



Dear Vermonters,

There is a lot of news of late in Vermont on venture capital sources, new and pending funds, and most importantly, many companies starting and scaling. These are exciting and truly unprecedented times for Vermont. Never before have we seen such support for businesses in the state. Given all the above, this preliminary update may be helpful or insightful about one of the state's most active investors, the **Vermont Seed Capital Fund, LP** or "VSCF". This fund has been a \$6 million revolving (or "evergreen") early stage venture investor launched in 2010 .

The non-profit Vermont Center for Emerging Technologies ([VCET](#)) manages the VSCF and is a large investor in it as well. In May 2021, the state appropriated to VCET an additional \$900,000 for new VSCF investments. Also during that period, SemiProbe (after 10.5 years!) returned the original \$250,000 investment. Overall, these past 14 months have been very busy identifying new investments, seeking a broader, more diverse pipeline of venture capital seekers and supporting the current fund portfolio as well.

Some Context and Objectives for the Fund: Demand for equity risk capital remains very strong. Capital seekers who met VSCF eligibility limitations were over 3x the capital invested. So, there is very good investment ready and venture scalable company demand out there across Vermont today for active angel and institutional investors to consider.

Uniquely, our stated investing objectives remain fourfold:

- (1) Investment Returns sufficient to revolve the Fund forward
- (2) Capital Leverage/Syndication
- (3) Payroll
- (4) Other factors (Sectors, Clusters, Geography, Founder Prioritization (BIPOC, Women, Veteran), etc).

New Investments and Fund History: This evergreen or revolving seed capital fund has supported 32 companies so far since investing began in May 2010. Over the last 14 months (since the \$900,000 state appropriation became known in May 2021), the following **8 new** companies have been supported with initial investment, advice and support:

- Fund invested \$520,000 for total initial capital rounds of \$9.3 million (18x leverage)
- 5 of 8 founders are in the prioritization areas (veteran, BIPOC, woman)
- Only 2 of 8 companies had another VT institutional investor.

- New companies added are:
 - [Widewail](#) - Trust & Reputation Management SaaS
 - [Vernal Biosciences](#) - mRNA formulation and manufacturer
 - [Geopipe](#) - Digital twins of the physical earth / metaverse
 - [ZestBloom](#) - Web3 search engine and API tools
 - [MySuperSitter](#) - Daycare and nanny care platform
 - [Lost Lantern](#) - Award winning spirits blender
 - [OhMD](#) - Mobile patient - caregiver communications platform
 - [VTDC Holdings](#) - Drying and curing appliance manufacturer
- Additionally, a new company spun out of an existing portfolio company. While no direct new investment was made, this is the 32nd company to enter the VSCF lifetime portfolio
 - [NOMAD Transportable Power Systems](#) - Mobile battery storage

Follow On Investments: In addition to the 8 new investments, two portfolio companies (Vernal Biosciences and Benchmark Space Systems) garnered additional investment (“follow on”) totaling \$211,000. The combined rounds raised substantial funding for facility expansions, working capital and rapid employee growth.

Sales/Mergers Announced: During the fiscal year, two transactions of note became publicly disclosed. **Goldman Sachs** announced an acquisition of **NextCapital** and at the time cited this as a “top 5” transaction. The closing is expected in 2022. The VSCF was the first outside investor into the firm. The local team will assimilate into an existing Goldman Sachs office here in Vermont. When the transaction closes, this will produce a significant realized return on investment for the Fund.

The second merger concerned the late 2021 stock acquisition of **Northern Reliability** by **KORE Power**, an exciting energy storage and solutions company. The Vermont operation, KORE Solutions, is scaling dramatically. KORE is also underway constructing its 2 million sq ft, 11 GW battery production plant in Arizona. KORE provides US based, vertically integrated energy power offerings that span from *mining to microgrid*. The VSCF was the largest investor shareholder (ownership %) in Northern Reliability at the time of the merger. This holding is a significant unrealized gain for the Fund at this point. Momentum in the sector overall and by this company remains high.

Ongoing Portfolio: Fortunately, most other companies are performing well, adding lots of workers (when housing is found) and growing revenues. However, this is a volatile, high risk asset class for investing so things can change quickly. During this past fiscal year, there were no new company failures or dissolutions in the portfolio.

Local Conditions & Cooperation Remain Solid, But Gaps Remain: The Fund and its team are actively engaged with other local investors and yet still sourcing, considering and investing independently as well. We have to avoid groupthink and syndicate momentum investing for that sake alone. So far, so good. Capital seekers have more choice than ever for identifying investors. Seed capital remains flowing into companies, and we have yet to really see national headwinds impact us locally. However, some investment terms are tightening as are

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exit/company valuations. But, the horizon remains risky and all are being advised to harden balance sheets, get more operationally efficient and make choices proactively for tougher capital market times ahead. New and pending venture funds and banking resources will help to capitalize and support a greater number of high potential teams and high opportunity businesses across Vermont.

Parting Recognition: We remain in awe of the founders and employees who deserve all the credit for their vision, risks taken, tenacity, innovations and impacts in our communities. Thank you, thank you, thank you. We also want to recognize the VCET Board, Advisers and Mentors for their volunteer efforts, guidance, oversight and domain expertise for not only advising the Fund, but as importantly, assisting these companies and teams on their journeys.

Finally, this time of year internally we are preparing preliminary fiscal year financials for audit, surveying portfolio companies on key impact data and will produce the annual public stakeholders report in October after the audit process is complete. In the meantime for those interested, I hope this information is useful and encouraging. #StartHere in Vermont!

Sincerely,

DAVE

David Bradbury
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Vermont Seed Capital Fund, LP