



June 17, 2020

Good Afternoon Chairman Sirotkin,

I hope that you and the Committee are holding up well given the stressful times. I am writing to seek an appearance before the Committee to advance the Recapitalization of the Entrepreneurs' Seed Capital Fund, LP (a.k.a. the Vermont Seed Capital Fund, LP) with \$10.0M in one time funds as suggested by Governor Scott last Friday. There is an acute need today (over 100 firms) across Vermont for early stage equity investment into employers impacted by COVID-19 to save them and support new growth. There is very strong support for this in the entrepreneur and innovation community.

Below is some draft language to consider that meets the need to rapidly and wisely invest broadly in high growth, high wage employers across most all sectors in Vermont. Under management by [VCET](#), the Fund along with its strategic partner, VEDA, are proven, trusted, accountable and transparent with public funds investing and in supporting over 2,000 entrepreneurs through the years. This Fund was started during the 2008-10 financial crises, is "shovel ready" and has a large pipeline of employers seeking help. More debt is not the answer. Many would also benefit from the post investment mentoring, networks, capital syndicates and peer to peer benefits of affiliating with the Fund and the VCET programs.

The Fund is an evergreen or permanently revolving pool of capital that invests via equity, near equity and debt into credible teams and companies. So, not only can the fund deploy CRF funds in the timeline required, it can utilize any return of capital for future investment into Vermont companies and people. This tiny fraction of total CRF funding would become a critical piece of Vermont's financial infrastructure for this current crisis and for the decades ahead.

The current fund has invested \$4.1M into 23 companies which have now raised over \$164M in other capital, created \$100M in payroll and generated revenues exceeding \$110M as of June 2019. The model and mission work and can be scaled for long term



success for this critical moment in time. Please consider this \$10.0M appropriation request.

For convenience, below is draft language and relevant statute to consider. I am available to testify or elaborate as helpful and request time before the Committee to speak on this topic please.

Back in 2008-9, the Seed Fund was created with tri-partisan, Governor and Legislature support all together for the good of Vermont's next generation of employers. I am hopeful that this might be a similar opportunity again this year.

Thank you for your consideration.

David Bradbury
802-253-6843
david@vcet.co

DRAFT LANGUAGE

ENTREPRENEURS' SEED CAPITAL FUND

(a) Appropriation. The amount of \$10,000,000 is appropriated from the Coronavirus Relief Fund to the Vermont Economic Development Authority to recapitalize the Entrepreneurs' Seed Capital Fund created in 10 V.S.A. § 291 to provide seed capital to Vermont businesses that have experienced economic disruption either through reduced business or through an unmanageable increase in new business due to the COVID-19 crisis.

(b) Investment categories. Notwithstanding any provision 10 V.S.A. § 290 to the contrary, the Fund shall invest the amounts appropriated in this section in two categories, consistent with the following:

(1) Fast seed investments.



(A) The Fund shall allocate \$4,000,000 for fast seed investments to not fewer than 50 employers that have a viable plan for recovery and growth.

(B) The minimum amount of a fast seed investment is \$25,000 and the maximum amount is \$100,000.

(C) The Fund shall make fast seed investments promptly using simplified investment terms and instruments, including stock, convertible notes, forgivable loans, or royalty financing.

(2) Seed and scaling investments.

(A) The Fund shall allocate \$6,000,000 for seed and scaling investments to not fewer than 10 high potential employers as initial investments.

(B) The minimum amount of a seed and scaling investment is \$100,000 and the maximum amount is \$1,000,000.

(C) The Fund shall make seed and scaling investments promptly using simplified investment terms and instruments, including stock, convertible notes, forgivable loans, or royalty financing.

(D) The Fund shall actively pursue[MOU1] participation from local and regional investors.

(c) Priority business sectors for investment. The Fund shall give priority consideration to investments in the following business sectors from amounts appropriated in this section:

(1) retail businesses that closed in-person operation due to the COVID-19 pandemic and require growth capital to support operating online as a direct to consumer brand;

(2) online education software and services businesses supporting apprenticeship programs, coding, computer training, and remote K-12 education;

(3) software as service modeled telemedicine and health care businesses poised to grow local workforces by 200-300 percent to meet local and national demands generated by the COVID-19 pandemic;

(4) technology commercialization opportunities affiliated with a Vermont based University, College, or private research based enterprise that seeks to treat, mitigate, prevent or cure COVID-19 illness, related treatments. This will include businesses focused on the management and mitigation of mental health conditions related to and/or impacted pandemic;



- (5) aerospace businesses adding new capacity, employment, and creating physical office or manufacturing spaces for growth;
 - (6) energy and climate technologies for electric power grid resiliency, performance, and control in collaboration with higher education institutions; and
 - (7) food and new agriculture businesses adjusting business models to meet new and unexpected demand.
 - (d) Business sectors excluded given other programs and funding support from Coronavirus Relief Fund:
 - (1) traditional in-person retail operations;
 - (2) lodging and real estate businesses; and.
 - (3) restaurants and food service businesses.
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BACKGROUND, DATA AND IMPACTS

[VCET IMPACTS](#)

[2019 Review on Activities and Impacts](#) - This tells our story of how the magic happens with People, Places, Programs and Capital under one non-profit at VCET.

[FY19 Annual Vermont Seed Capital Fund Report](#)

[Seed Fund Advisory Board](#)