



## **Missouri Technology Corporation**

### **Request for Proposal**

#### **State Small Business Credit Initiative**

Seeking proposals from providers of statewide Debt/Equity Hybrid Venture Capital Programs that specifically provide financial support to businesses owned by socially and economically disadvantaged individuals.

**September 2022**

**Key Dates:**

RFP release date: Monday, September 12, 2022

Submission of responses due: Tuesday, October 4, 2022, by 11:59 pm CDT

## **1. Introduction and General Information**

### **1.1. About the Missouri Technology Corporation**

The Missouri Technology Corporation (MTC) is a public-private partnership created by the Missouri General Assembly to promote entrepreneurship and foster the growth of new and emerging high-tech companies. The MTC focuses on 21st-century industries that build on Missouri's rich history in agriculture and technology. The MTC is governed by a 15-member board of directors, which is appointed by Missouri's Governor, Speaker of the Missouri House, and President Pro Tem of the Missouri Senate. The President of the University of Missouri System and the Director of the Department of Economic Development are *ex officio* members of the board.

For more information on the MTC, visit [www.missouritechnology.com](http://www.missouritechnology.com).

### **1.2. Intent of the Request for Proposal (RFP)**

The intent of this RFP is to gather statewide proposals related to identifying and selecting organizations that operate Debt/Equity Hybrid Venture Capital Programs (DEHVCPs) that align with the [State Small Business Credit Initiative \(SSBCI\) Capital Program guidelines](#) (described below) and are interested in partnering with the MTC to deploy Missouri's allocation of funding under the federal program.

### **1.3. The RFP Process**

The MTC expects to use the following process to solicit and evaluate proposals: (i) release of RFP; (ii) submission of proposals; (iii) review and evaluation of proposals; and, (iv) engagement. However, the MTC reserves the right to modify the RFP process, without notice, at its sole discretion.

#### **(i) Release of the DEHVCP RFP**

This RFP will be posted on the MTC's website ([www.missouritechnology.com](http://www.missouritechnology.com)). The RFP will also be otherwise distributed, as determined by the MTC, to widely disseminate notice of the solicitation.

#### **(ii) Submission of Proposals**

Proposals must be submitted no later than Tuesday, October 4, 2022, by 11:59 pm CDT, to be considered. Late proposals will not be accepted. It is the responsibility of the respondent to ensure that the MTC receives all requested materials by the deadline. Final respondent proposals should be emailed to [mtcrfp@missouritechnology.com](mailto:mtcrfp@missouritechnology.com).

## 2. U.S. Department of the Treasury (Treasury) State Small Business Credit Initiative (SSBCI) Program Overview

Additional information on the SSBCI program can be accessed through [Treasury's website dedicated to the program](#).

### 2.1. What is SSBCI?

The American Rescue Plan Act of 2021 (ARPA) reauthorizes and expands the SSBCI Program, which was originally established in 2010. SSBCI will provide a combined \$10 billion to states, the District of Columbia, territories, and Tribal governments to expand access to capital for small businesses emerging from the pandemic, build ecosystems of opportunity and entrepreneurship, and create high-quality jobs.

SSBCI provides recipient jurisdictions funding for (1) credit and investment programs for existing small businesses and startups and (2) technical assistance (TA) to small businesses applying for SSBCI funding and other government small business programs.

### 2.2. Types of Programs

The programs available under SSBCI to promote capital access to all recipient jurisdictions, including underserved areas, include:

- Capital Access Programs (CAPs): These programs provide portfolio insurance in the form of a loan-loss reserve fund into which the lender and borrower contribute, supplemented with SSBCI funds.
- Loan Guarantee Programs (LGPs): States, the District of Columbia, territories, and Tribal governments may use SSBCI funds to provide an assurance to lenders that they will be partially repaid in the event of default, after the lender makes every reasonable effort to collect, helping small businesses secure loans that may have otherwise been inaccessible or prohibitively expensive.
- Loan Participation Programs (LPPs): In these programs, states, the District of Columbia, territories, and Tribal governments buy an interest in the loans made by lenders or lend directly alongside private lenders, providing direct lending to finance small businesses.
- Collateral Support Programs (CSPs): The programs in this model set aside funds as collateral for new loans, enabling startups to borrow funds to help their businesses grow with the assistance of SSBCI capital.
- Venture Capital Programs (VCPs): Jurisdictions may set up public-private partnerships for equity investing or in venture capital funds. These

investments are focused on providing capital to underserved startups and democratizing venture capital across geography and to diverse founders.

### **2.3. Program Implementation and Guidance Design**

Treasury's implementation of the SSBCI program is targeted to expand access to capital, promote economic resiliency, create new jobs, and increase economic opportunity. Treasury is focused on expanding opportunities in underserved communities lacking capital and building financing ecosystems that support entrepreneurs and small businesses. This focus is reflected in several important features of these programs, including:

#### *Promoting Equity:*

- The program has a new allocation of \$1.5 billion nationwide for businesses owned and controlled by socially and economically disadvantaged individuals (SEDI), along with \$1 billion nationwide of incentive funds for jurisdictions that demonstrate robust support for SEDI-owned businesses.
  - The \$1.5 billion allocation targets (1) small businesses owned by individuals who have faced barriers accessing the capital, markets, and networks needed to grow their businesses because of certain statuses or membership in certain groups, including membership in a group that has been subjected to racial or ethnic prejudice or cultural bias within American society, and (2) small businesses in Community Development Financial Institution (CDFI) investment areas, which are generally low-income, high-poverty geographies that receive insufficient support for the needs of small businesses, including minority-owned businesses.
- Treasury will allocate the \$1 billion of incentive funds to jurisdictions that effectively deliver robust support to these groups, helping to promote lending and venture capital investment for small businesses run by diverse founders or that operate in geographic regions that have traditionally lacked access to capital.

#### *Catalyzing Private Investment:*

- SSBCI is designed to catalyze \$10 of small business lending and investment for every \$1 of SSBCI capital program funding, magnifying the effects of the federal funds allocated through the program.
- The program mobilizes local sources of capital, such as community banks, CDFIs, Minority Depository Institutions and investors, to support local small businesses.

The program also rewards investments outside of traditional high-access areas and to startups that have struggled to receive funding.

*Fueling Economic Growth and Good Jobs:*

- SSBCI will support small businesses while combating longstanding structural inequities in access to credit and unequal opportunities for growth revealed and exacerbated by the pandemic.

**2.4. Eligibility**

**The MTC is specifically seeking proposals on statewide Debt/Equity Hybrid Venture Capital Programs (DEHVCPs) to provide up to \$5 million of financial support to meet the needs of SEDI-owned businesses.**

For the purposes of the SSBCI program, with respect to SEDI-owned businesses, Treasury limits funding to:

1. business enterprises that certify they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable 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;
2. business enterprises that certify they are owned and controlled by individuals whose residences are in CDFI investment areas, as defined in 12 C.F.R. §1805.201(b)(3)(ii);
3. business enterprises that certify they will operate a location in a CDFI investment area, as defined in 12 C.F.R. §1805.201(b)(3)(ii); or
4. business enterprises that are located in CDFI investment areas, as defined in 12 C.F.R. §1805.201(b)(3)(ii).

The term “owned and controlled” means, if privately owned, at least 51% owned by such individuals; if publicly owned, at least 51% of the stock is owned by such individuals; 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 such individuals.

Additional SSBCI program eligibility requirements are outlined in the following documents.

- [State Small Business Credit Initiative \(SSBCI\) Capital Program Policy Guidelines – November 2021](#)
- [State Small Business Credit Initiative \(SSBCI\) Capital Program Frequently Asked Questions – August 2022](#)

Respondents’ proposals submitted are expected to reflect familiarity and compliance with the SSBCI program requirements and parameters, which continue to evolve with updates found on [Treasury’s website dedicated to the program](#).

**The MTC will only review and evaluate proposals submitted for statewide Debt/Equity Hybrid Venture Capital Programs to provide up to \$5 million in financial support to meet the needs of SEDI-owned businesses. Proposals received for regional Debt/Equity Hybrid Venture Capital Programs or greater amounts will not be considered.**

### **3. Proposal Submission Requirements**

#### **3.1. General Proposal Requirements**

- Each respondent must submit a single, digital PDF file of its statewide proposal with an accompanying completed Leverage Ratio Data Table (Excel file). Hard copy submissions or submissions received after the established deadline will not be considered.
- All proposals should address the questions outlined in Section 3.2 below and be organized in accordance with such outline.
- The MTC may use any proposals in its application and supplemental information provided to SSBCI administrators and other persons involved directly or indirectly in the SSBCI program. Each respondent acknowledges the MTC may use any information provided by such respondent accordingly and that the MTC may identify any respondent by name in such materials.
- All proposals must be accompanied by a certification that: (a) to the best of the respondent’s knowledge and belief, the information contained in the proposal is complete, true and correct: (b) if any information requires alteration or supplementation, the respondent will provide that information in writing to the MTC

as soon as practical; and (c) the respondent acknowledges that submitting false or misleading information in connection with the proposal may be punishable by law. That certification can be contained within the cover letter or as a separate document in the proposal that does not count in the page limits for the answers to the Direct Questions (Section 3.2.ii), Budget (Section 3.2.iii), Underserved Narrative (Section 3.2.iv), Venture Capital Program Guidelines (Section 3.2.vi), and Additional Information for Consideration (Section 3.2.vii).

### **3.2. Proposal Form and Content**

#### **(i) Cover Letter**

The cover letter should include the name and contact information of the respondent, how the respondent discovered the opportunity, a brief summary of why the respondent is interested in the opportunity, and the respondent's qualifications to manage an SSBCI-funded program.

*The cover letter may not exceed one page in length.*

#### **(ii) Direct Questions**

Each proposal for a statewide Debt/Equity Hybrid Venture Capital Program (DEHVCP) should include a section that clearly and concisely addresses the following:

- A description of the background of the DEHVCP, including historic performance of the program (for programs that have operated before) and expected performance.

*Responses may not exceed one page in length.*

- A description summarizing the program guidelines. Include information on the credit characteristics and the operating mechanics of the DEHVCP.
  - Describe the structure of the Equity Capital Program and the capital deployment model.
  - Qualifications or eligibility requirements for small business borrowers/investees and lenders/investors.
  - Minimum and maximum loan/investment amounts.
  - Standard loan types, e.g. term loans, lines of credit, etc., and investments, e.g. equity, preferred equity, subordinated debt, etc., and processes for reviewing nonstandard transactions limitations on use of loan/investment proceeds.

- Other standard terms required in loan, collateral support or guarantee provided, or investment agreement terms.
- Sources for loan originations or investment opportunities in the program.
- Processes for negotiating and approving loan/credit support or investment terms.
- Processes for determining and documenting the “cause and result” of private capital leverage related to the loan or investment.
- Kinds of and rates for fees, e.g. application and origination fees, guarantee fees, management fees, etc., that may be charged.
- Processes for monitoring compliance and performance of outstanding loans/investments.

*Responses may not exceed three pages in length.*

- A description of the anticipated benefits to the State of Missouri, its businesses, and its residents including the extent to which the resulting small business lending and investing will expand economic opportunities.

*Responses may not exceed two pages in length.*

- A description of how the DEHVCP will, at a minimum, “cause and result in” at least \$1 of new private credit for every \$1 of SSBCI funds used by the DEHVCP. For example, for Venture Capital Programs involving equity capital, applicants may specify such safeguards as limiting investments to anchor investments, prohibiting SSBCI participation after a fund’s initial close, or only permitting investments in funds for which private capital is likely to be catalyzed by SSBCI participation based on the funds' age, size, or experience.

*Responses may not exceed one page in length.*

- A description of how the DEHVCP will ensure a meaningful amount of lender/investor capital is at risk. Capital at risk guidelines for DEHVCPs are contained in the SSBCI Capital Program Policy Guidelines. Refer to the SSBCI Capital Program Policy Guidelines, Section VIII. Approving State OCSPs, subsection d. Lender or Investor Capital at Risk – 12 U.S.C. §5705(c)(3).

*Responses may not exceed one page in length.*

- A description of how the DEHVCP will provide credit support that meets all of the following requirements:
  - Targets an average borrower size of 500 employees\* or less;
  - Does not extend support to borrowers that have more than 750 employees;



- Targets support towards loans with an average principal amount of \$5 million or less; and
- Does not extend credit support to loans that exceed a principal amount of \$20 million.

*\*The definition at 12 CFR §121.106 should be used to calculate the number of employees. Refer to the SSBCI Capital Program Policy Guidelines, Section VIII. Approving State OCSPs, subsection e. Borrower/Investee and Loan/Investment Size Requirements – 12 U.S.C. §5705(c)(4).*

*Responses may not exceed one page in length.*

- A description of the DEHVCP’s operational capacity, skills, and experience of the DEHVCP management team.

*Responses may not exceed two pages in length.*

- A description of the capacity of the DEHVCP to manage increases in the volume of its small business lending.

*Responses may not exceed two pages in length.*

- A description of the internal accounting and administrative controls systems of the DEHVCP and the extent to which such systems can provide reasonable assurance that the SSBCI funds will be safeguarded against waste, loss, unauthorized use, and misappropriation.

*Responses may not exceed two pages in length.*

- A description of the soundness of the DEHVCP’s program design and implementation plan.

*Responses may not exceed one page in length.*

**(iii) Budget**

The response should include a high-level budget and supporting budget narrative for the DEHVCP, including:

- The amount of SSBCI program funding the respondent can reasonably and timely deploy in the program’s implementation;
- The amount of capital the program would lend or invest per year and over how many years;
- The source and status of any required matching funds;

- The amount of SSBCI administration funding the respondent can reasonably and timely deploy to support the program’s implementation; and
- If the program requires additional administrative funding\* beyond what is allowed within the program guidelines, a description of the proposed source of administrative funding.

*\* SSBCI administrative costs are defined and governed by the Uniform Cost Principles in 2 C.F.R. Part 200 Subpart E. The Uniform Cost Principles contain criteria that must be used to establish chargeable administrative costs and specific information on allowable costs in various cost categories. Administrative costs are capped by statute (see 12 U.S.C. §5702(c)(3)(C)-(D)). Specifically, for the first tranche, the administrative costs are not to exceed 5% of SSBCI funds, and for the second or third tranche, the administrative costs are not to exceed 3% for the respective tranche.*

**(iv) Underserved Narrative**

Please detail how the federal contributions to the proposed DEHVCP will help provide access to capital for small businesses in low- and moderate-income, minority, and other underserved communities, including women- and minority-owned small businesses within the State of Missouri.

This narrative should contain information sufficient to evaluate whether the proposed program will provide access to capital for underserved communities and is substantive and relevant to market conditions within the State of Missouri. This narrative should describe how the MTC can monitor the performance of the DEHVCP, including relevant success metrics.

This narrative can include details, if applicable, on how the DEHVCP plans to identify, develop, or expand existing programs to meet the needs of SEDI-owned businesses.

**(v) Leverage Ratio Data Table**

Each proposal should include a completed Leverage Ratio Data Table specific for the DEHVCP outlined in this proposal. A copy of the table can be accessed from the [SSBCI Treasury website](#) or [the MTC website](#). The Leverage Ratio Data Table does not count in the page limits for the proposal and should be submitted as an accompanying Excel file.

**(vi) Adherence to Venture Capital Program Guidelines**

Per the Treasury’s June 22, 2022 [Frequently Asked Questions \(FAQs\)](#), please explain how the DEHVCP program in the proposal will adhere to the Venture Capital Programs guidelines.

**(vii) Additional Information for Consideration**

Respondents can summarize the proposal or provide additional information that they believe is critical to the assessment of the DEHVCP and its alignment with the SSBCI federal program guidelines, the mission of the MTC, the mission of the DED, and the overall economic development interests of the State of Missouri.

*Proposals should include all aspects of the Direct Questions (Section 3.2.ii), Budget (Section 3.2.iii), Underserved Narrative (Section 3.2.iv), and Additional Information for Consideration (Section 3.2.vi) and may not exceed 25 pages in length. The page limit does not include the cover letter, certifications, or the completed Leverage Ratio Data Table (Section 3.2.v), which should be submitted as an accompanying Excel file.*

**4. Award Process and Post-Award Monitoring**

**4.1. Proposal Review Process**

After the submission deadline, the MTC will review all proposals received to determine whether each proposal meets the eligibility criteria and complies with the requirements of this RFP. All proposals determined to meet the eligibility criteria and compliance requirements will be reviewed by the MTC’s Executive Director. Select respondents may be requested to present to a committee that may be comprised of the MTC staff and Board members, DED staff, independent consultants engaged for the purpose of assisting with the review, and others at the discretion of the MTC. The MTC may also request that a respondent submit supplemental information to assist in the MTC’s evaluation of a proposal. Successful respondents will be required to execute an engagement agreement in the form requested by the MTC as a condition of award.

**4.2 Evaluation Criteria**

Proposals that meet the eligibility criteria and compliance requirements will be scored using the five criteria outlined below:

**(i) Program Design and Implementation Plan (25%)**

Proposals must align with the federal SSBCI program guidelines. Respondents with an operational history that exhibits a strong track record of success for similar programs will be evaluated favorably. Additionally, Proposals must demonstrate adherence to the Ventures Capital Program guidelines to be evaluated favorably.

**(ii) Team and Partner Organization(s) (25%)**

Proposals demonstrating strong operational capacity, skills, and experience to manage the proposed program as well as being able to manage increases in the volume of its small business lending and having the required administrative controls in place will be evaluated favorably.

**(iii) Financial Support to SEDI Businesses (20%)**

Proposals that include a strong narrative for how the program will provide financial support to Missouri's underserved and for SEDI-owned businesses will be evaluated favorably.

**(iv) Private Matching Capital and Leverage Capital Ratios (10%)**

Proposals that demonstrate the ability to "cause and result in" at least \$1 of new private credit for every \$1 of SSBCI funds used and to achieve the desired 10:1 leverage ratio will be evaluated favorably.

**(v) Economic Benefit for Missouri (10%)**

Proposals that demonstrate a clear and compelling case for anticipated economic benefits for the State of Missouri will be evaluated favorably.

**(vi) Appropriateness of Budget (10%)**

Proposals whose budgets align with the federal program guidelines will be evaluated more favorably.

**4.3 Engagement**

Upon review and approval by the MTC and the DED, the successful respondent (the Partner) will be notified by the MTC staff. The MTC staff will provide a memorandum of understanding (MOU) agreement reflective of the Partner's proposal. The MOU will outline the engagement between the MTC and the Partner as the MTC and the DED seek approval for the program from Treasury.

Following the approval of the program by Treasury, the MTC and the Partner will enter into an engagement agreement defining the partnership for the duration of the federally funded SSBCI program. Partners will be responsible for complying with all SSBCI program requirements as outlined by Treasury and additional requirements implemented by the MTC. The engagement agreement will include customary confidentiality obligations with respect to all of the MTC's information. No funds will be distributed until the Partner's proposed program has been approved by Treasury and the engagement agreement is approved by the MTC's Board of Directors or Executive Committee and executed by the MTC Executive Director.

#### **4.4 Contract Requirements**

##### **4.4.1 Reporting Requirements**

The engagement agreement will require the Partner to comply with all reporting requirements as outlined in the [Capital Program Reporting Guidance](#) as published by Treasury. Additional reporting may be required by the MTC for management of the SSBCI program on behalf of the DED.

##### **4.4.2 Public Disclosure, Media, and Publications**

The MOU and engagement agreement will require the Partner to obtain written consent of the MTC prior to making any press release or public statement which refers to the terms and conditions of the project or the engagement agreement with appropriate attribution to the MTC in any public statement.