

REQUEST FOR QUALIFICATIONS
FOR
VENTURE CAPITAL INVESTMENT
MANAGERS

ISSUED BY:

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

ON: THURSDAY, FEBRUARY 23, 2023

All questions regarding this RFQ must be submitted in writing to the Entrepreneurship and Innovation division at ssbci_info@wedc.org by Monday, March 6, 2023, at 5:00 pm CT.

SUBMISSIONS MUST BE RECEIVED BY:
MONDAY, MARCH 27, 2023, 11:59 PM CT*

To:

ssbci_info@wedc.org

or

SSBCI

Entrepreneurship and Innovation

Wisconsin Economic Development Corporation

201 West Washington Avenue, 6th Floor

Madison, WI 53703

* FUND MANAGERS WHO SUBMITTED A RESPONSE TO THE VENTURE CAPITAL INVESTMENT MANGER RFQ ISSUED APRIL 15, 2022 ARE NOT REQUIRED TO SUBMIT A NEW RESPONSE TO THIS RFQ, HOWEVER, MANAGERS MAY UPDATE AND RESUBMIT THEIR QUALIFICATIONS IF THEY SO CHOOSE. IF AN UPDATED RESPONSE IS NOT

RECEIVED ON OR BEFORE THE MARCH 27, 2023 DEADLINE, WEDC WILL EVALUATE THE INITIAL RESPONSE ON FILE.

I. Scope

The purpose of this Request for Qualifications (RFQ) is to provide interested fund managers with the information needed to prepare and submit a response for the following:

WEDC is seeking venture capital partners to implement Wisconsin's Venture Fund investment under the 2021 federal State Small Business Credit Initiative (SSBCI) program authorized under the American Rescue Plan Act (ARPA) and administered by the United States Department of the Treasury (Treasury). Wisconsin's venture capital program is envisioned to have the following requirements for participating fund managers:

- Make equity investments in eligible small businesses located in Wisconsin
- Manage ability for SSBCI capital contributions into a fund and into businesses
- Provide companion matching investments from other private fund(s) managed by the manager
- Manage all aspects of investment sourcing, delivery and reporting
- Provide additional value-added contributions to the Wisconsin startup ecosystem
- Return investment proceeds to WEDC

WEDC invites fund managers to submit creative approaches that support growth and development of Wisconsin's startup ecosystem and provide strong value and return on investment for the state's economy.

WEDC may elect to use responses to this RFQ to establish preliminary qualification, a slate of eligible fund managers, and/or to finalize fund manager selection. WEDC reserves the right to adjust qualification requirements and request additional information from respondents, as necessary.

II. Project Timeline

The work needed to be completed under this RFQ is subject to tight timing constraints and ongoing review and policy guidance from Treasury. Respondents must be prepared to conform to the following timeline:

Date	Event
February 23, 2023	RFQ issued
March 6, 2023 at 5:00 p.m. CT	Deadline to submit questions
March 27, 2023 at 11:59 p.m. CT	Submissions due

III. Wisconsin Economic Development Corporation

The Wisconsin Economic Development Corporation (WEDC) is a public body corporate and politic governed by Chapter 238 of the Wisconsin Statutes. WEDC was created under 2011 Wisconsin Act 7 and 2011 Wisconsin Act 32 to replace the economic and community development operations of the former Wisconsin Department of Commerce and to serve as the State of Wisconsin's lead economic development organization. WEDC is governed by a Board of Directors, and WEDC's Chief Executive Officer is appointed by the Governor.

WEDC provides financial and technical assistance and services to businesses and organizations in Wisconsin for the purpose of strengthening economic development and creating and retaining jobs.

As of June 30, 2022, WEDC had approximately 127 employees and operating expenditures for FY22 totaled approximately \$109 million, including \$64 million of Federal funds as part of the American Rescue Plan Act (ARPA). Revenues to finance its operating budget are derived primarily from state appropriation, loan repayments and other income.

WEDC operates three economic and community development divisions and eight finance and administrative departments primarily in the Madison, Wisconsin location. WEDC provides grants, loans, tax credits and other financial and technical assistance to its customers.

WEDC's SSBCI programming will be led by the Entrepreneurship and Innovation (E&I) division which is responsible for developing and deploying resources to support early-stage companies. The E&I team has direct experience working with venture capital funds, equity investment, venture debt and startup companies through a variety of programs including administration of Wisconsin's Qualified New Business Venture investor tax credit program.

IV. State Small Business Credit Initiative (SSBCI)

The SSBCI is a \$10 billion program created under the American Rescue Plan Act and administered by the U.S. Department of the Treasury to support small business finance programs. Each state, territory and tribal government is eligible to receive funds based on an allocation formula. Wisconsin's allocation is at least \$79,125,677.

The SSBCI program is intended to increase access to capital, create jobs, enhance economic resiliency and expand economic opportunity. A central focus of the SSBCI program is expanding economic opportunities in underserved communities by improving access to capital for entrepreneurs and small businesses.

SSBCI establishes program allocation, goals and incentives for investing in businesses owned and controlled by socially and economically disadvantaged individuals (SEDI).

Treasury has identified venture capital and equity investment programs as eligible uses of program funds.

SSBCI is intended to provide long-term leverage of \$10 in small business lending and investment for every \$1 of SSBCI program funding. For venture capital programs, this leverage is achieved by the anticipated subsequent financing rounds raised by companies as they mature and scale.

While the 10:1 leverage is based on a “reasonable expectation” of additional financing, the authorizing statute requires SSBCI funds to “cause and result in” 1:1 private financing.

Companies receiving SSBCI funding cannot be larger than 750 employees and must average 500 employees or less. Loans and investments must have an average principal amount of \$5 million or less and the overall business financing transaction cannot exceed \$20 million.

In addition to limits on company and investment size, there are prohibitions, limits or restrictions on use of funds including (but not limited to) passive real estate investment, refinancing of existing debt, financing businesses benefitting “SSBCI insiders,” repayment of delinquent or escrowed taxes, repayment or purchase of owner debt/equity or participation by a company principal convicted of a sex offense against a minor.

Respondents should review the federal program guidelines (<https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf>). Fund managers ultimately receiving SSBCI funds will be required to adhere to the federal requirements of the program. Additional information on program requirements, including reporting and compliance, can be found on the SSBCI website (<https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci>).

V. Proposed Equity Investment Program

Wisconsin has a strong track record of innovation and of realizing the economic potential of next-generation startup companies. While recent years have seen significant growth in venture capital investments, Wisconsin, like most states, is behind national leaders in both volume and amount of venture capital investments. The Wisconsin Investment Fund aims to close this structural gap by partnering with venture capital investors with a significant emphasis on investing in Wisconsin companies.

The Wisconsin Investment Fund aims to support additional capital under management expressly for investing in Wisconsin companies with the broad goals of increasing the number of funded companies, the amount of capital invested in companies, and the speed at which a startup company can complete its funding round.

WEDC has proposed to operate a program to invest up to \$50 million in early-stage and startup companies by partnering with equity investment fund managers. Fund managers will operate a

fund containing SSBCI capital and invest in eligible Wisconsin businesses. Fund managers may operate an SSBCI sidecar fund and invest alongside capital from the primary investment fund to meet private capital contribution requirements. Managers may also invest SSBCI capital out of a dedicated fund also containing private capital if all investments from the fund meet SSBCI requirements.

Fund managers will operate the sidecar fund consistent with their stated investment strategy. Terms and conditions of the sidecar fund will generally align with industry standard or those of the manager's primary investment fund.

Minimum and maximum investment sizes and fraction of SSBCI funds in each eligible transaction will be established with each fund manager based on overall investment strategy, the terms and conditions of the fund's private funding, and other parameters relevant to WEDC and SSBCI program requirements and objectives. WEDC will establish parameters with each fund manager to ensure that SSBCI funds are deployed across a range of investments and not allocated to a single transaction.

WEDC will not commit more than \$15 million to any single fund manager and intends to select five or more fund managers. WEDC's investment will not comprise more than 49 percent of the total available capital currently managed by the fund manager.

VI. Submission Requirements

Please provide a narrative summary responding to the information requested below. WEDC may request additional information, as necessary, to perform due diligence and select participating fund managers. WEDC may allow fund managers to update their proposed SSBCI investment strategy or other information to conform to Treasury updates and adjustments.

1. Overview of venture capital general partner
 - a. General investment strategy and focus areas
 - i. Average or typical investment size/range
 - ii. Number of investments
 - iii. Number of portfolio companies and associated employees
 - iv. Number of board and observer seats held by each partner
 - b. Number of funds and amount of capital raised
 - c. Current and/or proposed investment funds
 - d. Experience investing in Wisconsin businesses
 - e. Experience working with publicly funded (state or federal) programs
 - f. Investment screening process
 - g. Due diligence process
 - h. Approach to environmental, social and governance investment policy
 - i. Historic financial returns and notable exits
 - j. Additional capital raised by portfolio companies

2. Active funds
 - i. Number of active funds and remaining capital commitments
 - ii. Process for gathering portfolio company information and providing information to limited partners
 - iii. Marketing and outreach plan – managing deal sourcing
 - iv. Services provided to portfolio companies
 - v. Expected investment in WI companies

3. Backgrounds of principals and key staff
 - vi. Experience running venture capital funds
 - vii. Provide a list of all staff persons who will be involved in carrying out the tasks covered by this RFQ, describing each in terms of their involvement in specific tasks and qualifications.

4. Financial audits and controls
 - viii. Describe the firm's financial and regulatory compliance process
 - ix. Provide a list of professional service providers utilized by the fund manager

5. Expected deployment of SSBCI funds
 - x. Investment strategy
 - xi. Number of companies and investments
 - xii. Total capital deployed
 - xiii. Estimated number and amount of SEDI-qualified investments
 - xiv. Process for attracting and screening qualifications from SEDI-qualified businesses
 - xv. Private funding match provided from other GP managed funds
 - xvi. Estimated long-term capital leverage
 - xvii. Fee structure

6. Compliance
 - xviii. Potential conflicts of interest and approach for identifying/managing potential conflicts

VII. Terms and Conditions

The following terms and conditions affect responses to this RFQ and any resulting contract(s). These terms shall be adhered to by any interested submitter and are non-negotiable.

a. Confidentiality

Submitter acknowledges that all information, data, records and documents disclosed by WEDC to submitter, or which come to submitter's attention during the course of its

response to this RFQ or performance under any resulting contract constitute valuable and proprietary assets of WEDC (Confidential Information). Submitter agrees not to disclose the Confidential Information, either directly or indirectly, to any person, entity or affiliate unless required to do so by legal process of law without prior authorization by WEDC. If required to disclose Confidential Information by legal process, submitter shall provide WEDC with prompt notice so WEDC may seek an appropriate protective order. Except as required to respond to this RFQ or during the course of its performance under the terms of any resulting Agreement, submitter shall not use any Confidential Information for its own purposes.

b. Conflict of Interests

Submissions must include, in writing, disclosure of any potential conflict of interests that may arise from submitter's performing services for WEDC. If a Submitter fails to disclose a potential conflict of interest, and if WEDC determines such failure to disclose involves a material conflict of interest, the submitter's contract may be declared to be void by WEDC and any amounts paid under the contract may be recovered by WEDC. Submitters shall advise WEDC of any changes in potential conflicts of interest.

c. Nondiscrimination

Pursuant to Wisconsin law, any contract resulting from this RFQ will include the following language regarding nondiscrimination:

In connection with the performance of work under this contract, Fund Manager agrees not to discriminate against any employee or applicant for employment because of age, race, religion, color, handicap, sex, physical condition, developmental disability as defined in § 51.01(5), sexual orientation or national origin. This provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Except with respect to sexual orientation, Fund Manager further agrees to take affirmative action to ensure equal employment opportunities. Fund Manager agrees to post in conspicuous places, available for employees and applicants for employment, notices to be provided by the recipient officer setting forth the provisions of the nondiscrimination clause.

d. Public Records

Responses to this RFQ, any communication with WEDC, and any resulting contract and work product are subject to the public records laws of the State of Wisconsin, § 19.31 et seq. Submitters shall mark documents "confidential" where appropriate for financial and other sensitive materials that should be, to the extent possible, be kept in confidence. WEDC will notify the submitter if it receives a public records request for materials marked confidential.

e. Insurance

If awarded the contract, the submitter shall maintain Worker's Compensation, Comprehensive General Liability, including Contractual Liability, and Automobile Liability insurance for any claims that may arise from operations under the contract.

VIII. RFQ Process

a. Reasonable Accommodations

WEDC will provide reasonable accommodations, including the provision of informational material in an alternative format, for individuals with disabilities upon request.

b. Communication with WEDC & Submitting Questions

All communication regarding this RFQ shall be directed to WEDC's division of Entrepreneurship and Innovation at SSBCI_Info@WEDC.org. Information regarding this RFQ obtained from other sources is unofficial and nonbinding. Communication with other sources may be cause for rejection of a submission. All questions regarding this RFQ must be submitted in writing to WEDC at SSBCI_Info@WEDC.org by **March 6, 2023, at 5:00 p.m. CT.**

c. Incurring Costs

WEDC is not Liable for any cost incurred by a submitter for responding to this RFQ.

d. News Releases

News releases pertaining to this RFQ or to the acceptance, rejection or evaluation of submissions shall not be made without the prior written approval of WEDC.

e. Submitting Qualifications

Fund managers shall submit an electronic, PDF, version of their qualifications to WEDC at SSBCI_Info@wedc.org, no later than **March 27, 2023, at 11:59 p.m. CT.**

IX. Evaluation of RFQ

a. Submission Review, Verification and Acceptance

WEDC shall review each submission to verify that it meets all specified requirements in the RFQ. Submissions that do not comply with instructions contained in the RFQ may be rejected by WEDC. WEDC reserves the right to waive a particular specification if no fund manager meets that specification. WEDC may request additional information and perform due diligence. WEDC may reject a submission if the fund manager is determined to have inadequate financial or organizational means to meet program or proposal objectives. WEDC retains the right to accept or reject any or all submissions, or accept or reject any part of a submission, determined to be in the best interest of

WEDC. WEDC shall be the sole judge as to compliance with the instructions contained in this RFQ.

b. Qualification Scoring

Requirements will be assessed on a range of criteria to determine best fit with SSBCI and WEDC program priorities.

1. Management team experience and investment strategy
2. Ability to meet and exceed SSBCI and WEDC program requirements and objectives
3. Commitment and ability to invest in underserved populations and communities
4. Compliance and reporting
5. Fee structure

Submissions offering additional private sector match funding, speed of capital deployment, focus on SEDI investments, lower overall fee structures will generally score higher. WEDC will not consider investment managers determined to be unable to meet SSBCI program eligibility and compliance requirements.

c. Right to Reject Submissions and Negotiate with Fund Managers

WEDC reserves the right to reject any and all submissions. WEDC may enter into negotiations with multiple respondents regarding the terms of the contract and the fee structure before determining the highest scoring fund manager(s). WEDC shall not, under any circumstances, reveal a submission's fee structure to any other respondent prior to contracting for services.

d. Award Decision

WEDC intends to enter into continued discussions with the fund manager(s) deemed to best meet the overall needs of this RFQ as determined by WEDC, taking into consideration the managers' experience, expertise, overall strategy, anticipated effectiveness at meeting program goals, return on investment, and other relevant factors. Fund managers selected under this RFQ may be asked to provide additional information and undergo additional evaluation prior to contracting.

e. Notice of Intent to Award

All RFQ respondents will be notified in writing of WEDC's intent to proceed with qualification evaluation as a result of this RFQ.