

Broadening the Scope of Players in Venture Capital



The Real Deal

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U.S. investment in diverse entrepreneurs

Total U.S. VC funding deployed in 2019 reached \$136.5 billion dollars, of which:

- VC funding in women entrepreneurs hit an all time high of \$3.3 billion, or ***just 2.8% of capital invested*** across the entire U.S. startup ecosystem
- Over the past decade, dollars invested in the “Mighty Middle” grew from \$5.8 billion in 2010 to \$20.2 billion in 2019, or ***14.8% of total capital invested***
- ***77.1% of founders are white***

Most venture-backed startups are “still overwhelmingly white, male, Ivy League-educated and based in Silicon Valley”



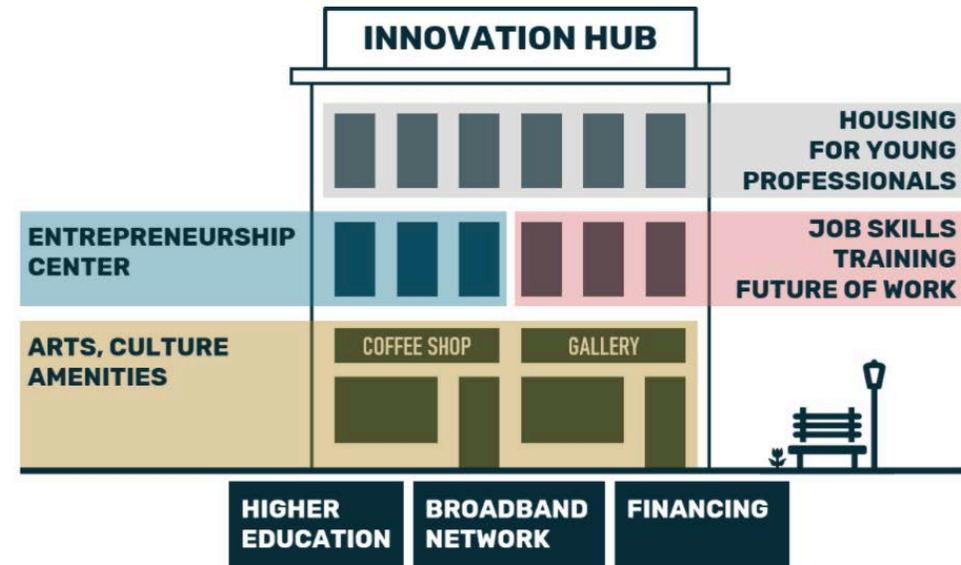
**Center
on Rural
Innovation**

The CORI Rural Opportunity Fund addresses the capital gap in communities across rural America. Rural America is an untapped and often overlooked source of innovation and talent with less than 1% of all venture capital going to rural zip codes.

CORI's investment thesis for rural innovation

Select communities that meet 4 qualifications can receive CORI resources to promote sustainable economic development and create new economy jobs:

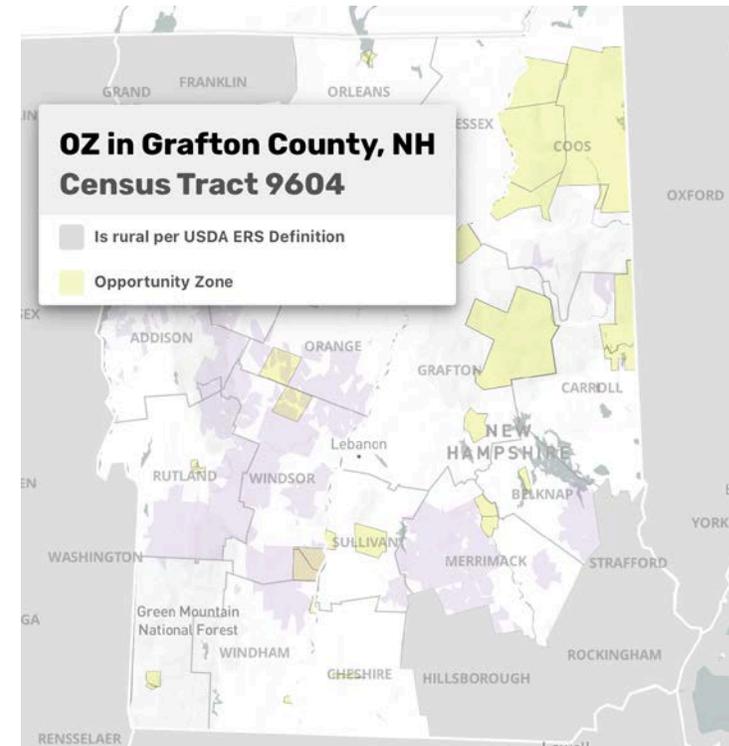
- High-speed broadband internet
- Partnership with a 4-year college
- Commitment from local political leaders and non-profits
- Located (primarily) in Qualified Opportunity Zones



Benefits of investment in QOZs

Those who invest in QOZs via designated Opportunity Funds may take advantage of:

- Capital gains tax deferral through 2027
- Reduce taxes owed on the capital gain invested into an Opportunity Fund by 10%
- Earnings from Opportunity Fund investments held for at least ten years can qualify for permanent exclusion from capital gains taxation



2020 CORI Innovation Fund investments

Company	Location	Industry	Investment	Valuation
Proximity	Montrose, CO	Coworking Space SaaS	\$500,000	\$25,000,000
Voi	Hanover, NH	AI Behavioral Healthcare Tech	\$250,000	\$12,500,000
SHO.ai	Cape Girardeau, MO	Brand Management	\$250,000	\$3,750,000



The mission of the Maine Venture Fund is to provide resources to attract, support, and help develop eligible small businesses with the potential for substantial growth and success that will contribute to the prosperity of Maine.

Key Questions

In order to identify useful points-of-parity and points-of-difference with other state-backed venture funds across the country, MVF should consider:

1

What are the important characteristics of government-funded venture capital firms in the 49 states outside Maine?

2

What general trends and outliers exist in fund design, structure and administration?

3

What best practices from other funds can MVF learn and integrate?

Fund Comparison Overview

Characteristic	Illinois	Tennessee	Hawaii	Colorado
Administration	Fund of funds	Non-profit	Government entity	Single VC fund
Owner	Illinois Treasurer	Department of Economic & Community Development	Department of Business, Economic Development and Tourism	Office of Economic Development & International Trade
Type	State-promotional	Holistic PPP	State-promotional	Traditional VC
Required Match	Yes	Yes	No	No
Portfolio Size	--	22 companies	39 companies	18 companies
Check Size	--	\$50,000 - \$500,000	\$100,000	\$250,000 - \$3,375,000
Evergreen	Yes	No	No	No



- **Owner:** The Illinois Growth and Innovation Fund is an investment fund created by state legislators in 2002 and administered by IL venture and private equity firms.
- **Type:** In 2018, the Illinois General Assembly authorized the Illinois Treasurer to allocate \$1 billion of the state's investment portfolio every 10 years. The focus of the fund is job creation (60,000+) and financial returns (IRR > 13.8%).
- **Thesis:** IGIF is purposefully diversified across vintage, stage, sector and strategy and committed to investing in companies that are more than 50% owned and/or led by minorities, women, military veterans, or disabled persons, and/or geographically located in diverse communities or low-to-moderate income communities.



Launch Tennessee

- **Owner:** Agent of the Tennessee Department of Economic and Community Development.
- **Type:** Launch Tennessee is a public-private partnership, guided by a vision of making Tennessee the most startup-friendly state in the nation.
- **Thesis:** The non-profit actively manages a holistic, statewide ecosystem of entrepreneurs, investors, students and job-seekers, connecting one another to key resources like capital, employees, customers, job opportunities and subject matter expertise. To date, Launch Tennessee has invested between \$50,000 - \$500,000 in 22 early-stage portfolio companies.



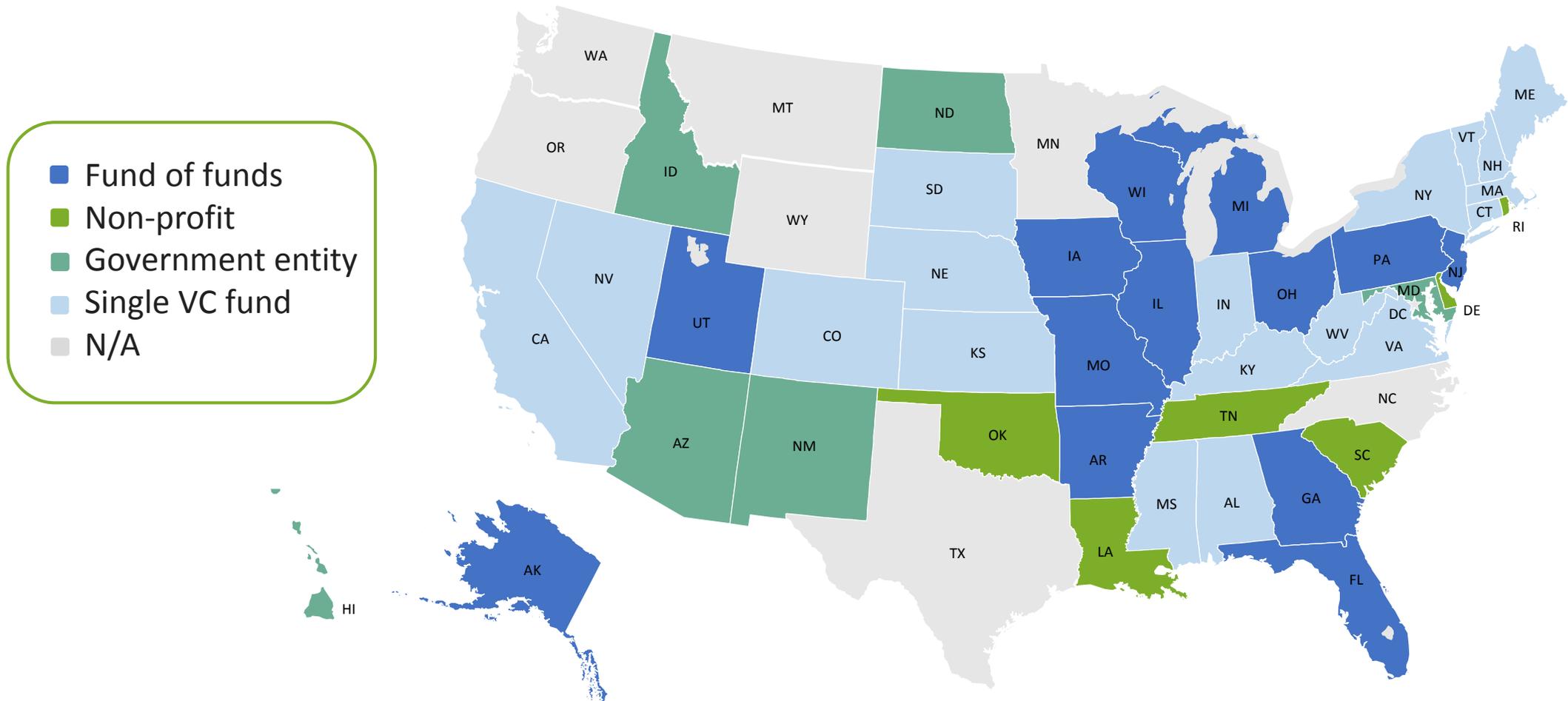
- **Owner:** Department of Business, Economic Development and Tourism
- **Type:** HTDC is a dynamic state agency responsible for diversifying Hawaii's economy by developing a flourishing technology industry that provides quality, high-paying jobs for Hawaii residents.
- **Thesis:** HTDC aims to accelerate the growth of Hawaii's technology industry by providing capital, building infrastructure and developing talent to foster innovation and diversify Hawaii's economy. In addition to capital, HTDC offers an incubator space, connections to consultants and professional expertise, and special resources for high-tech and manufacturing start-ups.



- **Owner:** The Colorado Venture Capital Authority was established in 2004 to make seed and early-stage capital investments. The VCA selected High Country Venture, LLC to make all investment decisions, contingent on selections meeting minimum investment requirements from the state.
- **Type:** The minimum and maximum investment size generally ranges from \$250,000 – \$3.375 million. Fund I has been closed, and Fund II is fully deployed.
- **Thesis:** The VCA is intended to manage the money as an evergreen fund. Accordingly, in 2018, the VCA invested proceeds from CO Funds I & II into a third fund, the Greater Colorado Venture Fund. When considering an investment opportunity, High Country Ventures seeks start-ups unique technologies and concepts that address unmet needs in the marketplace or create efficiencies in an existing marketplace.

Distribution of Administrative Models

State-backed funds are predominantly administered by single or multiple independent VC/PE funds.



Best Practices & Recommendations

Initiatives Maine Venture Fund can pursue based on observed best practices from other states.

Pipeline Development

- Establish and/or highlight MVF's relationship with local colleges and university start-up initiatives (Tuck, Roux institute)
- Partner with other entrepreneurial organizations to widen MVF's educational presence

Job Creation

- Tout the number of high-skilled, high-salary jobs created by MVF's portfolio companies to demonstrate impact
- Publish a goal like Hawaii Technology Development Corporation, whose 80/80 initiative hopes to "create 80,000 new tech and innovation jobs earning \$80,000 or more in Hawaii by 2030."

Ecosystem Leadership

- Establish and/or highlight MVF's unique platform support for portfolio companies and connection to greater New England entrepreneurial ecosystem
- Increase platform offerings to portfolio companies, including employee pipeline, conferences, list of frequent co-investors

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Creating pathways into venture capital
for diverse founders and funders.

realdeal.substack.com

Newsletter highlighting opportunities for founders and job seekers at thoughtful funds



Jobs, industry news and advice aggregator

Open Positions

- All Raise, a fantastic organization working to get more women into the tech ecosystem and a top source of news on women founders and funders, is hiring for 5 different positions (almost doubling the size of their team!) in San Francisco. I highly recommend their newsletter for the latest on diversity in VC and tech.
- Citi Impact Fund, which has only existed since January, is looking for a Vice President (Sr Associate) in San Francisco/NYC. The fund plans to tackle four societal challenges — workforce development, sustainability, financial capability, physical and social infrastructure — with a focus on investing in women and minority entrepreneurs. Continually cool to see how the big banks are instituting their “double bottom line” strategies.

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