

Recapitalization of Vermont Seed Capital Fund

To: House Commerce Committee Members % Amy Todisco
From: David Bradbury, VCET and the Vermont Seed Capital Fund
Date: August 31, 2020
Re: Testimony on One Time Recapitalization of the Vermont Seed
Capital Fund for COVID-19 Recovery and Economic Growth

Please accept this testimony and draft language for my appearance tomorrow 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 million in one time funds.

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 House Commerce Committee and Legislature desire to prioritize support for startups and scaling firms like these to recover 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 proven and "shovel ready" to responsibly invest into eligible companies across Vermont for today's recovery.

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:

- 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.

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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. In June, the Governor proposed \$10M for recapitalizing this fund in his Phase II Recovery proposal.

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.

No doubt there are many questions to answer still, but the House Commerce Committee is the "revenue" generating committee focused on employer starts, scaling and 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

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