

**COMMONWEALTH OF
PENNSYLVANIA
EXECUTIVE OFFICES**



**Angel Investment Venture
Capital Program Guidelines**

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Section I – Introduction/Statement of Purpose

The Act of June 30, 2021, P.L. 62, No. 24 (Act 24 of 2021), established the Angel Investment Venture Capital Program (Program) to create a business environment that attracts and encourages early-stage financing for businesses located in Pennsylvania with the potential for high growth, increases capital investment in the Commonwealth, and encourages job creation in Pennsylvania by making investments in Pennsylvania-based companies that focus on commercializing research and development, technology transfers, or the application of new technologies. The following Angel Investment Venture Capital Program Guidelines (Guidelines) provide for implementation of the Program.

Section II – Definitions

- **Angel investor:** A person or entity that makes qualified investments in companies.
- **Applicant:** An angel investor or a qualified business venture.
- **Eligible applicant:** The combination of an angel investor and one or more qualified business ventures.
- **Guidelines:** The Angel Investment Venture Capital Program Guidelines.
- **Office:** The Executive Offices of the Governor. The Office of the Budget will administer the Program on behalf of the Executive Offices of the Governor.
- **Program:** The Angel Investment Venture Capital Program established under Article XVI-P of The Fiscal Code as added by Act 24 of 2021.
- **Qualified business venture (QBV):** A business that:
 - (1) Is primarily focused on commercializing research and development, technology transfers, or the application of new technology, or if the business is not engaged in those industries, then a business that the Office determines is able to employ the qualified investment in ways that will be highly beneficial to the Commonwealth’s economic growth;
 - (2) Has at least 51% of its employees employed in this Commonwealth at the time the angel investor or QBV applies for a qualified investment;
 - (3) Has fewer than 100 employees at the time the angel investor or QBV applies for a qualified investment;
 - (4) Has operated in a physical location within this Commonwealth for not more than five consecutive years at the time the application is submitted;
 - (5) At the time of application for a qualified investment, has not received more than \$2,000,000, in the aggregate, in private equity investments of which not more than \$1,000,000 was invested by a single investor; and,
 - (6) Is not engaged in a business involving:
 - (i) Real estate.
 - (ii) Real estate development.
 - (iii) Insurance.
 - (iv) Professional services provided by an accountant, a lawyer, or a physician.
 - (v) Retail sales, except when the primary purpose of the business is the development or support of electronic commerce using the Internet.
- **Qualified investment:** A payment of money or its equivalent for a private equity interest in a QBV.
- **Recipient:** The combination of an angel investor and one or more qualified business ventures who have been approved by the Office to enter into a fully executed grant agreement.

Section III – Application

- **Applications.** An applicant shall submit an application for review by the Office as described herein requesting a grant for the purpose of making a qualified investment in one or more QBVs. The application shall be in the form prescribed by the Office and shall contain all of the parts required by this Section IV of these Guidelines. If the Office receives an incomplete application, the Office will notify the applicant that the application is incomplete, and the applicant will have 14 days from the date of the notice to resubmit a complete application to the Office. An application which remains incomplete at the expiration of the 14 days will be deemed to have been withdrawn by the applicant. After the application has been submitted, the Office may require an applicant to answer questions, submit additional information, or meet in-person or virtually as part of the application review.
- **Certifications.** All applications shall be submitted subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities). In addition, each QBV applicant shall certify, subject to 18 Pa.C.S. § 4904, that each QBV which would receive funding via a grant:
 - (1) Is not at the time of the application, and will not during the term of the grant agreement, be engaged in the real estate business; real estate development; insurance; professional services provided by an accountant, lawyer, or physician; or, retail sales except when the primary purpose of the business is the development of or support for online electronic commerce.
 - (2) Is primarily focused on commercializing research and development, technology transfers, or the application of new technology;
 - (3) Has at least 51% of its employees employed at physical locations within the Commonwealth on the date the application is submitted;
 - (4) Has fewer than 100 employees on the date the application is submitted;
 - (5) Has been operating within the Commonwealth for not more than five consecutive years on the date the application is submitted; and
 - (6) Has not received, by the date the application is submitted, more than \$2,000,000, in the aggregate, in private equity investments of which not more than \$1,000,000 was invested by a single investor.
- **Business Plan.** Each applicant shall submit a comprehensive, detailed business plan:
 - (1) *Each angel investor* shall submit a written business plan to the Office that demonstrates the angel investor's experience making investments in companies that have provided early-stage financing for businesses with the potential for high-growth, or have increased capital investing with the Commonwealth, or have resulted in job creation with the Commonwealth, or some combination of these factors. The business plan shall be included in the grant agreement, and shall at a minimum include the following information regarding the angel investor:
 - The name and address of the angel investor.
 - The legal structure of the angel investor.
 - The names and addresses of the owners, corporate officers, proprietors, partners, general partners, limited partners, equity investors, or any person or entity that owns or directs or controls any interest in the angel investor. If control of the angel investor is organized or effectuated via a trust or shell corporations, then the business plan must specifically identify the person or entity that exercises actual, ultimate control over the angel investor through the shell corporations.
 - The number of years the angel investor has been making equity investments.
 - For a for-profit entity, the net worth of the angel investor computed in accordance with generally accepted accounting principles.
 - For a for-profit entity, income statements of the angel investor for the two most recent calendar years computed in accordance with generally accepted accounting principles. If the angel investor does not compute its books and records on a calendar year basis, income statements for the two most recent 12-month periods shall be included.

- For a nonprofit organization, a completed Federal Form 990 for the two most recent years.
- For a nonprofit organization, a description of any technology creation or in-kind support of new companies, such as shared equipment, laboratory space and intellectual properties.
- An accounting of equity investments currently held by the angel investor to include the cost basis and current market value of the equity investments.
- The angel investor must submit all of the items in subsection (2) of this Section IV of these Guidelines for each QBV in which the angel investor proposes to invest the grant funds.

(2) *Each QBV shall submit* a written business plan that contains at a minimum:

- A statement of purpose for the QBV.
 - A description of the QBV's business.
 - The legal structure of the QBV.
 - The names and addresses of the owners, corporate officers, proprietors, partners, general partners, limited partners, equity investors, or any person or entity that owns or directs or controls any interest in the QBV. If control of the QBV is organized or effectuated via a trust or shell corporations, then the business plan must specifically identify the person or entity that exercises actual, ultimate control over the QBV venture through the shell corporations.
 - Products or services offered by the QBV.
 - The location(s) of the QBV.
 - The name(s) and address(s) of the QBV's officers, management, and key employees.
 - A marketing plan for the QBV.
 - A summary of financial needs for the QBV.
 - A detailed description of how the QBV would use the grant monies to commercialize research and development, to commercialize technology transfers, or to commercialize new technology within Pennsylvania, including specific, measurable goals to be achieved during the first 12-month period of the grant.
 - A sources and uses of funds statement for the QBV.
 - A cash flow statement for the QBV.
 - A three-year income projection for the QBV.
 - A balance sheet for the QBV.
 - A description of the financial record keeping of the QBV and the name(s) of persons responsible for maintaining these records.
 - A description of any business liability insurance coverage maintained by the QBV.
 - A detailed description of both the physical and information technology security measures maintained by the QBV. If the QBV produces SSAE 18 audits or SOC 1-3 reports, then the QBV's description may include its most recent SSAE 18 audit, or SOC 1-3 report.
- **Pre-grant award period for applicants.** Beginning on March 1, 2022, angel investor applicants and QBV applicants that have submitted complete applications to the Office may enter into discussions with each other for the purpose of achieving eligible applicant status. Once an angel investor and one more QBVs become an eligible applicant, they will develop and submit the Narrative described below for consideration by the Office in addition to their individual applications.

- **Applications directly submitted by Eligible Applicants.** An eligible applicant may directly submit an application directly to the Office without participating in the pre-award period. Such eligible applicants shall include the Narrative described below in their applications at the time they are submitted to the Office.
- **Narrative.** Each eligible applicant shall deliver a detailed narrative to the Office that describes each proposed qualified investment and that demonstrates a clear, direct nexus between each of those proposed investments and the objectives of the Program. An eligible applicant must demonstrate in concrete, practical terms how its proposed qualified investment(s) will create a business environment in Pennsylvania that will attract and encourage early-stage financing for businesses located in Pennsylvania that primarily focus on commercializing research and development, technology transfers, or the application of new technology, or would increase capital investment or encourage job creation in such businesses.

Section IV – Application Submission

Applications must be submitted to the Office as PDF files via email at budget@pa.gov. The Office will receive applications beginning March 1, 2022, and ending at 3:00 pm in Harrisburg, PA on June 30, 2022. An application must be submitted to the Office in accordance with these Guidelines to be considered by the Office. The Office shall consider applications from eligible applicants on a rolling basis beginning July 5, 2022 until grant funding available for the Program is exhausted.

Section V – Procedures for Accessing Funds

Grant funds will be disbursed electronically to Recipients in accordance with the grant agreement. An angel investor will receive payment of the grant funds from the Commonwealth as each QBV in the approved application is ready to receive the grant funding. The angel investor must request payment of the grant monies from the Commonwealth at least 45 days in advance of the date that the angel investor will transfer the grant funds to the QBV. The angel investor must transfer all of the grant funding to the QBV within 14 days of the date the investor receives payment of the grant funds from the Commonwealth. The angel investor must return any grant funding not so transferred to a QBV within 21 days of the date the investor receives payment of the grant funds from the Commonwealth.

Section VI – Reporting Requirements

A. Annual Report

- Each Recipient shall submit a report to the Office in PDF format via email by 5:00 pm in Harrisburg, PA of the last Friday of each September during the term of the grant agreement. Each report shall cover the 12 months ended the immediately preceding June 30.
 - (1) *As to the angel investor*, the report shall include:
 - The name and address of the angel investor.
 - The name of the angel investor’s contact person, including address, phone, and email.
 - A financial statement, computed in accordance with generally accepted accounting principles, for all funds received and invested by the angel investor under this Program during the reporting period.
 - (2) *For each QBV in which the angel investor made a qualified investment*, the report shall include all of the following for the QBV:
 - The name and address of the QBV.
 - The name of QBV’s contact person, including address, phone, and email.
 - A detailed description of the QBV.

- The total amount of the qualified investment received by the QBV during the reporting period from the angel investor. If the angel investor made the qualified investment in the QBV via a means other than currency of the United States, the report must contain a detailed description of that equivalent investment, the dollar value of that investment as of the date of the report, the name of the person or entity that computed that value, and the method used to determine the value of the investment as of that date.
 - A detailed description of how the QBV employed the qualified investment received from the angel investor during the reporting period to commercialize research and development, to commercialize technology transfers, or to commercialize new technology within Pennsylvania; and, how the venture will use the grant funds received via this Program during the next 12 months including specific, measurable goals to be achieved during the next year
 - The total number of employees in Pennsylvania, including the number of new jobs created in Pennsylvania during the reporting period, as well as the median salary of these employees.
- The Office will post all reports submitted in accordance with Section VII.A. to its public website.

B. Failure to Submit Annual Report

A Recipient's failure to timely submit a complete annual report may automatically trigger the clawback provisions of the grant agreement. If a Recipient fails to timely submit a complete annual report, the Office shall notify the Recipient and the Recipient shall have 14 days from the date of the notice to submit a complete annual report.

Section VII – Program Inquiries

Program inquiries must be directed to:

Governor's Budget Office
Office of the Budget
333 Market Street, 19th Floor
Harrisburg, PA 17101
Telephone: 717-787-2542
Email: budget@pa.gov