



# Alaska SSBCI Equity Fund Request for Proposals For Fund Managers

Issued: January 10, 2023

Updated: February 15, 2023

## **Designated Contacts for this Request for Proposals:**

Primary Contact: Erin Baca, University of Alaska Anchorage (UAA), Alaska Small Business Development Center (SBDC), State Small Business Credit Initiative (SSBCI), Alaska Equity Fund Director

Secondary Contact: Jon Bittner, Alaska SBDC/SSBCI Director

All contacts/inquiries shall be made by email to the following address:

[ssbci.state@aksbdc.org](mailto:ssbci.state@aksbdc.org)

## **FIRST ROUND PROPOSALS DUE DATE AND TIME:**

**On or before 3:00 PM AKST on February 10, 2023.**

**Additional timing parameters are detailed in the request for proposals table.**



## Table of Contents

I. INTRODUCTION	3
A. Program Summary	3
B. Request for Proposals Schedule	4
II. DEFINITIONS	5
A. Base Fund	5
B. Capital Allocation	5
C. System for Electronic Disclosure by Insiders (SEDI) and Very Small Business (VSB) Investment Strategies	5
D. Investment Entity	5
E. Program Funds	5
F. Small Businesses	6
G. Socially and Economically Disadvantaged Business Enterprise	6
H. Very Small Business (VSB)	6
III. PROGRAM GUIDELINES	7
A. Investment Fund Managers	7
B. Fund and Investment Requirements	7
C. Investment Amount	8
D. Investment Entity Compensation and Returns	8
IV. SUBMISSION OF PROPOSALS	9
V. SELECTION CRITERIA	9
A. Proposal Scoring	10
B. Additional Considerations	12
C. Post-Award Considerations and Requirements	12
VI. QUESTIONS	13
VII. GENERAL PROVISIONS	13



## I. INTRODUCTION

As part of the State Small Business Credit Initiative (SSBCI) funding the Alaska Small Business Development Center (SBDC) at the University of Alaska Anchorage (UAA) received funding from the United States Treasury to invest in the State of Alaska small businesses. The Alaska SSBCI program seeks proposals from applicants that are eligible Investment Entities (defined below, and alternatively referred to as “Fund Applicants”) for its Venture Capital/Equity Funds program (“the Fund” or the “Program”). The Fund will make monies available to selected Investment Entities to increase the amount of capital available to eligible small businesses in the State of Alaska (“State”). The Alaska Equity Fund program (AKEF) invests in Partner Funds as an Limited Partner (LP) and supports their efforts to deploy capital across Alaska, with a particular focus on Very Small Businesses (VSBs) and Socially and Economically Disadvantaged Individual (SEDI) owned businesses. AKEF will do this by making equity investments in funds managed by the Investment Entities, and the Investment Entities will make qualified investments in eligible small businesses in the State, including investments in business enterprises owned and controlled by socially and economically disadvantaged individuals (“SEDI-Owned Businesses,” as defined in 12 U.S.C § 5701(15)).

### A. Program Summary

Specifically, AKEF is seeking Partner Funds to deploy \$10,000,000 via a diverse group of dedicated Fund Managers dedicated to investing in small businesses in the State of Alaska. The parameters and goals of the SSBCI program set by the US Treasury limit long term investments. The AKEF program can last no longer than ten (10) years, therefore success is dependent upon the speed of deployment of funds and quality of investments made.

AKEF will provide the selected managers an investment commitment that is a maximum commitment of no greater than 50% of the total investment capital of the managers base fund (“Base Fund”). Specifically, AKEF aims to invest a range of \$1M to \$5M in Funds raising \$2M to \$10M by matching private sector investments on 1:1 basis.



**B. Request for Proposals Schedule**

Release of Request for Proposals	January 11, 2022
<b>This RFP will re-open in May, 2023 unless all funds are deployed.</b>	
First Round Date for Submission of Questions	January 20, 2022
<b>Potential applicants will have the ability to submit their questions via the designated email throughout the lifespan of the program for all subsequent rounds. All questions will be responded to directly and potentially to the website as FAQs as well as emailed out to those individuals that have registered to the listserv.</b>	
Deadline for AKEF to Respond to First Round Questions	January 27, 2022 by 3:00 PM AKST
<b>AKEF will continue to respond to all inquiries on the second Wednesday of each month for all subsequent rounds. AKEF is not responsible for any submissions that are not electronically marked February 10, 2023 3:00 PM AKST. Proposals received after the deadline will be rolled to the next review period.</b>	
First Round Submission Deadline	February 10, 2023 by 3:00 PM
<b>Beginning in May, 2023, proposals will be retrieved from the Fund Applicant Folders on the 2<sup>nd</sup> Wednesday of every month. If an electronic submission is not possible, please email <a href="mailto:ssbci.state@aksbdc.org">ssbci.state@aksbdc.org</a> for instructions on alternate delivery options.</b>	
Step I Review Complete & Invitation to Participate in Step II Review	15 days after original submission deadline
Announcement of Award	30-60 days after panel



## II. DEFINITIONS

For the purposes of this Request for Proposals (RFP) for an investment commitment, the following words or terms shall mean as follows and are passed down from the US Treasury:

### A. Base Fund

An investment commitment that is a maximum commitment of no greater than 50% of the total investment capital of the managers base fund.

### B. Capital Allocation

US Treasury considers funds obligated if they have been committed, pledged, or otherwise promised, in writing, as part of an equity/venture capital investment agreement with an Investment Entity.

### C. System for Electronic Disclosure by Insiders (SEDI) and Very Small Business (VSB) Investment Strategies

One of the core goals of the federal SSBCI program is to drive private sector investment to businesses and entrepreneurs that have traditionally had a difficult time securing capital. Fund Applicants shall identify opportunities for deploying some or all of their funds into SEDI and VSB businesses in their investment strategy, fund thesis, or overview of general practices which will result in SEDI or VSB investments.

**Preference will be given to Investment Entities that emphasize the use of Capital Allocations to support and provide access to capital for Beneficiary Companies that are SEDI-owned and/or VSB businesses in order to meet Treasury's program goals.**

### D. Investment Entity

For eligibility determination purposes, an Investment Entity is a private sector and regional fund manager raising a Fund that meets the following criteria:

- has a demonstrated ability to raise a minimum of 1:1 private capital match;
- has a portfolio where SSBCI program dollars do not represent greater than 50% of venture fund committed capital;
- has a meaningful amount of capital resources at risk whereby the private capital is pari passu with, or junior to, the SSBCI investment in cash flow rights;
- is not an "SSBCI insider" pursuant to Equity/Venture Capital Programs: Conflict of Interest Standards – 12 U.S.C. § 5705(f);
- has resources, network(s), and demonstrated intent to invest in companies that are located in Alaska; and
- targets investment sectors that are technology related or high growth oriented.

### E. Program Funds

Program Funds are defined as the SSBCI dollars invested in, awarded to, and matched by private sector



#### **F. Small Businesses**

A small business shall be deemed to be one which conducts significant business in Alaska, is generally an independently owned for-profit enterprise that employs 750 or fewer persons.

#### **G. Socially and Economically Disadvantaged Business Enterprise**

Pursuant to 12 U.S.C. § 5701(15), a socially and economically disadvantaged business enterprise is one that meets the following criteria:

- if privately owned, 51 percent is owned by one or more socially and economically disadvantaged individuals;
- if publicly owned, 51 percent of the stock is owned by one or more socially and economically disadvantaged individuals (as defined in 12 U.S.C. § 5701(18)); and
- in the case of a mutual institution, a majority of the Board of Directors, account holders, and the community which the institution services is predominantly comprised of socially and economically disadvantaged individuals.
- Socially and Economically Disadvantaged Individual
- As defined in 12 U.S.C. § 5701(18), the term “socially and economically disadvantaged
- individual” means an individual who is a socially disadvantaged individual or an economically disadvantaged individual, as such terms are defined, respectively, under 15 U.S.C. § 637 and the regulations thereunder.

#### **H. Very Small Business (VSB)**

A VSB means a business with fewer than 10 employees at the time of the loan, investment, or other credit/equity support and includes independent contractors and sole proprietors.



### III. PROGRAM GUIDELINES

Proposed funds will need to comply with the following program criteria and all other US Treasury policy guidelines for the SSBCI program. Alaska's SSBCI program has allocated \$10M toward the Program and expects full deployment via a diverse group of dedicated Fund Managers in less than 10 years. Specifically, AKEF aims to invest a range of \$1M to \$5M in Funds raising \$2M to \$10M by matching private sector investments on a 1:1 basis.

#### A. Investment Fund Managers

AKEF seeks proposals from fund managers, or those that have offices located in or that are serving regions of Alaska that are traditionally underserved by venture capital. Investment Entities may include for profit funds and non-profit regional and local economic development organizations, technology development organizations and research universities that make investments in companies operating in Alaska.

#### B. Fund and Investment Requirements

The AKEF funds can only be used to support **eligible small businesses in Alaska**. In addition, Fund Applicants will be required to ensure investments meet all US Treasury requirements, including but not limited to:

- Base Funds may be used to provide Investment Capital to Small Businesses located in Alaska for the purposes of growing those companies in the State of Alaska.
- An Investment Entity shall invest Base funds in a Beneficiary Company on the same terms as other investors in the financing. The Investment Entity must also invest its own private capital in a proportionate amount as defined in the investment agreements. Under no circumstances will an Investment Entity invest Base Funds in any single round of equity financing that is a total of more than \$20,000,000.
- Base Funds may be used for follow-on investments in portfolio companies, subject to the investment, conflict of interest, and exceptions set forth above.
- Investments in Beneficiary Companies may take the form of equity or hybrid Investments, including convertible debt and Simple Agreement for Future Equity (SAFEs).
- Investment entities will make individual investment decisions.
- Investment Entities and Beneficiary Companies are subject to the terms and conditions set forth in all US Treasury guidelines and requirements.
- All investments made in Beneficiary Companies must be matched by other sources of private capital at a ratio equal to or greater than (1:1) of SSBCI capital at all times.
- Funding provided by other Federal sources of capital shall not be counted toward satisfying the matching requirements for an Investment Entity. 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.



- Up to an average of 1.71% of Allocated Funds per year may be used to provide Services to Beneficiary Companies. These services can include, for example, financial management, operational guidance, Information Technology (IT) consulting and connecting portfolio companies to potential customers, investors, board members and officers. Investment Entities will be required to provide annual certification that such services were provided.

**C. Investment Amount**

AKEF will provide the selected managers with a Base Fund – i.e., an investment commitment that is a maximum commitment of no greater than 50% of the total investment capital of the managers base fund.

**D. Investment Entity Compensation and Returns**

An Investment Entity may receive fees and Carried Interest on Capital Gains. The Applicant will be asked to provide a compensation structure, and will be evaluated in part on its competitiveness. Compensation to the Investment Entity and returns to the AKEF will be detailed in the agreements to be entered into between the Investment Entity and the AKEF.



#### IV. SUBMISSION OF PROPOSALS

Responses to this RFP must include a complete Proposal Intake Form, and all of the information requested therein. If certain requested information or attachments are not available or applicable, please note in the narrative, on the checklist or within a particular attachment as necessary.

- Proposals must be submitted electronically via the secure Fund Applicant Folder, which will be provided by AKEF upon request. Email [ssbci.state@aksbdc.org](mailto:ssbci.state@aksbdc.org) titled **Fund Applicant Folder Request** to receive designated Folder. **DO NOT SUBMIT PROPOSALS VIA ANY OTHER METHOD.**
- Upon receipt of Fund Applicant Folder, Applicants will be expected to complete the included Proposal Intake Form and all Appendices attached with the checklist as a cover sheet. The entire Proposal may be submitted as one complete document or separate documents, though page limitations and all requirements will still apply.
- Proposals submitted in a manner other than as described in these instructions (e.g., facsimile, hard copies) will not be accepted

#### V. SELECTION CRITERIA

To avoid a potential conflict of interest at the University of Alaska (UA), applications are evaluated by a third-party reviewer team with no input from UA/UAA employees. AK SBDC, SSBCI staff will check all applications for completeness prior to sending them to the review team. Applications that are not complete will be given 48 hours to remedy incomplete information to remedy missing information. If this is not completed within the allowed 48 hours, Fund Applicants will be asked to submit again at a later date. Fund Applicants shall be evaluated on criteria including, but not limited to, the applicant's:

- previous track record of success in raising investment funds and successfully investing them;
- financial and management capacity to source deals, perform due diligence, evaluate the commercial potential of emerging technologies, and to provide management expertise and other value-added services to beneficiary companies;
- demonstration of need in target market investments in target sectors;
- ability to secure the required non-Federal matching investment;
- competitiveness and fairness of the proposed compensation structure;
- ability to secure partnerships with local or regional stakeholders;
- ability to direct funds to SEDI-owned businesses and VSBs; and
- other criteria relevant to making investment decisions consistent with the purposes of the fund.

**A. Proposal Scoring**

AKEF will balance individual proposal scores with priorities for geographic distribution across Alaska. The evaluation criteria will include, but not be limited to, the following:

<ul style="list-style-type: none"> <li>● <b>Completeness of the application and compliance of the application with the “Guidelines” and “Scope of Work” sections and other terms and conditions of this Request for Proposals</b></li> </ul>	<b>10%</b>
<ul style="list-style-type: none"> <li>● <b>Organizational capacity and stability</b></li> </ul>	<b>30%</b>
<ul style="list-style-type: none"> <li>● <b>Fund Applicants’ capacity to illustrate a strategic plan to address the stated need and describe how AKEF’s assistance will help the grantee achieve this plan</b></li> </ul>	<b>40%</b>
<ul style="list-style-type: none"> <li>● <b>SEDI and VSB Investment Strategies</b></li> </ul>	<b>20%</b>

a. **Evaluation Criterion Breakdowns:**

- *Criterion 1.*  
**Completeness of the proposal and compliance of the proposal with the “Guidelines” and “Scope of Work” sections and other terms and conditions of this Request for Proposals. Overall Scoring of 10%; breakdown as follows:**

**Proposed Approach (50%)**

Are the investment goals clear and based on a sound understanding of SSBCI Policy Guidelines? Are the reporting mechanisms and fund operations conducive to maintaining full compliance with SSBCI Policy Guidelines? Does the Fund have prior experience with SSBCI reporting and compliance?

**Communicating Results/Key Performance Indicators (50%)**

Does the applicant have a track record of effectively communicating or reporting investment results to appropriate stakeholders (i.e. Limited Partners, government institutions, investees)? Will the investment team be able to report all investment activity, including quarterly and annual data related to all SSBCI and SBDC reporting requirements?

- *Criterion 2.*  
**Organizational capacity and stability. Overall Scoring of 30%; breakdown as follows:**

### **Qualifications of Fund Managers (75%)**

Does the investment team have the breadth of qualifications - credentials and experience - to conduct due diligence and build a pipeline of investable companies? Does the investment team have prior experience in similar efforts and do they clearly demonstrate an ability to meet the proposed investment goals within their proposed timeline and resources?

### **Costs (25%)**

Are the proposed fund costs, i.e. “professional services fees” appropriate and reasonable, given the 1.71% maximum average? Did the proposal make mention of providing certification for these services?

- *Criterion 3.*

**Capacity to illustrate a strategic plan to address the stated need and describe how AKEF’s assistance will help the grantee achieve this plan.**

**Overall Scoring of 40%; breakdown as follows:**

### **Mission Relevance (75%)**

Does the proposed Fund address a target industry for investment? Does the proposed Fund’s capital stage investments and potential economic development initiatives complement - and not duplicate – existing or other proposed funds in Alaska?

### **Originality and/or Innovativeness (25%)**

Is it original, e.g., does the proposed Fund seek to shift or accelerate current and future economic development focuses, and is it innovative? Is the proposal an improvement or include new approaches to investing in Alaska?

- *Criterion 4.*

**SEDI and VSB Investment Strategies. Overall Scoring of 20%; breakdown as follows:**

### **Socially and Economically Disadvantaged Business Enterprises and Very Small Business Focus (100%)**

Does the Fund Applicants identify opportunities for maximizing US Treasury SEDI and VSB allocation amounts by identifying “Diversity Practices” in their investment strategy, fund thesis, or general practices? Does the proposal include data or other metrics it will use to make investments? Did the proposal make mention of any Diversity Equity and Inclusion (DEI) policies as part of their due diligence process?



## **B. Additional Considerations**

- By submitting a proposal, each applicant authorizes AKEF to contact any and all other persons identified in its proposal or in any review conducted by or on behalf of AKEF or the State and obtain the release of pertinent financial and other information, as well as to obtain verification of the information provided by each applicant.;
- AKEF cannot be used for any costs incurred by any applicant for work performed in the preparation and production of a proposal, nor for any work performed prior to written authorization from AKEF to proceed. All proposals submitted in response to this RFP will become the joint property of AKEF and the Fund Applicant.

## **C. Post-Award Considerations and Requirements**

To be eligible to receive investment from AKEF, the following requirements will need to be met before Announcement of Award can be made:

- The investment period for Investment Entities to invest all Program funds into Beneficiary Companies shall generally be five years or less.
- AKEF shall distribute funds promptly, pursuant to a disbursement process agreed to between the AKEF and the Investment Entity in order to enable the Investment Entities to fulfill commitments to Beneficiary Companies in a timely manner.
- AKEF and each Investment Entity receiving funds shall enter into one or more written agreements that are consistent and in compliance with the US Treasury Program Regulations and other applicable laws and regulations.
- AKEF may actively participate on the Fund's limited partner committee (or equivalent) with the participating Investment Entity and other investors.
- Returns on investments accrued with respect to AKEF received by an Investment Entity through the Fund shall be returned to the AKEF in accordance with the agreement's contractual clauses.
- Each Investment Entity will be required to market the Fund to other potential investors and Beneficiary Companies.
- Each Investment Entity shall deposit both returns and interest earned into a bank account in a State or Federal chartered banking institution.
- Applicants must be legally able to receive and use the proceeds as herein stated.
- Applicants must meet any other requirements herein stated for the specific purpose of the AKEF.
- Applicants must be in good standing with any other government programs and entities to include current with all reporting requirements.



- US Treasury has flow down terms and conditions; therefore, the selected Applicants will assume responsibility for the performance of all required services. Additionally, if subcontractors are involved they will also need to adhere to all US Treasury terms and conditions.

## VI. QUESTIONS

- A. All questions, comments, requests for clarification or any other communication regarding this Request for Proposals must be submitted via the designated email [ssbci.state@aksbdc.org](mailto:ssbci.state@aksbdc.org) titled **Request for Proposals for Alaska Equity Fund**
- B. In addition, any changes, additions or deletions to this Request for Proposals will also be posted on the AKEF website, along with the electronic version of this proposal. Applicants are urged to check the [AKEF website \(https://aksbdc.org/ssbci/venture-capital-equity-funds/\)](https://aksbdc.org/ssbci/venture-capital-equity-funds/) frequently for notices of any clarification of or changes, additions, or deletions to this Request for Proposals.

## VII. GENERAL PROVISIONS

The issuance of this RFP and the submission of a proposal by an applicant or the acceptance of such a proposal from an applicant does not obligate AKEF in any manner. AKEF reserves the right to:

- A. Amend, modify, revise, or withdraw this RFP;
- B. Require supplemental statements or information from any responsible party;
- C. Accept or reject any or all responses hereto;
- D. Negotiate potential contract terms with any applicants to this RFP;
- E. Discuss corrections and/or clarifications of the proposal which do not conform to the instructions contained herein. All such communications will be posted to the website under FAQs in addition to sending an email to those registered on the listserv;
- F. All costs associated with applying to this RFP will be the sole cost and expense of the applying firm and cannot be added as costs to the application.