

Vermont Seed Capital Funding

To: Senate Economic Development Committee % Denise Gumper
From: David Bradbury, VCET and the Vermont Seed Capital Fund
Date: September 13, 2020
Re: Seed Capital Funding for COVID-19 Recovery and Economic Growth

Please accept this letter along with a public [Show of Support](#) letter (289 signatures) and a letter from a founder at Green Power Monitoring Systems, Inc (GPMS). These are intended to aid in your consideration to support the Entrepreneurs' Seed Capital Fund, LP (a.k.a. the Vermont Seed Capital Fund, LP) with \$5 million in one time, CRF funds to support start up and scaling Vermont firms who have been overlooked and underserved by federal and state relief programs to date. These are the very firms that can add jobs for those displaced by ongoing pandemic.

Due to COVID-19 impacts, there is acute demand for high risk, startup and scaling stage capital for Vermont's technology enabled businesses across most all sectors. The need is to retain and grow jobs, fund capital expansions, support growth and complete business pivots. Over 100 companies have been identified as seeking this form of capital and post investment support. Angel, institutional and banking capital resources are lower, revoked or unavailable for many of Vermont's highest potential and highest paying firms. Sadly, some sources of capital have become predatory as well.

If the Senate Economic Development Committee and Legislature desire to prioritize support for startups and scaling firms like these to recover and thrive, then a \$5 million appropriation to provide CRF qualifying grant funds as proposed in language prepared late in the House Commerce process. The Fund and the VCET organization as its manager are proven and "shovel ready" to responsibly invest into eligible companies across Vermont for today's recovery.

The current proposal has evolved since you looked at in June to qualify for CRF fund use and yet remain effective in objectives and for implementation under the remaining timeline.

Background: Formed during the 2009 financial crises by the Vermont Legislature and Governor, the Vermont Seed Capital Fund is managed by the Vermont Center for Emerging Technologies ([VCET](#)). This \$5.1 million revolving capital fund has two public mission driven investors: VCET (a 501 c3) and the Vermont Economic Development Authority (VEDA). In addition to assisting the formation of scores of capital rounds for companies, the Fund has invested in 23 companies to date, but more capital today is necessary to continue this work if a Vermont priority. These 23 companies have cumulatively now:

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- Raised over \$182 million in capital (>40x capital leverage)
- Earned over \$134 million in revenues
- Provided over \$125 million in payroll
- \$72,000 is the average Vermont wage.

This proposal appears consistent with Tom Kavet's recent memo advising appropriations to consider and prioritize long term economic development programs. Consistent with the Fund's creation, this permanent revolving seed capital program is financial infrastructure for the innovation and technology enabled sectors.

Another concern to address is that an amount approaching \$5M in new federal and state resources for technical assistance to businesses has started and is soon to roll out in the last quarter of 2020. This will create more demand for all sorts of capital and will exacerbate the capital crunch felt today.

The Senate Economic Development Committee is the "revenue" generating committee focused on employer starts, scaling firms and income growth for economic prosperity. Many firms need capital to grow, hire and help Vermont recovery from pandemic. I am hopeful that these employers can provide near term employment opportunities for the thousands of Vermonters permanently dislocated from structurally impacted sectors like tourism, hospitality, retail and higher education.

Thank you for your time and consideration. Vermont's entrepreneurs are counting on us.

DAVID

David Bradbury, President
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[Copy Email from Jed Kalkstein, GPMS to the Senate Economic Development Committee on September 10, 2020]

Senator Sirotkin,

I hope you're well and very much appreciate the work you are doing in this tumultuous time to help VT steer through the COVID pandemic.

I am writing to voice our support for the consideration of the VT Seed Fund CRF funding. The Seed Fund is an critical lifeline for growth companies like ours, which don't qualify for other financing vehicles. Let me provide some context.

I'm the President of an Addison County based early stage technology company that is expected to grow and provide high quality jobs in Vermont. I live in the Mad River Valley and we draw employees from around the state.

Green Power Monitoring Systems (GPMS) (www.gpms-vt.com) offers a safety and predictive maintenance hardware and software solution for the helicopter industry. We're also doing a pilot with Beta Technologies on their eVTOL aircraft, have been endorsed by Bell Helicopter (among others), and will be kicking off a demonstration project for the US Army in October to show the same capabilities on their ground vehicle fleet.

When COVID hit, a bridge round we were doing with individual investors went from being oversubscribed to half the needed amount. We had also been approved for investment by the board of a strategic investor, which then decided to sit on the sidelines while COVID played out.

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On the customer side, we've had to shift gears as several of our customers pushed programs back (and revenue) or pulled out. Given that we are an early stage company, we can't demonstrate a reduction in revenue vs. the prior year. Even growing companies that had revenue but flat-lined revenue, when they were scheduled to grow substantially, would not qualify.

We did get some paycheck protection program funding, which was helpful, but the other programs that are available don't work for companies like ours that are backed by angel investors etc. That's where the seed funding program could be very helpful. VCET has been a small investor in GPMS since the early days and has been a tremendous help to the company with relationships as well as extremely valuable advice and guidance. The Seed Fund was also the source introduction that, with Sen. Leahy's leadership, became a \$3M project for the ground vehicle demonstration with the US Army.

Banks have tightened their credit requirements (and in many cases companies lacking inventory or manufacturing equipment) like ours don't qualify anyway. And many angel investors remain hunkered down.

GPMS's hardware is manufactured in VT (currently Essex and potentially Orange County) and we expect to hire extensively here. In fact, we have several hires that are lined up but we can't pull the trigger on without raising capital, which is of course further constraining our growth.

Anyway, the seed funding would be a fantastic addition to the funding landscape for Vermont businesses like ours – of which there are many.

I'm available any time to discuss or for more information.

All the best,

Vermont Seed Capital Funding

Jed.

Jed Kalkstein

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Please visit our website at www.gpms-vt.com

9/13/2020

Petition Support Vermont Startups - Recapitalize the Vermont Seed Fund

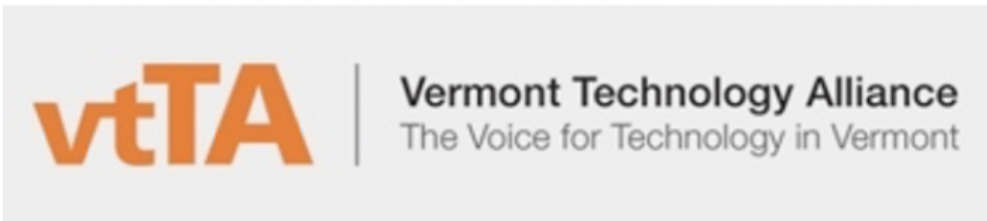
Support Vermont Startups - Recapitalize the Vermont Seed Fund



david bradbury



PEOPLE PLACES CAPITAL



289 signers. Almost there!



Sean Jordan signed recently

Peter Kerson signed recently

Statement of Support to Recapitalize the Vermont Seed Capital Fund

SIGN PETITION

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Petition Support Vermont Startups - Recapitalize the Vermont Seed Fund

need is to retain and grow jobs, fund capital expansions, support growth and complete business pivots.

Angel, institutional and banking capital resources are lower, revoked or unavailable for many of Vermont's highest potential and highest paying firms. Additionally, some sources of capital have become predatory with investment or lending terms to the detriment of the companies and founding teams.

If the Legislature desires to prioritize support for startups and scaling firms like these to recovery and thrive, then a \$10 million recapitalization of the existing Vermont Seed Capital Fund is strongly encouraged from the \$1.25 Billion in CRF funding or from other state sources. The Fund is "shovel ready" to quickly and responsibly invest into eligible companies across Vermont.

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Thank you for joining this this Statement of Support to show the Vermont Legislature and Governor that the technology enabled sector has capital access needs today to hire, grow and help Vermont recover from pandemic.

SIGN PETITION