VVP Fund of Funds Request for Proposal

Powered by Virginia's State Small Business Credit Initiative (SSBCI) Venture Capital Program

June 23, 2023

https://www.virginiaipc.org/vvp-request-for-proposal

Contents

Section 1 – Overview

Background

We are excited to announce the release of this RFP. The Virginia Innovation Partnership Corporation ("***VIPC***") through Virginia Venture Partners ("***VVP***") venture capital program is soliciting Applicant ("***Applicant***") proposals (also called "***Applications***") from both established and first-time venture capital funds ("***Fund***" or "***Funds***") managed by qualified Venture Capital Firms ("***Firms***"), and their related Fund Managers ("***Managers***," "***Fund Managers***" or "***General Partners***"), to invest in Virginia-based early-stage companies ("***Portfolio Companies***").

VVP is managing the Virginia SSBCI Venture Capital Program as part of Virginia's State Small Business Credit Initiative ("***SSBCI***") funded under The American Rescue Plan Act of 2021 ("***ARPA***") and administered by the U.S. Department of the Treasury ("***Treasury***"), with a specific focus on funding for very small businesses (fewer than 10 employees) ("***VSBs***") and for socially and economically disadvantaged individual ("***SEDI***")-owned businesses.

More background on the current program may be found at: https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci

A full list of definitions used in this document may be found in the Supplemental Materials.

Virginia and VIPC

VIPC was formed to support the Commonwealth of Virginia's ("***Commonwealth***") vision for the expansion of innovation, opportunity, and job creation in Virginia. VVP is the venture capital program that manages all venture capital ("***VC***") related initiatives for VIPC. These activities include making equity investments in early-stage, high-growth, Virginia-based companies, as well as partnering with Virginia fund managers to realize superior financial returns for founders and investors and superior economic development benefits for the Commonwealth. VVP will oversee and facilitate the process for Fund selection and manage the ongoing relationships with selected fund Managers.

History of SSBCI 1.0 – SSBCI 2.0

SSBCI 1.0

VIPC has a long-standing relationship with Treasury and experience with the SSBCI program.

During the original SSBCI program created under the Small Business Jobs Act of 2010 (Title III of Public Law 111-240), Virginia was allocated $19M to enhance credit support and venture capital access for Virginia's small businesses. VIPC was allocated $3M of those funds to invest directly in small businesses. This led to one of the most successfully run SSBCI programs in the country. VIPC invested SSBCI 1.0 funds into 27 portfolio companies. This early capital catalyzed investment of over $540M of private dollars, with an actual leverage ratio of 186x private dollars for every one (1) federal dollar invested. Further, that investment activity produced a reported 1,727 high paying tech sector jobs in Virginia.

SSBCI 2.0

Under SSBCI 2.0, which was reauthorized under the congressionally approved American Rescue Plan of 2021, the Commonwealth, through the Virginia Small Business Financing Authority ("***VSBFA***"), has entered into an Allocation Agreement between Treasury and the Commonwealth where Treasury allocated up to $230 million to Virginia's SSBCI programs (inclusive of both equity investments and credit support).

As a subcontractor to VSBFA and manager of the Virginia SSBCI Venture Capital Program, VIPC will invest (both directly and indirectly) over $170 million. Through the VVP Fund of Funds ("***FoF***") Program, VIPC will invest in emerging and established investment funds committed to helping grow the entrepreneurial ecosystem and risk capital infrastructure of the Commonwealth.

SSBCI Program Goals

The VIPC FoF Program goals for the Commonwealth are as follows:

- Invest for return, impact and full engagement of regional ecosystems.
- Flexibly allocate funds between direct and indirect (fund of funds) investment channels, throughout the life of the program, to realize the greatest economic benefit.
- Maximize SSBCI Program contribution as measured in new company investment and job creation.
- Amplify the U.S. Treasury Department's ten-year allocation by meeting all deployment goals and SEDI objectives.
- Align with U.S. Treasury Department goals for investment in SEDI founders and strengthen the risk capital infrastructure.

Success Metrics

Over the next ten (10) years, VIPC aims for the FoF Program to result in the following:

- Increase Virginia-managed investment capital by at least $175M.
- Attract additional private capital in the amount of at least $1.8B onto the balance sheets of Virginia's start-up businesses.
- Foster the formation of new seed and early-stage funds with more than $430M under management.
- Encourage no less than $60M investment in SEDI founders through investment of SSBCI funds and stimulation of additional leveraged private capital.
- Stimulate the emergence and growth of new and emerging tech sectors, driving the next generation of economic development.
- Enable the development of a robust and sustainable risk capital infrastructure for the Commonwealth of Virginia.

Program Requirements

Treasury imposes rigorous requirements on Virginia for Matching Funds, Leverage Cash and Compliance and Reporting. VIPC as manager of Virginia's SSBCI Venture Capital Program, flows down these same requirements to partner Fund Managers.

Matching Funds. Fund Managers seeking an LP investment from VIPC with SSBCI funds, must have ***a minimum 1:1 match from other LPs*** that the Fund **<u>will commit to invest in Virginia</u>**. This means that Virginia cannot invest in a Fund unless the Fund can show that an amount equal to or greater than the SSBCI Fund investment will come in from private LPs and for investment in Virginia. VIPC plans to issue a Letter of Intent to selected Fund Managers once VIPC has finished diligence and decided to invest in a Fund. Additionally, Virginia wants to ensure the Funds are self-sustaining without the SSBCI investment, and therefore recommends the SSBCI allocation account for no more than 20% of the total fund size. This means that a Fund that requests a $5 million allocation from VIPC:

(1) must secure a match of at least $5 million from other LPs; (2) anticipate investing $10 million in the Commonwealth; and (3) plan on closing at least a $25 million Fund.

Leverage Cash. Treasury expects Virginia to realize 10X "***leverage***" cash on all SSBCI funds provided to the Commonwealth across both credit support and venture capital programs. ***In this case, "leverage" means the amount of private capital deployed as a result of federal dollars invested***. VIPC anticipates that the Virginia SSBCI Venture Capital Program will drive the preponderance of that leverage and so will target funds capable of driving at least 10:1 private cash to SSBCI funds. Toward that goal, Fund Managers will track and report on all Leverage Cash attained through the life of the Fund. This will include match funds realized at close and additional funds deployed by all private investors both concurrent with the Fund's investment in portfolio companies and downstream of the Fund's investments for as long as those companies remain in the Fund's portfolio.

Compliance. VIPC requires Funds to comply with all SSBCI requirements and Fund Managers will be required to ensure their invested Portfolio Companies comply with all SSBCI guidelines.[1]

Examples of some, but not all, of the data collection, compliance, certification and reporting requirements that are mandatory for the program are as follows:

A) Certifications by companies at the time of investment that:

- The funds received will only be used for an approved purpose (page 31 of the CPPG)
- The investment will not create a conflict of interest ("***COI***") (page 31 of the CPPG, et seq)
- No principal of the investor or investee has been convicted of a sex offense against a minor
- If the business is a type of business impacted by climate, in a CDFI area, a Socially or Economically Disadvantaged ("***SEDI***")-owned or controlled business

B) Quarterly and annual reporting is also required. (See page 45 of the Capital Program Policy Guidelines.)

For a full breakdown of requirements under the Program, please see Section 7 of this Request for Proposal ("***RFP***") for a list of reference documents and a more fulsome description of such requirements.[2]

Investment Tranches. SSBCI funds are disbursed from Treasury to states in three (3) tranches. A state is eligible to receive its subsequent tranche of funding once eighty percent (80%) of the prior tranche is "expended, transferred or obligated."[3] Additionally, States are eligible to receive additional SSBCI investment capital in Tranches 2 and 3 as a function of their ability to meet the Treasury Department's objectives for investment in Socially and Economically Disadvantaged (SEDI) owned businesses in Tranche 1 and 2 (see below). For these reasons, Managers must be prepared to contribute to SEDI investment goals and must be prepared to make timely and accurate report of all investments placed.

All Fund Managers who apply for SSBCI monies should familiarize themselves with the regulations to ensure they can and are willing to comply with all required regulations.

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[1] See the SSBCI Capital Program Policy Guidelines at: https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf ("***CPPG***").

[2] See also: https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf

[3] See also: Page 6 of the CPPG

Socially and Economically Disadvantaged Individuals (SEDI[4])-Owned Businesses Goals and Incentives

SEDI-owned businesses are business enterprises that certify they are owned and controlled by individuals who have had access to capital on reasonable terms diminished compared to others in similar economic circumstances, due to their: (a) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; (b) gender; (c) veteran status; (d) limited English proficiency; (e) physical handicap; (f) long-term residence in an environment isolated from the mainstream of American society; (g) membership of a federally or state-recognized Indian Tribe; (h) long-term residence in a rural community; (i) residence in a U.S. territory; (j) residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization); or (k) membership of another "underserved community" as defined in Executive Order 13985.[5]

The SSBCI program has established targets to increase SEDI-owned business participation and to provide additional funding awards to states if SEDI targets are met. If Virginia meets the SEDI objective of thirty-three percent (33%) investments made in SEDI qualifying companies, up to an additional $14.6 million can be made available to the Commonwealth for SSBCI investment.

VIPC is dedicated to the alignment of targeted, intelligently deployed capital with a scalable and sustainable entrepreneurial ecosystem fully inclusive of SEDI-owned businesses. VIPC seeks to ensure that all founders and owners of qualifying businesses throughout Virginia have equitable access to early-stage capital.

Follow-On Commitments and New Commitments in Tranches 2 and 3

Subject to a Fund Managers' performance and availability of funds, VIPC may provide follow-on investments to the initially selected Fund Managers who demonstrate performance and who are fully compliant with all regulations. Follow-on investments would take place in subsequent Funds managed by the same Fund Manager. However, selection of a Fund Manager for an allocation in the first tranche, does not guarantee future funding from the program. VIPC reserves the right to allocate funds to new Fund Managers throughout the SSBCI program.

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[4] See full definition of SEDI in the Definitions section

[5] See also: https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/

Section 2 –
Program Guidelines and Policies

Program Guidelines

Proposed and awarded Funds shall comply with the following program criteria and all Federal U.S. Treasury policy guidelines, which is a requirement as a recipient of funding from the SSBCI program. It is expected that all Fund Managers familiarize themselves with the required Treasury guidelines, provided at the reference links, and as a condition of a funding award ensures compliance with all requirements outlined in this document. Non-compliance by a Fund Manager will effectively be considered a breach of contract and subject to immediate termination.

Virginia's SSBCI program has allocated a significant amount toward the Venture Capital Fund of Funds Program and expects full deployment via a diverse, inclusive, and equitable solutions-based group of dedicated Fund Managers, over the course of the program. Specifically, VIPC aims to invest a range of $1M to $5M in Funds investing in early-stage companies.

Use of Funds, Management Fees, Operational Expenses, and Carried Interest

Use of Funds. Funds allocated by VIPC to a Fund may only be used to support eligible small businesses in Virginia. Fund applicant/awardees will be required to ensure investments comply with all U.S. Treasury requirements, including but not limited to:

- Funds may be used to provide investment capital to Small Businesses located in Virginia for the purposes of growing those companies in the Commonwealth of Virginia.

- A Fund shall invest funds in a portfolio company on the same terms as other investors in the financing. The Fund must also invest its own private capital at least a proportionate amount as defined in the investment agreements but at a minimum at a 1:1 proportion. Under no circumstances will an Investment Entity invest funds in any single round of equity financing that is a total of more than $20M. However, Treasury asks funds to target support towards investments with investment rounds that average $5M or less. *For further guidance, see page 30 of the CPPG*.

- Funds may be used for follow-on investments in portfolio companies, subject to the investment round size, conflict of interest, and other SSBCI exceptions.

- Investments in Portfolio Companies may take the form of equity (e.g., common stock or preferred stock) or hybrid Investments, including convertible debt and Simple Agreement for Future Equity (SAFEs).

- Funds will make individual investment decisions.

- Funds and portfolio companies are subject to the terms and conditions set forth in all U.S. Treasury guidelines and requirements.

- Funding provided by other Federal sources of capital shall not be counted toward satisfying the matching requirements for a Fund. Other public sources of funding may be considered on a case-by-case basis, pursuant to the terms and conditions set forth in the SSBCI Capital Policy Guidelines

Management Fees. Venture capital funds offer a variety of services to their portfolio companies (i.e., the potential SSBCI investees). These services can include, for example, financial management, operational guidance, transaction consulting, and connecting portfolio companies to potential customers, investors, board members, and officers. These are services that the portfolio companies need to grow their businesses and vary depending on the portfolio company's stage in the venture capital ecosystem.

Funds may request reimbursement for defined and documented services provided to SSBCI portfolio companies up to 1.71% of the allocated amount. This is the 'management fee' as Treasury has envisioned it. The Fund will be required to identify the services that will or have been provided and certify annually that such services have in fact been performed.

The agreement between the Fund and the Portfolio Companies should include disclosure of these services offered by the Fund Manager.

Consistent with industry standards on management fees, the fund should reimburse Virginia for payments of such fees before returns on investment are paid to the general or limited partners ("***LP***").

The "annual average" is calculated based on the average amount of the federal contribution that is used to cover services to portfolio companies over each year of the life of the venture capital fund, up to a maximum of ten years. Because the 1.71 percent allowance is an average, the fund may in some years use an amount of the federal contribution greater than 1.71 percent to cover services to portfolio companies, so long as in other years the amount used is less than 1.71 percent. Because the annual average is calculated over a period of up to ten years, the maximum expenditure on services to portfolio companies is 17.1 percent of the federal contribution (i.e., 1.71 percent x 10 years).

If, however, a fund's life is less than ten years, the annual average for such fund must be calculated based only on the life of that fund. For example, if the life of a fund is only five years, the maximum allowance for such fund is 8.55 percent (i.e., 1.71 percent x 5 years). VIPC will entertain variable approaches to management fee recovery to best align with a given fund's formation strategy.

Carried Interest. Participating Fund Managers are allowed to receive a carried interest pursuant to their limited partnership agreement. Virginia will consider the waterfall distribution method chosen and the amount of carried interest as part of its investment consideration.

Operational Expenses. VIPC does not contemplate reimbursement of additional fund operating expenses. It is important for a Fund Manager to understand that all operational expenses – including those amounts necessary to perform reporting requirements – are not covered by this program and cannot be charged to VIPC.

Reporting Requirements

Any selected Funds must commit to providing information to satisfy VIPC's reporting compliance requirements for the SSBCI program on a quarterly and annual basis for the life of the Fund.

In compliance with U.S. Treasury SSBCI Capital Reporting Guidance, Managers shall collect and furnish, on a timely basis and as required under Treasury timelines, to VIPC certain information, tracked data specific information and points, and report on such items (which will then be reported to Treasury) – both at the Fund level and at the portfolio company level.

Managers shall submit quarterly reports, including capital account statements documenting the Fund investments, VIPC's balance of committed capital, and Fund distributions and company exits, as well as company employment figures.

Annual reports will document syndicated and follow-on investments to portfolio companies. Funds must submit audited financial statements annually.

Each Portfolio Company (not Fund) is required to self-certify the following items.

- To remain a Virginia company for at least three (3) years – see sample side letter that Virginia uses for its portfolio companies
- That they are a small company as defined by the SBA
- There are no insiders as described under Treasury guidelines
- They are not a business that: engages in speculative activities, earns more than half its annual net revenue from lending activities, is engaged in pyramid sales, engages in activities prohibited by federal law, or is engaged in gambling.
- None of the principals have been convicted of sex offenses against a minor
- They will comply with Civil Rights Requirements
- The funds received will only be used for an eligible business purpose
- The funds will not be used to: finance passive real estate investment, refinance existing debt, repay delinquent federal or state income taxes, repay taxes held in escrow, reimburse Funds to an owner, purchase any portion of the ownership interest of any owner, purchase goodwill, or finance any portion of SBA- or other federally guaranteed loans
- That it will comply with document review, retention and reporting requirements required by Treasury. This includes reporting on the following items: yearly revenue and net income, number of full-time employees, number of jobs created and retained, and other information all as described in the Treasury guidelines.

Please reference the VIPC Investee Agreement and Application (Section 7 of the Supplemental Materials) that VIPC uses for its Portfolio Companies to get a sense of these certifications all together.

Additionally, Fund Managers must be prepared to collect the following information on portfolio companies invested in with SSBCI dollars:

- EIN
- NAICS Code
- If the company is located in a CDFI Investment Area (and if an owner resides in a CDFI Investment Area)
- If the business is located in an Energy or Climate Impacted Community (as defined under SSBCI)
- The primary and secondary business activity for which the investment Funds will be used

Companies will also be asked if they are minority-, woman- or veteran-owned or controlled and if the owner(s) are a part of a SEDI designated group. Further, they will be asked to respond to a Supplemental Questionnaire that includes additional demographic information or other designations of SEDI categories. Response to these questions is voluntary.

Further, Treasury asks for impact data for each portfolio company, including but not limited to:

- Total subsequent capital raised
- Jobs created
- Revenue generated

Applicants may review, for reference, documents VIPC is currently using for its own reporting in Appendix D.

At the time of a capital call, Managers shall submit compliant documentation required under the SSBCI program. While VIPC will continue to refine precise reporting requirements and cadence, subject to change over time, the format and nature of the information currently required from Treasury may be seen in Workbook 1.

Managers shall be responsible for gathering and accurately reporting its own information in a timely manner.

Section 3 – Key Information

****Please note that the information in this RFP supersedes all written and verbal communication made by VVP and/or VIPC/VIPA prior to issue of this RFP. ALSO NOTE: All dates in this document are target dates and dates may shift slightly. Please reference the RFP webpage for most recent dates.****

How the Application Process Works

Based on the high volume of interest expressed during introductory information sessions, office hours, and concept paper submissions in proportion to the SSBCI allocation amount available, VIPC anticipates a high number of extremely competitive applications and a very competitive allocation process. VIPC requests that Fund Managers carefully consider the below questions and required eligibility criteria before submitting an Application in response to this RFP.

This RFP includes a two-step process for applying.

Step 1 of the RFP process requires an Applicant to provide answers to a short set of questions that will be evaluated to determine which Applications will be eligible to move forward in the full application process. The answers to the questions – while online – are about the amount of information included in two to three pages of material. If an Applicant is deemed to have met the pre-qualifications, they may be invited by VIPC to submit a full proposal in response to Step 2. An Applicant not invited to make a full application for the first phase of the Virginia SSBCI allocation process may consider reapplying for SSBCI funding in the future.

Step 2 of the RFP process requires an Applicant to provide answers to a fuller set of questions.

Applicants must successfully complete Step 1 and Step 2 in order to receive an invitation for oral presentations and due diligence. Following due diligence VIPC will issue a Letter of Intent ("***LOI***") to selected Funds. At this point, Funds must produce matching funds to qualify to receive an allocation from VIPC. Once the Fund produces evidence of matching funds, VIPC will then sign a Limited Partnership Agreement ("***LPA***") and VIPC side letter.

The VVP Investment Team, comprised of VIPC personnel and with diligence input from the Indirect Investment Board and external subject matter experts as needed, will review applications, select Funds to enter into the interview process, conduct due diligence, score Funds and recommend Funds to VIPC's President and CEO for Tranche 1 funding. ***IMPORTANT***: VIPC will evaluate and score first-time funds against first-time funds, emerging funds against emerging funds and more experienced funds against more experienced funds. First-time Funds are Funds where the Managing Director or Managing Partner is a first-time venture capital fund manager who has not previously been a GP in a venture capital fund. Emerging Funds are Funds run by GPs or Managers who have raised and run one (1) or two (2) Funds previously (and only two (2) if both of the first two (2) Funds were under $10 million). Experienced Funds are Funds run by GPs who have raised and run three (3) or more funds (two (2) if the first Fund was over $10 million). VIPC anticipates allocating funding to 4-10 Funds as an outcome of this solicitation.

When approved, VIPC will issue a Letter of Intent to the Fund Manager. Once the Fund Manager has a proposed and acceptable matching capital commitment from one or more LPs, the Fund Manager and VIPC will agree to and sign the selected fund's LPA. The parties will also sign a VIPC side letter which will flow down all SSBCI program requirements and terms and conditions. The selected Fund will also have to agree to and sign certifications and undergo background checks as part of the due diligence process.

The additional capital to match a state's allocation is capital to invest in a jurisdiction that becomes an LP. A Fund must designate, at the time of receiving funds, the amount the Fund plans to invest in a jurisdiction. A commitment could be a 1:1 match of capital, or a 1:2 or more match of capital. This amount will be a designated portion of the Fund, or a sidecar Fund, to invest in a jurisdiction. To the extent a Fund decides to allocate more of its overall Fund dollars into Virginia, it will be recognized as a significant benefit to the overall Virginia ecosystem. Accordingly, preference will be given to Funds with larger match commitments that can be dedicated to investment in Virginia companies. So if the FoF program allocates $1M to a Fund Manager, while they are only obligated to invest a minimum $2M into companies located in the Commonwealth, if they committed to invest $5M in the state (a 4:1 match), that would benefit the region and be received positively as part of the Application.

Timing

VIPC's solicitation process will observe the following timeline:

Concept Paper Application Start Date	December 15, 2022
Concept Paper Application Close Date	March 15, 2023
RFP Release Date	June 23, 2023
– ***[VIPC information blackout period begins]*** –	
Virtual Info Session and Q&A	June 30, 2023
Step 1 Responses Due	July 7, 2023
VIPC Responses to Step 1 Applicants	July 15, 2023
Step 2 Application Due Date	August 11, 2023
Due Diligence – incl. oral presentations and meetings	August – November, 2023
Fund Manager(s) Selection by VIPC (target date)	December 15, 2023
Recertification of Allocation Agreement	Late December 2023
Execution of LOI, and/or Limited Partner Agreements & Side Letters	Late December 2023 – early January 2024
– ***[VIPC information blackout period ends]*** –	

Awards

Estimated Number of SSBCI Tranche 1 Awards:	4 – 10
Estimated Award Size per Fund Manager Selected:	$1-$5M

Note: All funding decisions made by VIPC will be final and not subject to appeal. Further, VIPC will not respond to requests by Applicants seeking interaction and/or information during RFP blackout period other than as specified herein. The blackout period begins with RFP release and continues until Fund selections are made.

Questions

Anyone who has questions should submit them in one of two ways: (1) at the virtual Information and Q&A session, or (2) on the website at the question box. VIPC will undertake best efforts to respond to all questions it receives. However, if a query requires additional information (such as from Treasury) it may not be possible to respond and Applicant will be so notified.

Intended response times are as follows: Questions submitted via the website up to 24 hours before the Q&A session will be answered at the Q&A Session. Questions submitted after that time and up until July 5 will be answered in the FAQ portion of the RFP page. Questions from Step 1 Applicants will not be answered if submitted after 5 pm ET on July 5.

Questions from Applicants invited to apply for Step 2 will be received from July 15 until August 3. The format for submitting those questions will be communicated to Applicants invited to proceed to Step 2.

PLEASE NOTE: All questions submitted will be published along with a written response on the website. The name of the submitter will not be shared, but the question itself will be public, and the response will be available for all Applicants. Also note that questions may be combined so no duplicate responses are provided.

Proposal Timeline and Due Date:

Submit Step 1 responses to https://www.virginiaipc.org/vvp-request-for-proposal by the deadline indicated above.

If successful, an Applicant should expect an invitation to apply via Step 2 no later than July 15, 2023. On the basis of pre-qualification against Step 1 Evaluation Criteria, an Applicant may be invited to submit a Step 2 Application and, at that time, be given further instructions for submitting a compliant and complete Application.

Virtual Info Session – Q&A:

VIPC will hold an information session for all interested parties on Tuesday, June 30, 2023, from 1:00 PM to 3:00 PM ET. The first part of the Session will be a review of the Application overall, and then questions will be received and answered until the conclusion of the time for the call or until all questions from the audience have been answered.

Register here: https://www.eventbrite.com/e/vipc-ssbci-rfp-qa-session-tickets-663180269037?aff=oddtdtcreator

A recording of the Session will be posted after the meeting is complete.

Step 1 Pre-Qualification Guidelines

The Step 1 questions must be completely answered in the application form found at: https://www.virginiaipc.org/vvp-request-for-proposal. Step 1 responses shall be submitted by 5:00 p.m. ET on Friday, July 7, 2023.

Specificity and brevity will be crucial in responses to Step 1 queries. For certain Step 1 queries where a written response is requested, Step 1 specifies a character limit. It is not required nor suggested to use the maximum word or character limit if a shorter answer is sufficient.

If an Applicant is invited to submit a full Step 2 application, they will be notified via email by July 15, 2023.

Those not invited to apply in this first phase may be invited to subsequent solicitations throughout the duration of the Virginia SSBCI Venture Capital Program.

Step 2 - Full Proposal Guidelines

Full proposals will only be accepted by those qualified and eligible Applicants who are invited by VIPC to remit a full proposal. The full proposals must be submitted via online format substantially similar to Step 1. However, Step 2 will allow for upload of certain documents. Like Step 1, for certain Step 2 queries where a written response is requested, Step 2 specifies a character limit. It is not required nor suggested to use the maximum character limit if a shorter answer is more appropriate.

<u>Please note that any proposal information that does not comply with Step 2 instructions will be considered non-compliant, and as such will not be read or considered by VIPC</u>.

Applicants should be prepared to provide a data room to VIPC if VIPC selects the Applicant to move into the full due diligence process. Further, as a condition of receiving funding awards, Applicants will be subject to customary background checks, which includes contacting references.

Applications shall be submitted by 5:00 p.m. ET on Friday, August 11, 2023.

Applications not compliant with written instructions and/or submitted after the above time and date may be considered non-compliant and subject to disqualification by VIPC.

Section 4 –
Step 1 Application Guidelines

Step 1 – Pre-Qualification

Step 1 Applications may be accessed at: https://www.virginiaipc.org/vvp-request-for-proposal

Step 1 Applications address the following topics: Fund Information and Capital Match, Virginia Plan, SEDI Plan and Reporting and Compliance. In addition to basic business demographics Step 1 questions are as listed below.

Fund Information and Capital Match

In this section, the Applicant must respond to the following questions:

1. Provide a one sentence Fund description (what types of companies the Fund invests in and why).
2. What is the target size of the Fund?
3. What is the maximum allowable Fund size stipulated in Applicant's Fund documents?
4. When was the Private Placement Memorandum (PPM) finalized (if it has been)? When did fundraising begin for the Fund (if it has been)? ("fundraising begin" means the date at which the Fund began formal conversation with potential LPs)
5. What date(s) did the Fund file for its Regulation D registration exemption (if it has done so)?
6. What amount has the Fund raised to date (total dollar amount in signed Limited Partnership Agreements)?
7. How many LPs have signed LPAs?
8. What dollar amount of the total Fund does Applicant expect to be closed by December 1, 2023?
9. Target date of final Fund close?
10. Has the Fund Manager raised a Fund before?
11. If prior fundraising will make raising the current Fund easier, please describe.
12. If LPs from Fund Manager's immediately prior Fund will invest in this Fund, provide the following details: How many LPs were in the prior Fund? What were the range of their commitment amounts? What proportion of prior LPs are anticipated to commit to this upcoming Fund?
13. Amount of SSBCI funds requested from VIPC?
14. If the Fund receives an allocation from VIPC, and knowing that a 1:1 match is required, at a minimum, how much of a match does the Fund plan to make? In short, what is the amount the Fund proposes to invest in Virginia ***in addition to*** any SSBCI investment?
15. What is the Annual Operating Budget of the Fund during the investment period?
16. Provide a summary of the investment strategy of the Fund. (2-3 sentences)
17. Does the Fund have an industry or functional focus? If so, specify. If not, state "industry agnostic."

18. At what stage does the Fund invest? (e.g., pre-seed – Series A)

19. What is the Fund's average initial check size?

20. Does the Fund reserve for follow on investments? If so, specify Fund's average follow-on investment size.

21. Does the Fund have an international, national or regional focus? Provide additional descriptive information as appropriate.

22. Annual management fee proposed to be in the side letter with VIPC?

23. Proposed management carried interest (percent after return of capital for all LPs)? Note: Treasury will only allow European style waterfall method.

Virginia Plan

In this section, the Applicant must respond to the following questions:

1. Does the Applicant currently have a Virginia office?

2. If yes, please provide location (if not already provided above).

3. Is the Virginia office staffed full time?

4. Please list the cities or regions within Virginia where the Applicant currently sources or plans to source deal flow.

5. For each city or region listed, list the Applicant's source(s) of deal flow (e.g., accelerator, university, other investor, venture scout, etc.).

6. For each city or region listed, list the name of Applicant's source of deal flow and a contact at each. For each city or region listed, what percentage of Virginia deal flow does Applicant expect to come from this area?

7. How does Applicant's Fund and/or investment thesis bring value to, or unlock value in, Virginia?

SEDI Plan

In this section, the Applicant must respond to the following questions:

1. Describe what SEDI population(s) and/or CDFI qualifying geographies in Virginia will be a focus of Applicant's Fund (if any).

2. What makes Applicant's Fund uniquely qualified to serve the targeted SEDI populations and/or geographies described above?

3. How will Applicant comply with the SEDI reporting required by U.S. Treasury?

4. Does one or more of Applicant's GPs identify as a woman? If yes, what proportion of the carry are they entitled to from the GP? Is the proportion of carry equivalent to such members' percentage ownership of the GP? If not, provide such members' percentage ownership of the GP and explain the discrepancy.

5. Does one or more of Applicant's GPs identify as a BIPOC individual? If so, indicate which group or groups this GP or GPs belong(s) to. If yes, what proportion of the carry are they entitled to from the GP? Is the proportion of carry equivalent to such members' percentage ownership of the GP. If not, provide such members' percentage ownership of the GP and explain the discrepancy.

6. Is one or more of Applicant's GPs a veteran? If yes, what proportion of the carry are they entitled to from the GP? Is the proportion of carry equivalent to such members' percentage ownership of the GP? If not, provide such members' percentage ownership of the GP and explain the discrepancy.

7. Is Applicant's Fund headquartered in a VA CDFI district?

Reporting and Compliance

In this section, the Applicant must respond to the following questions:

1. Describe Fund Manager's prior or current reporting experience, if any.[6]

2. If the Fund Manager has any prior Government reporting, please describe (if not covered above).

Disclosures and Certifications

Fund Manager will be asked to certify they have read the disclosures and certifications required under SSBCI and that the Fund and Fund Manager is qualified to receive SSBCI funds.

[6] See also: Reporting requirements in Section 7.

Section 5 –
Step 1 Evaluation Criteria

Step 1: Pre-Qualification Criteria

Step 1 will be evaluated as follows:

Evaluation Criteria	Weight
Fund Information and Capital Match	35%
Virginia Plan	30%
SEDI Strategy	30%
Reporting and Compliance	5%

Fund Information and Capital Match

VIPC seeks to understand the history of the Fund, if fundraising has begun, and the amount of fundraising completed by Fund Manager. VIPC also seeks to understand the timeline for the closing of the Fund and the timeline the Fund will invest capital allocated by VIPC. It will be important to establish that the Fund Manager demonstrates an ability to raise capital and that the proposed Fund is raising sufficient capital to sustain itself over the Fund's lifecycle. VIPC wants to ensure that matching funds that are available to invest and that the Fund is fully operational within ninety (90) days of receiving a SSBCI allocation. Finally, VIPC seeks to determine if Fund terms are competitive vis a vis other Applicants.

VIPC will give priority to Funds who can show they have matching capital. Capital commitment of funds provided by the Manager and/or other LPs that allows the Fund to immediately meet the match requirements of SSBCI will be an important qualifier for receiving SSBCI funds.

Virginia Plan

VIPC seeks to understand the presence the Fund will have in Virginia, and whether the Fund demonstrates the networks and connections in Virginia that signify a Fund is ready to execute the first day of the LPA is signed. Finally, VIPC is interested in the unique value delivered by the Fund to Virginia startups. (e.g., domain expertise, connections to national VC funders, strategic industry connections).

SEDI Strategy

VIPC seeks to establish that the Applicant has a SEDI plan that focuses clearly on one or more SEDI populations present in Virginia and that the Applicant is ready to serve SEDI entrepreneurs.

Reporting and Compliance

VIPC seeks to understand the history and experience the Applicant has with reporting outside of traditional fund reporting that an LP would require as well as the Applicant's approach to meeting the unique reporting requirements of the SSBCI Program.