February 16, 2021

Via Electronic Mail

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Community Reinvestment Act (Regulation BB; Docket No. R-1723 and RIN 7100-AF94))

Dear Ms. Misback:

The Kickstart Seed Fund ("Kickstart" or "Fund") appreciates the opportunity to comment on the proposal by the Board of Governors of the Federal Reserve System for feedback to different approaches to modernizing the regulatory and supervisory framework for the Community Reinvestment Act (CRA). Kickstart is writing to respond to the request for feedback on Question 57 and 58 from the Advanced Notice of Proposed Rulemaking ("ANPR").

Background

In 2008, Kickstart began with a recognition that there was a lack of early-stage seed capital in Utah and the Intermountain West that was hurting entrepreneur's ability to get started, hire employees, and start on the journey to becoming a significant business that promotes economic development. That same year, Kickstart Seed Fund I ("Fund I")was launched with the backing of a CRA bank partner along with other local universities, angel investors, and entrepreneurs. Today, Kickstart manages over $250M across 5 funds and has invested in over 120 companies that have gone on to create thousands of jobs, the majority of which have supported low- and moderate-income ("LMI") geographies and/or people.

Kickstart Seed Fund I was created in partnership with a bank that was willing, through its CRA program, to work with other early-stage investors to innovate and create a new kind of community development venture capital fund. From the beginning, it has been cost-prohibitive for a small fund like Kickstart to go through the Small Business Administration's ("SBA") application process to become a licensed small business investment company (SBIC). From the very early days, Kickstart worked with its CRA bank partner and the FDIC to document that the majority of our investments met both the "size" and "purpose" tests to qualify under the CRA. Over the life of the Fund I, over 90% of the investments have met the size and purpose test. The robust data that our firm has collected and provided to its CRA bank partners has enabled them to receive CRA credit for their investments in Fund I, and all other investments in subsequent Kickstart funds.

Question 57

Over the last year Kickstart has seen the devastating impact the COVID-19 pandemic has had on the smallest segments of small business. We believe there are a few revisions that could be made to the definition of economic development that would provide incentives for engaging in activity with smaller businesses and/or minority-owned businesses. The ANPR suggests a modification to the CRA size test "to qualify economic development activity using only a gross annual revenue threshold." Based on the experience of the Fund, which has invested in d over 120 recently formed small businesses since inception, we believe this could end up severely restricting the number of small businesses that qualify for CRA credit. Many currently eligible activities would no longer qualify, as the ANPR acknowledges, including a bank's loans to/investments in SBICs or community development venture capital funds. Our experience is that SBICs and community development venture capital funds often lend to/invest in companies that have more than $1 million revenues but still easily meet the SBA's size standards. We believe this category of small business remains an important component of many banks' CRA Portfolios and are often an efficient way (i.e., through an intermediary) for banks to engage in small business lending or investing with significant job creation and economic benefit to communities.

We believe a better alternative would be to keep the current "size" test standards and to incent more loans/investments to the smallest businesses by expanding the list of activities that are "presumed to promote economic development" (full list is in Interagency Q&A §___.12(g)(3) – 1). The Board could add a category for small businesses with less than $1M in annual gross revenue. The Board could make other expansions to the list of activities "presumed to promote economic development," such as investments in minority-owned or -led small businesses. By expanding the list of activities that promote economic development, this could avoid any difficulties and added burden for the smallest segments of businesses as suggested in the ANPR of trying to "demonstrate that an activity meets both the "size test" and "purpose test"."

We would also encourage the Board to retain all of the current categories and provisions regarding the "purpose" test (Interagency Q&A §___.12(g)(3) – 1), especially the category of "supporting permanent job creation, retention, and/or improvement…by financing intermediaries that lend to, invest in, or provide technical assistance to start-ups or recently formed small businesses of small farms." We are such an intermediary, and it is our experience that many of the early stage (i.e., start- ups/recently formed) companies we invest in are the type of "smaller businesses" – with little or no gross annual revenues – that the ANPR seeks to support. We had been very disappointed when the OCC and FDIC put out their NPR that proposed to completely eliminate the entire category of "economic development by financing small businesses." We wrote a comment letter (*see attachment 1 to this email*) urging them to retain *all* of the current "economic development" categories rather than delete them, and many other letters expressed that same position. When the OCC issued its Final Rule, we were glad that they reinstated *some* of the previous "economic development" provisions, but were really disappointed that they appear to have eliminated the provisions regarding "financing intermediaries" such as Kickstart, along with other explicit provisions regarding job "improvement" (which is really important in the effort to help LMI individuals achieve economic mobility) and areas targeted for redevelopment. The OCC also offered no policy discussion or justification for restricting "economic development" when the three federal banking agencies had in fact just expanded those same provisions a few years earlier in the 2016 revisions to the CRA Interagency Q&A.

Question 58

Thank you for soliciting feedback on ways to establish clearer standards for economic development activities. Through our CRA bank partners we have been providing data around job creation, retention, and improvement for LMI geographies and individuals to examiners for over 10 years. We believe the Board could establish clearer standards to demonstrate LMI job creation, retention, or improvement. Specifically, having the Board provide a standard template could ensure uniformity in reporting and collecting the data. This would likely help the preparer and examiner. We have been tracking this data across our portfolio for many years. Kickstart would be happy to assist in giving a recommendation by sharing the template and methodology we have used to collect the data. To date, all of our bank investors have received CRA credit using the data and template we have been sharing.

Summary

As of today, Kickstart's small businesses employ 5,000+ people and have increased by a factor of 4x since our initial investment in these companies. We believe the fund has proven to be an incredible CRA success and has demonstrated strong economic development by financing hundreds of small businesses that, in turn, have created, retained, and/or improved thousands of jobs. With the countless challenges small business is facing, any change that could deter lending to or investing in small business would be very detrimental. We believe it is crucial to keep the current definition of "size" test standards and to retain and even expand the categories that qualify for "economic development" currently set forth in the CRA Interagency Q&A. Keeping these measures in place and possibly making it easier for bank partners to qualify for CRA credit will continue to lead to significant job creation, revenue generation, and the continued increase in the hiring of LMI employees and subsequent graduation from the LMI thresholds. Kickstart would be happy to provide any additional information helpful to the Board, or to meet in person to discuss or share our data and template we have created.

Sincerely,

Alex Soffe

Administrative Partner and CFO, Kickstart Seed Fund

April 7, 2020

Via Electronic Mail

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Community Reinvestment Act Regulations (Docket ID OCC-2018-0008; RIN 1557-AE34; RIN 3064-AF22)

Ladies and Gentlemen:

The Kickstart Seed Fund ("Kickstart" or "Fund") appreciates the opportunity to comment on the proposal by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation to revise the agencies' Community Reinvestment Act regulations ("Proposal"). Kickstart is writing to highlight the critical role that banks have played in economic development, and to urge the OCC/FDIC to retain the ability of banks to receive CRA credit through activities that promote economic development by financing small businesses - especially for banks whose investment supports job creation by financing an intermediary that lends to, invests in, or provides technical assistance to start-ups or recently formed small businesses.[1]

Background

Kickstart began with the recognition that there was a problem to be solved. Our founder, Gavin Christensen, saw that the lack of seed capital in Utah and the West was hurting entrepreneurs and that the ecosystem needed a seed fund to help new companies (i.e., businesses formed within the last 2-3 years) get started, hire employees and begin the journey to becoming significant employers. In 2008, Gavin worked with local universities, angel investors, entrepreneurs, and other key stakeholders to build a seed fund that the community could rally behind.

At that time, Utah and our nation faced difficult circumstances. Against all odds, Fund 1 was launched that very year, which would have been a nearly impossible feat if not for Ally Bank's early support through a CRA investment of $4 million (which was 50% of the entire fund). Kickstart, while starting with a humble $8M community development venture capital fund that took nearly 2.5 years to raise, has gone on to be one of the key catalysts for job creation and economic growth and mobility in Utah and the West. Kickstart prides itself on having paved the way for seed investing in the mountain west at a time when limited access to capital was creating a barrier to innovation. We believe the launch of Fund 1 contributed significantly to the creation of what is now one of the richest entrepreneurial ecosystems in the nation, accounting for thousands of jobs and dollars that have undoubtedly stimulated our economy, locally and beyond. Today, Kickstart manages over $250M across 5 funds, and has backed more than 110 companies across 6 states (78% concentration in Utah).

[1]The Interagency Questions &Answers Regarding Community Reinvestment ("CRA Interagency Q&A), at Section ____.12(g)(3)-1).

Kickstart is now launching its fifth fund as we once again face an unprecedented degree of uncertainty and economic hardship. It is our belief that the businesses we invest in are advantaged by being a part of the Kickstart community. Already, we are seeing our companies rally together to support one another as we navigate the challenges ahead. With major support from partners like Ally Bank, Kickstart is well-poised to provide extensive guidance and support to help these businesses and their employees weather the storms to come.

Economic Development Thesis
Kickstart Seed Fund I was created in partnership with a bank that was willing, through its CRA program, to work with other early stage investors to innovate and create a new kind of community development venture capital fund. From the beginning, it has been cost-prohibitive for a small fund like Kickstart to go through the application process to become an SBIC. Upon its inception, Kickstart worked with Ally Bank and the FDIC to create documentation for the "size" and "purpose" tests outlined in the CRA Interagency Q&A,[2] intended to both demonstrate impact of investments and to align investment decisions with a mandate to stimulate the local startup ecosystem and economy. The "size" and "purpose" tests are critical factors that ultimately enabled the fund's launch and continued success. To date, 99% of investments have met the size test, and 92% qualify for the purpose test, for a total of 91% qualifying for CRA credit (see statistics in the Job Creation section).

Over the last 10 years, all three federal banking agencies have found Kickstart's very thorough documentation to be sufficient as an "objective method" to demonstrate the requisite "job creation, retention, and/or improvement," and all of the banks that have invested in Kickstart have received CRA credit for their investments, further enabling economic development. Based on this long history of bank examiners accepting Kickstart's jobs data, Kickstart just cannot understand why the OCC/FDIC would want to eliminate the entire general "economic development" category with virtually no explanation.

Job Creation
Kickstart's cumulative portfolio of small businesses across all four funds currently accounts for a total of 4,800+ FTE employees, from 1,182 at the time of each investment, a 306% increase (for LMI person, in LMI areas, or by startups/recently formed small businesses). At the time of investment, aggregate revenue totaled to $209M across the portfolio. Today, these businesses account for a total of $784M annual revenue, which represents a 275% revenue increase since each investment. In total, the portfolio has gone on to raise $1.7B in subsequent funding. The national average for the number of businesses that go on to raise a Series B round is 15%. Currently, Kickstart's "beta" fund 1 matches that national average at 15%, fund 2 at 57%, and fund 3 at 37% (fund 4 is tracking to follow this trajectory). This has and will continue to lead to significant job creation and economic development in the state of Utah and beyond.

Kickstart Collective (Technical Assistance)
Kickstart prides itself on fostering a strong community of founders who regularly exhibit thought leadership and knowledge sharing to support one another in the "collective" entrepreneurial journey that each small business faces. Each year, Kickstart hosts events large and small to cultivate this ecosystem. The largest annual event is CEO Summit, which typically has around 140 attendees between companies and investors, and an NPS score of 100. Kickstart dedicates a great deal of time and capital to this effort.

Campus Founders Fund
Notably, Ally Bank has also played a major role in the creation and evolution of Campus Founders Fund, Kickstart's student-run venture investment group. CFF exists to empower the next generation of entrepreneurs by investing exclusively in student founders in the state of Utah. The fund is 100% managed by 8 local LMI students of different majors, ages, genders, and ethnicities. To date, CFF has deployed $480K across 30 startups. The portfolio has gone on to raise an additional $17.7M in funding and has an aggregate valuation of $82M, along with over $7M in annual

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[2]CRA Interagency Q&A), at Section ____.12(g)(3)-1) (the "size" test is that the small business meets the specified SBA size standards, and the "purpose" test consists of a list of at least five categories of and activities that meet the "purpose" test, including activities that support "job creation, retention, and/or improvement": (1) for low- or moderate-income "LMI) persons; (2) in LMI geographies; (3) in areas targeted for redevelopment by Federal, state, local, or tribal governments; (4) by financing intermediaries that lend to, invest in, or provide technical assistance to start-ups or recently formed small businesses or small farms, and (5) through technical assistance, supportive services for small businesses or farms, such as shared space, technology, or administrative assistance).

revenue. Top-performing CFF investment committee members have been invited to join Kickstart full-time, as well as Kickstart portfolio companies. Others have gone on to companies and universities including Bain, McKinsey, Deloitte, Goldman Sachs, Amazon, Microsoft, TCV, Wilson Sonsini, University of Chicago Law School, and Harvard Business School. Kickstart intends to allocate $300-$500K out of Fund 5 to CFF.

"Economic Development" Category

The new CRA Proposal would essentially retain CRA credit for bank investments *only* in SBICs, RBICs, or New Markets Venture Capital Companies, which would mean that banks would no longer receive CRA credit in Kickstart's funds. This would be extremely negative for several reasons. First, the SBIC approval process requires significant amounts of time and financial resources and the SBA is inherently prone to delays. The deletion of the "economic development" category, while retaining only the list of "presumptive" activities such as SBICs, will ultimately stifle innovation and create significant barriers for small businesses to enter the market when CRA credit is only given for investment in SBIC funds. Kickstart's robust documentation process includes extensive measurement of economic growth and development, and ultimately matches and even exceeds the information required by the SBA forms. Second, because Kickstart is not a SBIC, it is our understanding from our bank investors that they rely on their investments' CRA qualification for their exclusion from the Volcker Rule's exclusion from the definition of "covered fund."

Summary

In summary, it is critical that OCC/FDIC retain all categories of "economic development" currently set forth in the CRA Interagency Q&A by adding all of those activities as a subparagraph to Section 25.04 of the Proposal, and also to the corresponding list of qualifying activities. Doing so will continue to support innovation that positively impacts a wide variety of stakeholders including individual consumers, businesses, banks, social programs, healthcare systems, and so on. This means significant job creation, revenue generation, continued increase in the hiring of LMI employees and subsequent graduation from the LMI thresholds, and economic growth. Kickstart would be happy to provide any additional information helpful to the OCC/FDIC, or to meet in person to discuss our concerns.

Sincerely,

Gavin Christensen

Managing Partner, Kickstart Seed Fund