont Works, Chairman of Laurasia Capital Management (Singapore), a member of the board of directors of Talana Asset Management (South Africa), Chairman of Greenlots (USA), and a member of the board of directors of Maiyet (USA). Additionally, he is an active member of the Clinton Global Initiative with several active commitments to action.
- Most recently, Mr. Zulkoski has been part of the investment and leadership team overseeing Resort & Spa and the Nevele ProSport Campus will be the premier youth sports destination in the Northeastern United States and the premier group/event destination in New York state. The Nevele redevelopment is a prime example of a public/private collaboration representing a strong profit opportunity as well as the generation of enormous positive social impact measured in the promotion of youth health and welfare and job creation in the economically depressed Hudson Valley/Catskill region of New York state.
- In his last operating executive role, Mr. Zulkoski was Managing Director and Head of Asia Special Situations and Real Estate Investments for Oaktree Capital Management, a US\$80BN+ fund manager. While at Oaktree, his team was voted by peers as the "Best Special Situation Manager" and "Best Distress Manager" in a 2009 vote sponsored by *Private Equity International Magazine*. Prior to Oaktree, Mr. Zulkoski was the Chairman and Chief Executive Officer of Pangaea Capital Management, which he founded and subsequently sold to Oaktree in 2007 after building Pangaea into an organization with five offices and nearly US\$2BN of assets under management.
- Before establishing Pangaea, Mr. Zulkoski was Founding Principal and Chief Executive Officer of Colony Capital Asia Pacific, where he oversaw the expansion of CCAP from a one person, one office start-up to a 150-person, six office business with in excess of US\$2BN of assets under management. Prior to CCAP, he was a Founder and Executive Director of Oakwood Asia Pacific (OAP), a start-up focused on developing a leading serviced apartment management company, where he contributed to OAP achieving the position as the second largest serviced apartment management firm in Asia. Early in his career, Mr. Zulkoski was employed in GE Capital, a wholly owned subsidiary of the General Electric Company (US). He held several positions while at GE Capital, most recently as a Managing Director and Head of Asia Real Estate Investment and Financing. He started his professional career in New York City at Kidder, Peabody & Co where he held several positions, the last as Vice President Real Estate Capital Markets.
- Mr. Zulkoski is a full-time resident of Charlotte, Vermont. He and his wife are patrons of numerous local philanthropic entities.



Manager Biography:

Frank Koster

- Mr. Koster has over 35 years of experience in the institutional capital markets. He has served as a fiduciary to large pools of capital on behalf of pension funds, other retirement assets, insurance companies, and high net worth individual, among others. His most recent roles have been as chief investment officer, presiding over and guiding teams of investment professionals responsible for tens of billions of dollars of fiduciary capital. In his two most recent roles, Mr. Koster had operational responsibilities as a member of the firms' management committees.
- Most recently, Mr. Koster served as the Head of US Fixed Income for Aegon USA Investment Management. His team was responsible for \$90 billion of invested capital on behalf of insurance companies, mutual funds, pension funds, and money market funds, among others. His areas of focus were diverse, and included macroeconomic analysis, return optimization, asset allocation, and risk control/monitoring, while fostering teamwork across a large workforce. Peer-relative performance during his tenure at Aegon was generally good, with the majority of mandates performing in the top two quartiles of the appropriate peer group.
- Prior to Aegon, Mr. Koster served as Chief Investment Officer for Dwight Asset Management, in Burlington, Vermont. He was recruited to this position in the wake of the 2008 financial crisis, and left the firm upon the acquisition by Goldman Sachs in 2012. Dwight was a sizable asset manager to institutions, as well as advisor to corporate 401-k plans specific to their stable value option. Mr. Koster's responsibilities were to oversee the investment team of roughly 35 professionals, while helping to improve returns, liquidity, and risk architecture.
- Prior to Dwight, Mr. Koster worked for a diverse set of financial institutions, including Wells Fargo, DLJ, Merrill Lynch, Goldman Sachs, and 5/3 Bank.



Benefit Corporation Director: Terry Mollner

- Terry Mollner is one of the pioneers of socially responsible business and investing. In the late 1970s, he brought together fifteen leaders from the social, environmental, and labor communities. Meeting monthly for eighteen months, he guided them in writing one of the first comprehensive set of social screens for business and investing. In 1982, Wayne Silby, a member of that group and President of the Calvert Group that managed some of the first money market funds, invited Terry to join him and his partner, John Guffey, to create the Calvert Funds, the first family of socially responsible equity and bond mutual funds. Today, the Calvert Group is the largest family of such funds with \$12 billion under management. Terry took the lead to create the Calvert Foundation that today has \$550 million under management. It issues Community Investment Notes where the investor chooses an interest rate between zero and two percent. It loans the capital to programs around the world that then loan it locally to reduce poverty via microloan programs, social enterprises, cooperatives, and low income housing projects. When Ben & Jerry's needed to be bought by a multinational to solve its growing distribution demands, Terry took the lead to save it from being bought by one multinational and worked with the board to have it bought by another more socially responsible multinational where the board remained in existence and self-perpetuating with him on it. The board maintained ownership of "the social mission and brand integrity." It is the only socially responsible company to have made such an arrangement when being bought. He is also a founder and chair of Stakeholders Capital, a socially responsible asset management firm in Amherst, MA, New York City, and Los Angeles. It is the founder of "the common good investment movement" where the focus is on the highest priority of companies, calling on them to publicly declare that their highest priority is the common good and second priority is anything else. His primary base is the Trusteeship Institute that he founded in 1973 and where he continues as its chair and Executive Director. Its mission is to build the common good movement.



Thank You!

*For more information, or for access to our
[Online Due Diligence Data Room](#),
please contact either:*

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