

REQUEST FOR PROPOSAL
FOR RURAL FUND MANAGER(S)

ON BEHALF OF

THE VENTURE CAPITAL AUTHORITY (VCA)

**c/o Colorado Office of Economic Development and International
Trade (OEDIT)**

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I. BACKGROUND

In 2004, the State of Colorado passed legislation, the VCA Statute, authorizing the creation of a Venture Capital Program (“Program”) and the Venture Capital Authority (“VCA”) to oversee the Program. The VCA Statute authorized the sale of \$50 million in Colorado Premium Tax Credits (“PTCs”) to initially fund this Program through 2014. The VCA sold the PTCs to insurance companies in exchange for cash as the initial funding, but there will be no additional sales of PTCs to fund the Program. The VCA invested the proceeds from the PTCs in Colorado Funds I & II, which are venture capital fund(s) with “Qualified Investments” (as defined in the VCA Statute) made solely in the State of Colorado.

Per the VCA Statute, the VCA is intended to manage the money as an evergreen fund or set of funds; meaning that the distributions received from Colorado Funds I & II are to be reinvested in future venture capital funds that meet the requirements of the VCA Statute.

Per the VCA Statute, the VCA was required to select one or more fund managers (Fund Manager or PFM), who used the proceeds from the sale of the PTCs to make investments in “Qualified Businesses” in three designated geographical markets as follows (which are required by the VCA Statute): 50% for a Colorado Statewide Venture Capital Fund (Statewide Funds), 25% for a Colorado Distressed Urban Community Venture Capital Fund (DUC Funds) and 25% for a Colorado Rural Venture Capital Fund (Rural Funds).

In accordance with the spirit and terms of the VCA Statute and as a result of the return of capital from some of these early investments, the VCA is interested in assisting the State of Colorado and its Office of Economic Development and International Trade (OEDIT) in supporting qualified rural businesses (defined by the VCA Statute) and may allocate up to \$9 million to a new rural fund, with an additional option of up to \$3 million dependent upon availability of funds, and at the discretion of the VCA, described herein. The VCA is requesting proposals from qualified firms and Fund Managers for consideration of a Rural Fund Manager(s) as described herein. The VCA hopes to select a qualified Fund Manager and execute a contract with the selected Fund Manager (e.g. a limited partnership agreement and possibly with a side letter) to manage such a rural fund. The VCA will provide agreed upon capital to the Rural Fund over the term of the Fund. The Fund Manager will invest the capital in Qualified Businesses that meet the requirements of the VCA Statute and the requirements of the VCA. The VCA is seeking a Fund Manager who can manage capital for Funds that will invest solely in Rural opportunities. While not a requirement of the Program, the VCA is encouraging potential Fund Managers to allocate additional investment capital (e.g. not VCA funds) to co-invest in such rural business opportunities. Such additional capital capacity will be taken into account by the VCA when evaluating proposals.

Prospective Fund Managers (PFMs) should carefully review the VCA Statute (C.R.S. Section 24-46-201 et. seq.) for this Program. All submittals should be responsive to the requirements of the VCA Statute and to this Request for Proposal (RFP). Please note that all requirements and sections of the VCA Statute have not been included in this RFP, such as the definition of Qualified Business, but need to be considered by the PFM.

The purpose of this RFP is to furnish information to PFM's for their use in preparing a competitive response. The RFP is not intended to define the proposed contractual relationship between the VCA and the successful PFM(s). The VCA reserves the right to reject any or all proposals and to waive informalities and minor irregularities in proposals received and to accept any portion of a proposal or to defer a new rural fund.

II. TIMELINE

The RFP timeline for selecting a Fund Manager(s) is as follows, although the VCA reserves the right, in its sole discretion, to change the timeline:

RFP Release Date:	September 12, 2017
RFP Response Deadline:	November 1, 2017 by 5:00 p.m.
Notification of Finalists	November 17, 2017
Finalist(s) Oral Presentation to VCA	December 12, 2017 (to be scheduled)
Fund Manager Selection by VCA	January 2, 2018

Note: All times listed are in Mountain Daylight Time or Mountain Standard Time, as appropriate.

III. INSTRUCTIONS

- A. PFM's should carefully review the entire VCA Statute (C.R.S. Section 24-46-201 et. seq.) for this Program. All submittals should be responsive to the requirements of the VCA Statute and to this RFP. Please note that all requirements of the VCA Statute have not been incorporated specifically in this RFP (including but not limited to the definition of "Qualified Business"), but need to be considered by the PFM.
- B. All questions concerning the RFP should be submitted to John Reece by emailing john.reece@state.co.us with "RFP Questions" in the subject line. All questions must be submitted by October 13, 2017, 5:00 PM MDT.
- C. Each proposal from a PFM must include complete responses to all of the items contained in Section V. It is preferred that respondents use a font size of 12 and "Times New Roman" text style. Items submitted in response to the RFP should be numbered in the submitted proposal(s) according to the numeration contained in Section V. Clear cross references are permitted and encouraged to avoid duplicative responses. Reference and attach all schedules, inserts or supporting documentation.
- D. One original with twelve hard copies of a PFM's complete proposal will need to be submitted on or before 5:00 PM MDT on November 1, 2017 to the VCA, c/o the Colorado Office of Economic Development and International Trade, 1625 Broadway, Suite 2700, Denver, Colorado 80202, Attn: John Reece, via hand delivery or delivery with a signature of receipt required. Late proposals may be rejected (or accepted) for consideration by the VCA, solely in its discretion.

All responses to the RFP shall become the property of the VCA. The VCA shall maintain the confidentiality of documents submitted to it to the extent requested by the PFM in writing, provided that such request complies with the Colorado Public Records Act (C.R.S. Section 24-72-201, et. seq.). If the VCA receives an Open Records Request for documents marked confidential by a PFM, the PFM must state in writing specifically what elements of the proposal are to be considered confidential/proprietary under the Colorado Public Records Act (CPRA) and that confidentiality for such information is appropriate under the CPRA. If the VCA receives an Open Records Request for the documents marked confidential by a PFM, the PFM may need to show that the information requested to be kept confidential are “trade secrets” or “confidential financial data.” The PFM should carefully review the CPRA and consult with its own legal and other advisors in order to determine whether such information will be deemed to be confidential under the CPRA or is deemed to be confidential by some other federal or state law or regulation.

THE PFM HEREBY AGREES TO INDEMNIFY THE VCA AND OEDIT AND THEIR AFFILIATES (INCLUDING, BUT NOT LIMITED TO, THE STATE OF COLORADO AND ALL OF ITS AGENCIES, DEPARTMENTS AND POLITICAL SUBDIVISIONS) FOR ALL OUT-OF-POCKET FEES, EXPENSES, LOSSES, DAMAGES AND COSTS THAT THEY OR THEIR AFFILIATES INCUR IN CONNECTION WITH A PFM’S REQUEST FOR CONFIDENTIALITY, INCLUDING BUT NOT LIMITED TO THOSE AMOUNTS UNDER C.R.S. SECTIONS 24-72-204(5) AND (6) AND OTHERWISE UNDER THE CPRA.

Confidential/proprietary information in the proposal must be clearly marked as “CONFIDENTIAL” by indicating on each page at the bottom of the page in 18 pitch font “CONFIDENTIAL.”

- E. Both for-profit PFMs and non-profit PFMs are eligible to submit a proposal as are in-state and out-of-state PFMs; however, if the PFM is located out-of-state, it must clearly demonstrate an ability to service Colorado’s rural businesses under the requirements of the VCA statute and this RFP, including the requirement that all VCA capital must be used for investments in Colorado-based companies (refer to the VCA Statute for specific guidance on this subject).
- F. A PFM shall clearly state (i) the total amount of requested capital that it seeks, and (ii) the total amount of additional capital controlled by the PFM that the PFM will contribute under the Program for co-investing in Colorado rural businesses.
- G. Businesses which are located in the following 54 counties within the state of Colorado currently are eligible to receive funding from the Fund Manager(s) from this Rural Fund provided by the VCA (assuming all other statute requirements are met): Alamosa, Archuleta, Baca, Bent, Chaffee, Cheyenne, Clear Creek, Conejos, Costilla, Crowley, Custer, Delta, Dolores, Eagle, Elbert, Fremont, Garfield, Gilpin, Grand, Gunnison, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Lake, La Plata,

Las Animas, Lincoln, Logan, Mesa, Mineral, Moffat, Montezuma, Montrose, Morgan, Otero, Ouray, Park, Phillips, Pitkin, Prowers, Pueblo, Rio Blanco, Rio Grande, Routt, Saguache, San Juan, San Miguel, Sedgwick, Summit, Teller, Washington and Yuma. PFM's are advised (x) that investments in these counties may be made (i) inside Enterprise Zones or (ii) outside of Enterprise Zones unless the VCA determines such investment would not be within the spirit and intent of the VCA Statute, and (y) that the Enterprise Zones are subject to change at any time. PFMs should verify all eligible counties throughout the term of the Fund and should review the VCA Statute for additional restrictions.

- H. For the purposes of this Program, a "small business" is defined by the standards listed in the Small Business Regulations of the United States Small Business Administration, 13 CFR 121.201.
- I. The PFM shall comply with all requirements of the RFP and the VCA Statute and must make a commitment to that effect. If the PFM is unable to comply with the requirements of the RFP and the VCA Statute, the PFM must so indicate in its submittal and provide a complete explanation. The VCA may request additional information, accept the reasons stated as being satisfactory or decline to consider the proposal further at its discretion.
- J. The PFM's submittal must be accompanied by a nonrefundable application fee in the amount of \$500 in the form of a cashier's check, certified check, or company check made payable to the Venture Capital Authority.
- K. PFMs are asked to limit their complete written proposal to 50 pages.
- L. The VCA Statute provides that "A [VCA] Board Member shall not have a business relationship with a current or proposed Fund Manager in the previous three years or for at least three years after an allocation of Capital." The current VCA Board Members (Board Members) are Brad Bernthal, Eric Drummond, Holly Hamann, Rollie Heath, Dave Saunders, Mark Soane, Mark Wdowik and Roni Wisdom.
- M. Managers, utilizing a fund of funds investment concept, are not eligible to submit a response to this RFP.
- N. The selected PFM will assume responsibility for the performance of all required services, whether or not subcontractors are involved. The VCA will consider the PFM to be the sole point of contact with regard to all matters, although the VCA (in its sole discretion) may contact any PFM subcontractor(s). The response to the RFP and any contract entered into with a PFM will need to specify any subcontractor(s) the PFM intends to use and what their function(s) will be if the subcontractor(s)' role is material to the PFM's ability to perform under this Program. The VCA will retain the right to inspect any phase of the PFM's and its material subcontractor(s)' efforts in fulfillment of the contract or VCA Statute, either on a continuing or an ad hoc basis.

The term of a PFM's contract, if selected by the VCA, shall cover the period of time necessary for the PFM to meet the statutory investment requirements, monitor all investments until the investments have been completely liquidated (or divested or distributed with the VCA's approval) and complete all other requirements of the VCA's contract.

The VCA's contract will contain a number of additional terms and conditions, including: a requirement for the Fund Manager(s) to meet with the VCA on a quarterly basis, a written report to be submitted by the Fund Manager(s) on a quarterly basis to the VCA, an annual written report to be submitted to the VCA, audited financial statements to be submitted to the VCA, a requirement for the Fund Manager to provide testimony and information to state auditors, legislative committees and legislature as requested by the VCA if reasonable notice has been provided, expectations if the Fund Manager forms another fund while managing the VCA's funds and so forth. The VCA contract and the VCA Statute also will require that, if the PFM proposes to make a loan to a Qualified Business, the PFM must obtain loan rejection letters from two different banks (not affiliated with the Fund Manager) headquartered or chartered in Colorado, one of which shall be a preferred lender designated by the federal small business administration, that make small business loans. It is a requirement that the loan rejection letters equal the amount requested from the Fund Manager (which may represent a full or partial decline of total project costs). A list of the state's business loan funds may be found at http://www.state.co.us/oed/bus_fin/funds.cfm.

- O. The VCA reserves the right to reject any or all proposals and to waive informalities and minor irregularities in proposals received and to accept any portion of a proposal or all items proposed at its discretion. The VCA reserves the right to 1) negotiate with all finalists before the actual Fund Manager is selected; 2) select a Fund Manager which in the VCA's judgment will best meet the VCA's needs, regardless of any differences in estimated cost between the selected respondent and all others; 3) cancel, delay or re-open this solicitation; and 4) reject any or all proposals or award the contract to the next most qualified Fund Manager if the Fund Manager receiving the award does not execute a contract acceptable to the VCA and its counsel within 90 days after being selected.
- P. The Fund Manager shall not assign any material interest in this Program upon the VCA's selection or upon the execution of a contract with the VCA and shall not subcontract or otherwise transfer any interest in the same without the prior written consent of the VCA.
- Q. Italicized items denote specific statutory requirements. Please note that all statutory requirements have not been included in this RFP and a careful review of the VCA Statute by PFMs is necessary.

IV. CAPITAL CONTRIBUTIONS BY VCA AND PROPOSALS FOR A RURAL FUND

A. Conditions of Capital Contributions

Per the VCA Statute, the VCA shall use its funds as a “revolving, evergreen fund to provide continued seed and early-stage investment capital to Qualified Businesses and Qualified Rural Businesses, and for this purpose the [VCA] shall transfer revenues in the Fund to one or more venture capital funds for the purpose of enabling a Fund Manager to make Qualified Investments.” The VCA is a limited partner of Colorado Fund I and Colorado Fund II, each of which is managed by High Country Ventures. The VCA intends to make capital contributions to future funds from both its current cash holdings and from future distributions from Colorado Fund I and Colorado Fund II. There is no certainty as to the timing or total amounts of future distributions that the VCA will receive from Colorado Fund I and Colorado Fund II. However, the VCA desires and expects to enter into contracts with an appropriate Fund Manager whereby the VCA will commit up to \$9 million, with an additional option of up to \$3 million dependent upon availability of funds, and at the discretion of the VCA to this Rural Fund. The amount and timing of the capital contributed to a Fund will be addressed in the VCA’s contract with the Fund Manager. However, the VCA believes that this should not be a material issue and that it will have more than enough capital to meet its capital contribution obligations.

As stated above, the VCA is seeking a Fund Manager who can manage capital for Funds that will invest solely in Rural opportunities.

The VCA anticipates that this Rural Fund will have (a) an initial investment “commitment period” of [three to five years] (and after the end of such period, the Fund Manager will not make investments in new portfolio companies, although the Fund Manager may be permitted to use capital for follow-on investments in existing portfolio companies and permitted management fees and expenses); and (b) a term of approximately 10 years to allow time for investments in Qualified Businesses and subsequent liquidation of those investments. PFMs should state the term of its proposed Fund, in addition to an estimate or forecast of the timing and amounts of capital calls. The proposal also should include the amount of management fees and expenses of the PFM and Rural Fund, if any. Please note that management and operating expenses for any VCA Funds have an annual aggregate maximum limit of 2.5% of the total capital allocated to a Fund; however, the VCA strongly encourages competitive and innovative proposals particularly related to management fees and operating expenses.

As previously mentioned, it is an additional consideration if the PFM provides a material amount of capital/matching funds to the VCA Rural Fund. Matching funds may be used by the PFM to supplement the funds committed to the PFM by the VCA. The VCA may consider funds from any source as matching funds as long as the funds are under the management of the PFM (including but not limited to Small Business

Investment Company (SBIC) Funds); however, funds from state sponsored programs (such as but not limited to the Certified Capital Companies Program or the State Small Business Credit Initiative (SSBCI) provided to the state from the U.S. Treasury) will not be considered matching funds. Matching funds, used by a PFM for investments in Qualified Rural Businesses, may be utilized to meet the statutory investment requirements described below:

- Within the period ending three years after an allocation date, the Fund shall have made Qualified Rural Investments cumulatively equal to at least 30% of the certified capital allocated to it on such allocation date;
- Within the period ending five years after an allocation date, the Fund shall have made Qualified Rural Investments cumulatively equal to at least 50% of the certified capital allocated to it on such allocation date; and
- Within the period ending ten years after an allocation date, a Fund shall have made Qualified Rural Investments cumulatively equal to at least 100% of the certified capital allocated to it on such allocation date.

The VCA will give preference to funds that agree to share aggregate fund performance data after the tenth anniversary of the fund's initial closing or earlier, if approved in writing by the PFM.

V. PFM INFORMATION

VENTURE CAPITAL AUTHORITY

Date and Time of Submittal Received

Signature of OED Representative

A. The PFM's submittal must be accompanied by a nonrefundable application fee in the amount of \$500 in the form of a cashier's check, certified check, or company check made payable to the Venture Capital Authority.

B. Provide the PFM's Name (including any "assumed or doing business as" names), address, phone and fax number, website address, email address and any other pertinent contact information.

C. Provide the name, title and complete contact information of the authorized representative(s) for the PFM. Such representative(s) is the person who is authorized to execute documents on behalf of the PFM.

If available, attach signature authorization documentation from the PFM that authorizes the representative to submit the RFP on behalf of the PFM and legally makes representations on behalf of the PFM.

Label as Exhibit A.

D. Complete the attached Authorization To Investigate forms.

Label as Exhibit B.

E. Provide a business plan for the PFM including:

- 1) A description of the legal structure or proposed legal structure for the PFM and the PFM's Fund. The VCA Statute *requires a partnership, corporation, trust, or limited liability company*. Generally, a partnership or LLC structure is preferred due to its favorable tax structure unless the PFM can substantiate the tax benefits related to an alternative legal structure.**

If available, attach complete legal structure documentation (such as filed Articles of Organization) for the PFM and the PFM's Fund.

- 2) A list of the PFM's principal officers (such as Managers, Managing Partners, Managing Directors, CEOs, Presidents, Vice-Presidents, and so forth for the PFM's legal structure) and attach detailed resumes (no more than 1 page) for each individual listed (including employers over the last ten years, references and phone numbers).**
- 3) A description of all owners of five percent or more of the equity interests in the PFM and, if the PFM is a subsidiary, all owners of five percent of the equity interests in the ultimate parent entity(ies) to include:**
 - i. a specific breakdown of the entity's ownership structure (including percentages, dollars invested, date(s) of investment(s), voting status, restrictions on transferring ownership interests); and**
 - ii. detailed resumes (no more than 1 page) for each individual owner of five percent or more (including employers over the last ten years, references and reference phone numbers).**
- 4) A list of the PFM's Board of Directors (or other governing body) and attach detailed resumes (no more than 1 page) for each individual listed (including employers over the last ten years, references and reference phone numbers).**
- 5) A brief history of the PFM.**
- 6) An organizational chart for the PFM.**
- 7) A list of investment managers for the PFM (including detailed resumes no more than 1 pages) if not otherwise provided in the prior responses.**

- 8) A list of licenses held by the PFM's and its principal officers and key employees within the last ten years (including the current status of the license(s)).
- 9) A list of subcontractors to be used by the PFM, if the subcontractor's role is material to the PFM's duties, obligations and performance under the VCA's contract.
- 10) A term sheet for the PFM's Fund (to be funded with VCA capital).
- 11) A description of the maximum total funding requested and the minimum total funding that the PFM would be interested in managing on behalf of the VCA, to include:

- i. the amount of funds to be allocated for investment in Qualified Rural Businesses and the anticipated timing of the cash capital calls needed to make the initial investment(s);
- ii. the amount of funds specified for management fees and operating expenses on an annual basis throughout the term of the PFM's contract with the VCA, an annual operating budget, the starting date for such fees and expenses and the anticipated timing of the cash capital calls needed to pay such fees and expenses.

Specify if the requested management fee is based on a percentage of Certified Capital allocated to the Fund Manager, a percentage of funds invested in Qualified Businesses or some other approach;

- iii. specific details and estimates for any other fees/expenses for which the PFM is asking the VCA to fund which qualify as "extraordinary" per the VCA Statute.

The VCA Statute contains the following limitations: *"Qualified Distributions shall not exceed 2.5% annually of the total amount of certified capital allocated to each venture capital fund unless authorized by the [VCA] after a review of extraordinary items."*

- iv. the amount and source of non-VCA funds, in the aggregate, to be specifically allocated by the PFM for investment in Qualified Rural Businesses as matched investments.

- 12) A term sheet and any fund solicitations (including Private Placement Memorandums) for any matching funds to be provided, including the preferred method of providing such funds (such as side by side funds, administration and so forth), the anticipated legal structure to be used for the matching funds and the PFM's policies regarding making investments with potentially competitive funds under its management.
- 13) Any other private equity funds or other investment or professional activities that that the PFMs will engage during the term of the VCA Fund. Please address all relevant matters, including but not limited to conflicts of interest, avoidance of "cherry-picking," proposed allocations of capital in investments if more than one fund or investment vehicle will be managed, whether you will be investing outside of Colorado, how much time you intend to spend on investments outside of Colorado (compared to other States and foreign countries) and investments that do not meet the definition of "Qualified Rural Investments."
- 14) Please state whether you currently have or will have an office in Colorado and how it will be staffed (including allocation of time to be spent in Colorado); address the operational and marketing plans for soliciting rural investment opportunities, and providing business mentoring and assistance, and general business guidance by the PFM for all opportunities throughout the previously identified rural counties. Provide a description of the industry foci for the Fund (if any). For example, many rural areas identify strongly with the following industries: Food and Agriculture, Health and Wellness, Tourism and Outdoor Recreation, Transportation and Logistics, Creative Industries, Advanced Manufacturing, and Energy/Natural Resources. Information regarding the breakdown of rural regional industries can be found at <http://choosecolorado.com/doing-business/regions/>.

Likewise, provide any alignment of the Fund with the Office of Economic Development and International Trade's (OEDIT's) strategy targeting 14 Key Industries and 7 Advanced Industries (Advanced Manufacturing, Aerospace, Bioscience, Electronics, Energy/Natural Resources/Cleantech, Information and Technology, and Infrastructure Engineering) in which Colorado has a high concentration of companies, employees, exports and wages. OEDIT has created significant grant programs and investor tax credit programs to help support these targeted sectors, which can provide additional leverage for investments under this program. Please provide additional detail if the Fund will support OEDIT's programs, and how the PFM might assist OEDIT with proposal reviews, mentoring and investment education and outreach.

- 15) A description of the PFM's investment philosophy, including the minimum and maximum size of investments anticipated, the PFM's due

diligence process, the PFM's criteria for selecting businesses in which to invest, how and by whom investment decisions will be made, the manner in which the PFM will add value to its investments and the generally accepted valuation methodology used to determine the fair market value of portfolio companies/investments that are yet to be sold or do not have their securities publicly traded in an active market, and the process used to liquidate an investment in a business.

16) A comprehensive description of contacts and relationships with other venture capital funds, institutional investors and angel investment groups (including a description of the PFM's ability to attract co-investors and follow-on investors to the PFM's investments or other significant investors).

17) A description of the PFM's ability for its investments to create jobs and sustainable businesses in Colorado.

18) The PFM's projected annual and cumulative rate of return for the Fund, including the method used to calculate such returns.

Label as Exhibit C.

F. Describe how the PFM meets the following statutory requirement:

A Fund Manager shall have at least two years of money management experience in the venture capital industry or the equivalent as determined by the VCA.

Label as Exhibit D.

G. Describe in reasonable detail the total amount of capital that has been managed or currently is under management by the PFM, the PFM's principal officers, the PFM's owners and the PFM's key personnel delineated by the name of each fund or source of investment as appropriate and including investor (fund or investment vehicle) names and phone numbers, the total size of the fund, the years in which investments were made, the number of investments made, the average investment size, the high and the low investment amounts, the industry in which the investments were made, the location of investments made by county and state, the investment stage (seed, early stage and other using the same definitions provided for in the VCA Statute for this Program so that comparisons may be made), the level of technical assistance/management expertise provided to the businesses in which investments were made, the amount of funds invested by the general partner as both a general partner and a limited partner, and the annual and cumulative internal rates of return (IRR), the specific methodology for calculating the annual and cumulative IRR, the actual numbers used to calculate the annual and cumulative IRR and the effective date of the annual and cumulative IRR. Please note that the annual

and cumulative IRR numbers must represent the return provided to the limited partners after netting out all fees, expenses and carried interest (and the like).

The VCA Statute states “Seed and early-stage investment” means the first investment from a professional venture capital firm to a Qualified Business. A seed investment is made to a Qualified Business that has not yet fully established commercial operations or that involves continued research and product development. An early-stage investment is made to a Qualified Business for product development or initial marketing, manufacturing, or sales activities.

Label as Exhibit E.

- H. For the capital managed or currently under management and the investments described under G. above, describe fully the specific roles and responsibilities that the PFM or the stated individuals associated with the PFM had for these historical investments in addition to specifying any board positions/roles.

Label as Exhibit F.

- I. If available, provide financial information for the capital managed or currently managed and the investments described under G. above including: the last 5 years of audited financial statements for each fund or source of investment with notes and assumptions; and the most recent interim financial statement.

Label as Exhibit G.

- J. Provide the PFM’s plan for meeting the investment milestone requirements contained in the VCA Statute.

Please note that the 30%, 50% and 100% investment milestone requirements are not net amounts (after the PFM’s Qualified Distributions for managing and operating VCA funds) but instead are based on the gross allocation to a Fund Manager(s) under its contract with the VCA.

Label as Exhibit H.

- K. Provide the PFM’s requested carried interest, if any, the timing of receipt of such carried interest and the method of calculating such carried interest on a percentage basis. Set forth below are summaries of certain relevant parts of the VCA Statute that you should consider (although you should carefully review the entire VCA Statute):

Distributions of an amount equal to one hundred percent of certified capital shall be made to the VCA prior to the distribution of any remaining proceeds. The distribution of all remaining proceeds shall be in accordance with the VCA’s contract with a Fund Manager(s).

Proceeds means any revenues arising from the use of certified capital, including, but not limited to, income generated from qualified investments and income generated from all certified capital not currently invested in qualified investments.

The VCA's contract with a Fund Manager(s) shall state the terms governing the distribution, other than a qualified distribution, of certified capital and proceeds. Unless authorized by its contract with the VCA and until it has made the "one hundred percent of certified capital distribution" to the VCA, a Fund Manager(s) shall not make any distributions from certified capital (other than qualified distributions) or from proceeds.

Also, provide the proposed allocation of (i) capital gains and losses, (ii) ordinary income and (iii) ordinary losses.

Label as Exhibit I.

- L. Provide sample quarterly and annual written reports and a description of other information that you would anticipate providing to the VCA for oversight and evaluation purposes.**

Label as Exhibit J.

- M. Provide details if the PFM, the PFM's general partners, the PFM's principal officers, the PFM's owners and/or the PFM's investment managers have had a contract with the state of Colorado in the last five years.**

Label as Exhibit K.

- N. Complete the attached questions (Exhibit L).**

- O. Complete the attached certifications (Exhibit M).**

- P. Please certify that the PFM and its employees, owners and affiliates have not had a business relationship with any member of the VCA Board of Directors (Board) in the previous three years and will not have any such relationship for at least three years after an allocation of Certified Capital. The current VCA Board Members are Brad Bernthal, Eric Drummond, Holly Hamann, Rollie Heath, Dave Saunders, Mark Soane, Mark Wdowik and Roni Wisdom. Provide information as to the PFM's status as a Registered Investment Advisor ("RIA") and how the PFM plans to comply with, or demonstrate its legitimate exemption from, state and federal laws and regulations regarding RIA's.**

Q. I hereby certify that I have read and understand C.R.S. Sections 24-46-201 to 207 and this RFP document and that the information that has been submitted to the VCA and OEDIT for review is true and accurate.

Signature of the Authorized Representative of the PFM

**Name and Title of the Authorized Representative
(Printed)**

Date

VI. METHOD OF SELECTION

Depending on the number of proposals submitted by PFMs, either an evaluation committee with members designated by the VCA or the VCA Board will evaluate written proposals. A maximum of six PFM finalists will be selected based upon an evaluation of written responses to the RFP. Finalists will be required to make an oral presentation to the VCA December 12, 2017. These oral presentations made by the finalists, should explain further only information contained in the materials submitted with their written proposal and should last no more than 30 minutes. Following the oral presentations, 30 minutes is reserved for questions from the VCA board or subcommittee. A specific time will be scheduled by the VCA.

Presentations by finalists must be conducted only by the PFM's general partners, managers, principal officers, and key employees who will be directly responsible for ensuring performance on the VCA's contract.

A PFM(s) will be recommended for selection by the VCA based upon a number of factors. Please note that the VCA Statute provides that the VCA "shall place a significant emphasis on:

- (a) The total amount of venture capital managed by the PFM in Colorado and elsewhere;
- (b) The PFM's historical absolute and relative realized and unrealized returns on investment, with an emphasis on returns from seed and early stage investments [see definition in the VCA Statute];
- (c) The percentage of proceeds to be retained by the PFM in comparison with the percentage of proceeds to be distributed to the enterprise fund back to the VCA."

In addition, the VCA will consider at least the following additional factors:

- PFM's Business Plan, including due diligence, investment selection, ability to put funds to work, and ability to add value to the investments
- Competitive management fees and operating expenses
- Matching funds provided by the PFM
- PFM experience with rural businesses and investment opportunities
- PFM experience with training, mentoring and guiding early stage rural-based companies
- Alignment with existing OEDIT programs with a rural focus and existing rural entrepreneurial networks
- Management team to be located in, and commitment to, Colorado
- Reference checks that may or not include background investigations of the general partners of the PFM
-
- Ability to create new jobs and sustainable rural businesses in Colorado.

AUTHORIZATION TO INVESTIGATE THE PFM
Exhibit (B)

To be completed by the Authorized Representative(s) of the PFM,

I understand that the Venture Capital Authority (VCA), the Office of Economic Development and International Trade (OEDIT) or any designees may conduct investigations and obtain verifications regarding the PFM's business background, credit, experience, and other related matters in conjunction with the Fund Manager(s) selection process being conducted by the VCA. I understand that the VCA, OEDIT, or either one of its designees may seek additional information and references in addition to investigating/verifying information contained in the PFM's submittal.

Name of PFM

D&B Number for PFM

Signature of Authorized Representative for PFM

Printed Name and Title of Authorized Representative for PFM

Date

**AUTHORIZATION TO INVESTIGATE THE PFM'S GENERAL PARTNERS,
PRINCIPAL OFFICERS, OWNERS AND INVESTMENT MANAGERS**
Exhibit (B)

To be completed by each of the PFM's General Partners, Principal Officers, Owners, and Investment Managers,

I understand that the Venture Capital Authority (VCA), the Office of Economic Development and International Trade (OEDIT) or any designees may conduct investigations and obtain verifications regarding my personal background, credit, experience, resumes, references and other related matters in conjunction with the Fund Manager(s) selection process being conducted by the VCA.

In order to conduct such investigations and obtain such verifications, I understand that the VCA, OEDIT or any designees will need to obtain the additional information stated below. I understand that the disclosure of my social security number will be held confidential. I voluntarily give the VCA, OEDIT or any designee access to this information, the information submitted on resumes and other information submitted by the PFM. I understand that the VCA, OEDIT, or any designees may seek additional information and references in addition to investigating/verifying information contained in the PFM's submittal.

I certify that the following information is true and correct.

Name_____

Current Residential Address_____

Previous Residential Addresses (for last 10 years)_____

Social Security Number_____

Date of Birth_____

Signature_____

Date_____

QUESTIONS
Exhibit (L)

To be completed by the PFM's General Partners, Principal officers, Owners and Investment Managers,

Certain Events

FOR PURPOSES OF COMPUTING THE FIVE-YEAR PERIOD IN THESE QUESTIONS, THE DATE OF THE EVENT IS THE DATE ON WHICH THE FINAL ORDER, JUDGMENT OR DECREE WAS ENTERED, OR THE DATE ON WHICH ANY RIGHT OF APPEAL FROM PRELIMINARY ORDERS, JUDGMENTS OR DECREES HAVE LAPSED. FOR BANKRUPTCY PETITIONS, THE COMPUTATION DATE IS THE DATE OF FILING FOR UNCONTESTED PETITIONS OR THE DATE UPON WHICH APPROVAL OF A CONTESTED PETITION BECOMES FINAL. ITALICIZED TERMS ARE DEFINED IN THE SECTION ENTITLED "DEFINITIONS" AT THE END OF THIS QUESTIONNAIRE.

If any of the following events have occurred during the last five years, describe the circumstances of the event, including the date on which a judgment was entered, and explain any mitigating circumstances:

(i) A bankruptcy or insolvency petition was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for: (i) you, (ii) your business or property, (iii) the business or property of any partnership of which you were a general partner at or within two years before the time of such filing, or (iv) the business or property of any corporation or business association of which you were an *executive officer* at or within two years before the time of such filing.

Answer:

(ii) A criminal proceeding (other than a traffic violation or other minor offense) resulted in a conviction against you, or you are the subject of a pending criminal proceeding (other than a traffic violation or other minor offense).

Answer:

(iii) You have been the subject of any order, judgment or decree that permanently or temporarily enjoined or otherwise limited your participation or right to engage in, or continue any conduct or practice in connection with, any of the following activities, or to be *associated* with any *person* who engages in such activities:

(A) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, or

any other *person* regulated by the Commodity Futures Trading Commission (“**CFTC**”), or as an investment adviser, underwriter, broker or dealer in securities, or as an *affiliated person*, director or employee of any investment company, bank, savings and loan association or insurance company or engaging in or continuing any conduct or practice in connection with such activity;

(B) engaging in any type of business practice; or

(C) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities or federal commodities laws.

Answer:

(iv) A court, the SEC, or the CFTC has found that you have violated a federal or state securities or federal commodities law and such finding has not been subsequently reversed, suspended or vacated.

Answer:

(v) You were the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days your right to engage in any activity described in subpart (iii)(A) of this section, or to be associated with persons engaged in such activity.

Answer:

Name

Title and Name of Legal Entity or Signature in Individual Capacity

Signature

Date

DEFINITIONS USED IN QUESTIONS
Exhibit (L)

An “**affiliate**” of, or a *person* “**affiliated**” with, another *person* is a *person* that directly or indirectly, through one or more intermediaries, *controls*, or is *controlled by*, or is *under common control* with, such *person*.

A *person* “**associated**” with you means (a) any corporation or organization of which you are an officer or partner or are, directly or indirectly, the *beneficial owner* of 10% or more of any class of equity securities, or (b) any trust or estate in which you have a substantial beneficial interest or as to which you serve as trustee or in a similar capacity, or (c) any relative or spouse, or relative of your spouse, who is living in your home or who is a director or officer of the Company or other entity.

A “**beneficial owner**” of stock includes any *person* who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares (i) voting power (which includes the power to vote, or to direct the voting of, such stock or equity security) and/or (ii) investment power (which includes the power to dispose, or to direct the disposition of, such stock or equity security).

“**Control**” (including the terms “**controlled by**” and “**under common control with**”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a *person* or entity, whether through the ownership of voting securities, by contract or otherwise.

“**Executive officer**” means a company’s directors, CEO, president, any vice president in charge of a principal business unit, division or function, any other officer who performs a policy making function or any other person who performs similar policy making functions for a company. *Executive officers* of subsidiaries may be deemed *executive officers* of a company if they perform such policy making functions for the company.

“**Person or persons**” means any individual, corporation, partnership, association, joint stock company, trust, unincorporated organization, or government or political subdivision thereof.

CERTIFICATIONS' FORM
Exhibit (M)

To be completed by the PFM's General Partners, Principal Officers, Owners, and Investment Managers,

I certify:

- A. That the submitted proposal, except for entities clearly identified as part of the proposal, has been arrived at independently without consultation, communication, or agreement with any other PFM or competing entities.
- B. That unless otherwise required by law, the competitive proposal submitted has not been knowingly disclosed directly or indirectly to any other competing entity, nor will it be disclosed prior to the VCA's notification of Fund Manager(s) selection.
- C. That no attempt has been or will be made to induce any other person or entity to submit or to withhold a proposal for the purpose of restricting competition for this RFP.
- D. That the VCA, its employees and agents, shall be indemnified, saved and held harmless, against any and all claims, damages, liability and court awards including costs, expenses, and attorney fees incurred as a result of any act or omission by the PFM, or its owners, employees, agents, subcontractors, or assignees pursuant to this RFP.
- E. That the PFM shall have no authorization, express or implied, to bind the VCA to any agreements, liability, or understanding. The PFM shall provide and keep in force worker's compensation (and provide proof of such insurance when requested by the VCA) and unemployment compensation insurance in the amounts required by law, and shall be solely responsible for the acts of the PFM, its employees and agents.
- F. That the PFM shall comply with the letter and the spirit of all applicable state and federal laws respecting discrimination and unfair employment practices.
- G. That to my knowledge, no employee or Board member of the VCA or the State of Colorado has any personal or beneficial interest whatsoever in the service or property described herein within this RFP.
- H. That neither the PFM nor any of its present employees have been involved in a transaction in which the PFM or any present employees have been the subject of a proceeding of any nature (with or without formal hearings) by the Securities and Exchange Commission, any governmental agency of the United States (or other country), any state agency, any national securities association, any self-regulatory organization, any professional organization or any judicial or quasi-judicial body.

- I. That the PFM does not have or will not have a business relationship with a VCA Board Member in the previous three years or for at least three years after an allocation of Certified Capital. VCA Board Members are Brad Bernthal, Eric Drummond, Holly Hamann, Rollie Heath, Dave Saunders, Mark Soane, Mark Wdowik and Roni Wisdom. That if offering materials are used, they shall include the following statement: “The state of Colorado does not endorse the quality of management or the potential for earnings of such Fund and is not liable for damages or losses to any investor in the Fund or any other entity. Selection by the Colorado Venture Capital Authority to participate in this Program does not constitute a recommendation or endorsement of the Fund or its investments by the Colorado Venture Capital Authority.”
- J. That no member or employee of the Executive Branch of the State of Colorado shall become an officer, director, employee or consultant or receive any compensation from the PFM during the term of the employee’s employment with the Executive Branch or for six years after such term ends.
- K. That the PFM has no conflicts of interest related to this RFP submittal and, if it does, it will disclose such conflicts immediately.
- L. That everything contained in this submittal is true and correct.

PFM Name

Printed Name and Capacity/Title

Signature

Date