

NOTICE AND AGENDA
STATE OF LOUISIANA
POLICY AND RULES COMMITTEE MEETING
OF THE
LOUISIANA ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS

LASALLE BUILDING
617 North 3rd Street, Floor 1 - LaBelle Room
Baton Rouge, LA
Thursday, January 13, 2022
8:30am

Additional instructions for in-person attendance are outlined after the agenda items.

1. Call to Order – Cal Simpson, Policy Committee Chairman
2. Roll Call – Deborah Simmons, Administrative Assistant
3. SSBCI Equity (VC) Programs
 - a. Louisiana Seed Capital Program (LSCP)
 - b. Venture Capital Match Program (VCM)
4. Adjourn

If you are disabled and require special accommodations, please contact Deborah Simmons at (225)-342-5398 to request the necessary accommodations

REQUEST(S) FOR DETAILED BOARD PACKET

To obtain the detailed board packet, please email LEDBoardPacketRequest@la.gov. In the subject line, please state "Louisiana Economic Development Corporation" and reference the board date associated with the board packet being requested. Upon submission of the request through this email, within twenty-four (24) hours, you will receive an email response containing the board packet link. If a request takes place after 5 p.m. on Friday, you will receive an email response the next business day.

In-Person Meeting Attendance Protocol

All persons attending the meeting in person shall practice appropriate protective health measures, social distancing and observe the below protocols:

1. Everyone entering the LaBelle room MUST practice social distancing, and wear a face mask at all times.
2. Anyone wishing to speak at the appropriate time for project presentation or during the public comment period, each person is being asked to wear a mask and sanitize their hands prior to sitting at the speaker's table. Hand sanitizer will be provided. Should the mask be removed while speaking, a disposable covering must be placed over the microphone. Covers will be provided at the speaker's table. When comments are concluded, please remove the cover, and dispose of it in the wastebasket provided. Signs will be placed on the table as a reminder.
3. Everyone MUST follow the signs placed on each row of the seating area to maintain appropriate social distancing.

Title 19
CORPORATIONS AND BUSINESS
Part VII. Louisiana Economic Development Corporation
Subpart 2. Louisiana Venture Capital Program
Chapter XX. Louisiana Venture Capital ~~Match~~ Program for the State Small
Business Credit Initiative (SSBCI)

§XXXX. Purpose

A. The purpose for this Chapter XX Program shall be the same as the purposes previously provided in Chapter 23 of Subpart 11 of the Louisiana Venture Capital Match Program which shall also apply to this Chapter XX program; and additionally this Chapter XX program is to establish the Louisiana Venture Capital ~~Match~~ Program for the federal program entitled the “State Small Business Credit Initiative (SSBCI) Program” and to accommodate the requirements of this federal program. The Louisiana Economic Development Corporation (LEDC) will utilize SSBCI funds to make investments to create and grow start-up and early-stage businesses or for expansion of small businesses statewide, and to reach, identify and promote small business growth in low and moderate income communities, in minority communities, in other underserved communities, and socially and economically disadvantage owned businesses. This LEDC program and the SSBCI funding will be marketed through outreach activities to inform venture capital funds, local foundations, small businesses, trade associations, incubator associations, and economic development organizations of the program, and to generate increased small business activity, awareness of and access to additional sources of capital to start and expand existing business opportunities, as well as participation in the program. The marketing will also be used to find investment opportunities located in the underserved markets that will be targeted with SSBCI funds. The LEDC will also monitor these plans, including the progress of individual businesses receiving investments and the performance of participating venture capital organizations, to ensure successful outcomes in the form of program utilization and eventual securing of funds for these groups. This program is not intended for professional services.

B. The LEDC wishes to maintain for this Chapter XX program all of the purposes of all Sections and provisions of Chapter 23 of the Louisiana Venture Capital Match Program shown above, except where there is a need for the policies of this program to be different from Chapter 23. For this reason, all of the Sections and provisions of Chapter 23 above shall also apply to this Chapter XX, except in those instances where a different or additional rule or policy is provided below in this Chapter XX.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2312(C).

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Economic Development Corporation, LR 15:463 (June 1989), amended LR 23:559 (May 1997)

§XXXX. Definitions

Board ~~—~~ Board of Directors of Louisiana Economic Development Corporation.

“Business Partner” of an SSBCI insider ~~—~~ a person who owns 10 percent or more of any class of equity interest, on a fully diluted basis, in any private entity in which an SSBCI insider also owns 10 percent or more of any class of equity interest on a fully diluted basis.

Community Development Financial Institution (CDFI) Investment Area ~~—~~ areas defined by CDFI which are generally low-income, high poverty geographies that receive neither sufficient access to capital nor support for the needs of small businesses, including minority-owned businesses.

Corporation ~~—~~ Louisiana Economic Development Corporation.

Direct investment—an investment in which financial investors take part with each other and act jointly by uniting or combining together to invest directly into individual companies or businesses

“Family Member” of an SSBCI insider ~~—~~ Such person’s spouse, domestic partner, parents, grandparents, children, grandchildren, brothers, sisters, stepbrothers, and stepsisters; and any other relatives who live in the same household as the SSBCI insider.

Independent Non-Profit Entity ~~—~~ any non-profit entity that is not state- sponsored.

LED ~~—~~ Louisiana Department of Economic Development.

LEDC ~~—~~ Louisiana Economic Development Corporation, as known as Corporation.

Match Investment—an investment in which a financial investor provides or combines additional funds to equal, meet or complement funds provided by another investor or other investors.

Owned and Controlled—means, if privately owned, 51 percent is owned by such individuals; if publicly owned, 51 percent of the stock is owned by such individuals; and in the case of a mutual institution, a majority of the board of directors, account holders, and the community which the institution services is predominantly comprised of such individuals.

Personal Financial Interest—any financial interest derived from ownership or right to ownership of, or lending to or other investment in, a private, for-profit entity that may receive an SSBCI investment (including any financial interest derived from ownership or right to ownership of, or investment in, a venture capital fund).

Risk Investment—an investment that may provide equity through the purchase of common stock, preferred stock, partnership rights or any other equity investment. Additionally it may mean debt positions, which may act as equity or have equity features such as subordinated debt, debentures or other such instruments used in conjunction with features intended to yield significant capital appreciation.

Socially and Economically Disadvantaged Individuals (SEDI) Owned Business—(for the purposes of this program)

1. business enterprises that certify that they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their (1) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; (2) gender; (3) veteran status; (4) limited English proficiency; (5) physical handicap; (6) long-term residence in an environment isolated from the mainstream of American society; (7) membership of a federally or state-recognized Indian Tribe; (8) long-term residence in a rural community; (9) residence in a U.S. territory; (10) residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization); or (11) membership of another “underserved community” as defined in U.S. Executive Order 13985 (???)

2. business enterprises that certify that they are owned and controlled by individuals whose residences are in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii);

3. business enterprises that certify that they will operate a location in a CDFI Investment Area, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or

4. business enterprises that are located in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii).

SSBCI insider—a person who, in the 12- month period preceding the date on which SSBCI support for a specific investment in a venture capital fund or company is closed or completed:

1. Was:
 - a. a manager or staff member, whether by employment or contract, in the state’s SSBCI venture capital program;
 - b. a government official with direct oversight or jurisdiction over an SSBCI venture capital program, or such an official’s immediate supervisor;
 - c. a member of the board of directors or similar body for a state-sponsored non-profit entity who, through such membership, has authority to vote on decisions to invest SSBCI funds or has authority over the employment or compensation of staff managing processes related to the investment of SSBCI funds;
 - d. a member of the board of directors or similar body for an independent non- profit or for-profit entity that operates an SSBCI venture capital program; or
 - e. an employee, volunteer, or contractor on an investment committee or similar body that recommends or approves SSBCI investments under the SSBCI venture capital program; or
2. Exercised a controlling influence on state decisions regarding:
 - a. The allocation of SSBCI funds among approved state venture capital programs;
 - b. Eligibility criteria for the state’s SSBCI venture capital programs; or
 - e.—The processes for approving investments of SSBCI funds under the state’s SSBCI venture capital program.

d.c.

State-Sponsored Non-Profit Entity—a non-profit entity created by state legislation to pursue policies of the state government and over which state officials exercise a controlling influence through budgetary decisions or other legislative action or direction.

Valuation of Investment Fund—the value of any monies invest or otherwise used as risk capital in businesses plus the unexpended monies available for investment or used as risk capital.

Venture Capital Fund—a fund that makes and manages a portfolio of investments in individual companies or businesses. also referred to herein as the applicant organization;

Very Small Business (VSB)—a business which employees 10 or less employees, including independent contractors and sole proprietors.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2312.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Economic Development Corporation, LR 15:463 (June 1989), amended LR 23:559 (May 1997)

§XXXX. Eligibility for Participation in This Program

~~A. Except as may be hereinafter provided, all of the eligibility provisions contained in §2301 of Chapter 23 of the Louisiana Venture Capital Match Program shall also apply to this Chapter XX Program.~~

~~A. B.~~—Eligible applicants are venture capital funds:

~~1. with~~ The applicant organization must have raised a minimum of \$500,000 in investments or has a minimum of \$2 1/2 million under management;

~~2. , and~~ already has on hand cash sums sufficient to cover the general and administrative costs for the first and early years of its operations for participation in the SSBCI ~~Match Investment~~ Venture Capital Program;-

~~1.3. Has proven, experienced management recognized in the venture capital community. The management should have significant management experience in risk investments of the types and volumes contemplated the applicant venture capital funds;~~

~~2.4. It isare~~ encouraged ~~for each venture capital fund~~ to have a production office based in Louisiana with permanent employees employed by the fund capable of evaluating potential investment opportunities.

~~A.B. C.~~—In addition to the eligibility provisions provided in the Section mentioned in the above Subsection A, LEDC investments made in venture capital funds and programs in connection with this Chapter XX program shall meet the following criteria:

1. the venture capital fund(s) shall target an average business-size of 500 employees or less at the time the individual business investment is made;

2. It is strongly encouraged for each venture capital fund(s) to make every effort to target and invest in SEDI-owned businesses and VSB;

3. such individual business investments shall not be extended to businesses with more than 750 employees;

4. any investment targeted in this program shall not exceed the amount of \$ 5,000,000; and

5. any investment transaction or investment round extended through this program shall not exceed the amount of \$20,000,000.

§XXXX. Valuation of Investment Fund

~~A. The amount of privately raised funds under management shall mean the value of any monies invested or otherwise used as risk capital in businesses plus the unexpended monies available for investment or used as risk capital. The value of an equity investment and/or risk capital investment shall be the amount of dollars actually invested. For the purpose of calculating private capital, only cash and commitments which are available for risk investments at the time of LEDC's investment, may be counted in the investment amount.~~

~~A. Except as may be hereinafter provided, all of the provisions contained in §2303 of Chapter 23 of the venture capital match program shall also apply to this Chapter XX Program.~~

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2312(C).

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Economic Development Corporation, LR 15:463 (June 1989), amended LR 23:559 (May 1997).

§XXXX. Application Requirements for Qualification or Eligibility, and for ~~Match~~-Venture Capital Investment

A. Prior to a venture capital fund submitting a request to the Louisiana Economic Development Corporation (LEDC) to be considered for a commitment for an ~~n-match~~ investment, a prospective ~~seed capital~~ fund shall first submit an application for the applicant fund to be considered qualified or eligible to participate in this program. The application for the fund's qualification or eligibility to the LEDC shall consist of detailed information covering three main categories, including:

1. the experience and qualifications of the fund's existing or proposed management team; and
2. the business plan for the venture capital fund. ~~The following provisions specify in more detail the information that should be covered. While these provisions provide a possible format, the applicant should in no way feel bound by this format. The application shall include at minimum but not limited to the following information referenced in Section XXXX Application Procedure.~~ The applicant can use its own format, as long as the basic information is provided. Moreover, the applicant should feel free to provide additional information which is viewed as relevant. The LEDC or its staff may request additional information beyond that which is specified below and what is provided by the applicant.

B. After its receipt and review by the LEDC staff, the completed application for qualification will then be submitted to the next scheduled LEDC board screening committee or other board designated committee meeting for recommendations. The recommendations of the committee will be submitted to the full Board of Directors of LEDC at its next scheduled meeting for its consideration of final approval.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2312(C).

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Economic Development Corporation, LR 15:463 (June 1989), amended LR 23:559 (May 1997).

§XXXX. Application Procedure

~~A. The application shall contain, but not be limited to, an offering memorandum which includes, but is not limited to, the following:~~

- ~~1. name of fund, address (mailing and physical);~~
- ~~2. specify the amount of LEDC investment/ commitment requested;~~
- ~~3. specify the minimum and maximum amounts of non-LEDC capital to be raised if LEDC makes the requested investment/commitment;~~
- ~~4. specify applicant's projected timetable, with milestones for completion of the fund raising;~~
- ~~5. specify whether applicant anticipates taking in all of the committed capital investment at closing, or whether applicant plans a phase in. If a phase-in is planned, specify the proposed schedule. It is permissible to have different scenarios based on the actual amount of capital raised;~~
- ~~6. market—identify the proposed market of the applicant:
 - ~~a. describe and discuss the types of businesses that the fund will finance. Discuss the extent to which the fund intends to specialize in certain industries, or if special circumstances will be addressed;~~
 - ~~b. describe the size range of businesses that it is contemplated the fund will finance, with a general indication of where most of the focus is expected;~~
 - ~~c. discuss the life cycle stage or stages of the companies which the fund will likely finance, with an indication of where most of the focus is contemplated, e.g., start-up, expansion;~~
 - ~~d. discuss the geographic area in which the fund plans to focus. Specify the city or parish in which the fund's principal office will be located, and discuss intentions, if any, to establish any additional offices;~~
 - ~~e. describe the types of financing instruments that are intended to be utilized for investments, e.g., debentures, notes, preferred stock, royalties, etc.;~~~~
- ~~7. management assistance—discuss the plans of the fund to provide management and/or technical assistance to companies for which the fund provides financing. Discuss the fund's plans for monitoring its financing, and enforcing provisions of loan or investment agreements. Discuss how the fund plans to handle problem loans and investments;~~
- ~~8. idle funds—describe plans for the management of the idle funds of the fund;~~

9. realization of returns by investors—discuss long-term plans and strategies for providing a tangible return to the investors in the fund;

10. tax and accounting issues—discuss relevant tax and accounting issues for the fund;

11. management structure—describe the proposed management structure for the fund;

12. describe the proposed responsibilities of each of the members of the management team. If any of these people will not be full time, describe their other activities;

13. describe the responsibilities of any management position for which a person has not been identified;

14. specify any other key people including any advisors, consultants, attorneys and accountants, and submit resumes and/or descriptions of firms. LEDC reserves the right to perform general and criminal background checks on these key people.

~~A. Except as may be hereinafter provided, all of the provisions contained in §2305 of Chapter 23 of the venture capital match program shall also apply to this Chapter XX Program.~~

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2312(C).

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Economic Development Corporation, LR 15:463 (June 1989), amended LR 23:559 (May 1997).

§XXXX. Amount of Investment

~~A. Except as may be hereinafter provided, all of the provisions contained in §2307 of Chapter 23 of the venture capital match program shall also apply to this Chapter XX Program.~~

~~B.A.~~ A qualified or eligible fund led by a non-profit entity may receive ~~a match investment~~ an investment equal to \$1 of LEDC funds for each \$2 of funds privately raised by the applicant fund. The maximum total dollar amount of an LEDC ~~match~~ investment in an eligible fund shall not exceed \$10,000,000.

~~C.B.~~ Any other qualified or eligible fund may receive ~~an match~~ investment equal to \$1 of LEDC funds for each \$4 of funds privately raised by the applicant fund. The maximum total dollar amount of an LEDC ~~match~~ investment in an eligible fund shall not exceed \$10,000,000.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2312(C).

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Economic Development Corporation, LR 15:463 (June 1989), amended LR 23:559 (May 1997).

§XXXX. Investment Criteria

~~A. Except as may be hereinafter provided, all of the provisions contained in §2309 of Chapter 23 of the venture capital match program shall also apply to this Chapter XX Program.~~

A. The criteria for investment may include but not be limited to the following.

1. The applicant will be required to make investments that will at least create jobs in, create wealth in, and shall have a substantial economic impact to the economy of Louisiana.

~~2.~~ The investment made by LEDC shall be made on no less than the same terms and conditions, and with the same expected return on investment, as other private investors.

B. A qualified or eligible fund may charge for services as allowed by the U.S. Treasury.

C. ~~Match-I~~ investment funds may be used for out of state investments, after approval by LED.

D. ~~Match-I~~ investment funds must make investments in accordance to U.S. Treasury guidelines.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2312(C).

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Economic Development Corporation, LR 15:464 (June 1989), amended LR 23:559 (May 1997).

§XXXX. Reporting

A. Upon closing of each investment, each venture capital fund that is the recipient of LEDC funds shall provide to LEDC the following information:

1. Name of company, census tract, naics code, amount of investment, total amount of round of funding, and date of investment
2. The number of jobs with corresponding salaries, new and retained;
3. Narrative of business, use of funds, board presentation;
4. Prior and post investment of private capital; and
5. assurances and certifications in accordance to U.S. Treasury guidelines.

B. Each year, on the anniversary date of the initial disbursement of funds, or on such date as may be authorized by LEDC, each venture capital fund that is the recipient of LEDC funds shall provide to LEDC the following information:

1. a list of all investors in the fund, including the amounts of each investment and the nature of each investment;
2. a statement of the financial condition of the fund including, but not limited to, a balance sheet, a profit and loss statement, and a statement showing changes in the fund's financial condition;
3. a current reconciliation of the fund's net worth; and
4. an annual audited financial statement prepared by a certified public accountant (prepared within 120 days of the end of the fund's fiscal year).

~~A. Except as may be hereinafter provided, all of the provisions contained in §2315 of Chapter 23 of the venture capital match program shall also apply to this Chapter XX Program.~~

B.C. Match-I Investment funds must submit assurances and certifications in accordance to U.S. Treasury guidelines on each investment prior to closing.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2331.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Economic Development Corporation, LR 15:465 (June 1989), amended LR 23:560 (May 1997).

Title 19
CORPORATIONS AND BUSINESS
Part VII. Louisiana Economic Development Corporation
Subpart 11. Louisiana Seed Capital Program (LSCP)
Chapter 87. Seed Capital Program for the State Small Business Credit Initiative (SSBCI) Program

§8701. Purpose

A. The purpose for this Chapter 87 Program shall be the same as the purposes previously provided in §7701 of Chapter 77 of Subpart 11 of the Louisiana Seed Capital Program which shall also apply to this Chapter 87 program; and additionally this Chapter 87 program is to establish the Louisiana Seed Capital Program for the federal program entitled the “State Small Business Credit Initiative (SSBCI) Program” and to accommodate the requirements of this federal program. The Louisiana Economic Development Corporation (LEDC) will utilize SSBCI funds to make seed stage investments to create and grow start-up and early-stage businesses or for expansion of small businesses statewide, and to reach, identify and promote small business growth in low and moderate income communities, in minority communities, in other underserved communities, and to women- and minority-owned businesses. This LEDC program and the SSBCI funding will be marketed through outreach activities to inform venture capital funds, local foundations, small businesses, trade associations, incubator associations, and economic development organizations of the program, and to generate increased small business activity, awareness of and access to additional sources of capital to start and expand existing business opportunities, as well as participation in the program. The marketing will also be used to find investment and seed investment opportunities located in the underserved markets that will be targeted with SSBCI funds. The LEDC will also monitor these plans, including the progress of individual businesses receiving investments and the performance of participating venture capital organizations, to ensure successful outcomes in the form of program utilization and eventual securing of funds for these groups. This program is not intended for ~~retail or~~ professional services.

B. The LEDC wishes to maintain for this Chapter 87 program all of the purposes of §7701 and all of the other Sections and provisions of Chapter 77 of the Seed Capital Program shown above, except where there is a need for the policies of this program to be different from Chapter 77. For this reason, all of the Sections and provisions of Chapter 77 above shall also apply to this Chapter 87, except in those instances where a different or additional rule or policy is provided below in this Chapter 87.

AUTHORITY NOTE: Promulgated in accordance with LA. R.S. 51:2312.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of the Secretary, Office of Business Development and Louisiana Economic Development Corporation, LR 38:991 (April 2012).

§8703. Definitions

~~All of the same definitions provided in §7703 of Chapter 77 of the Seed Capital Program shall also apply to this Chapter 87 program.~~Board—Board of Directors of Louisiana Economic Development Corporation.

“Business Partner” of an SSBCI insider—a person who owns 10 percent or more of any class of equity interest, on a fully diluted basis, in any private entity in which an SSBCI insider also owns 10 percent or more of any class of equity interest on a fully diluted basis.

Direct investment—an investment in which financial investors take part with each other and act jointly by uniting or combining together to invest directly into individual companies or businesses

Community Development Financial Institution (CDFI) Investment Area—areas defined by CDFI which are generally low-income, high poverty geographies that receive neither sufficient access to capital nor support for the needs of small businesses, including minority-owned businesses.

Corporation—Louisiana Economic Development Corporation.

“Family Member” of an SSBCI insider—Such person’s spouse, domestic partner, parents, grandparents, children, grandchildren, brothers, sisters, stepbrothers, and stepsisters; and any other relatives who live in the same household as the SSBCI insider.

Independent Non-Profit Entity—any non-profit entity that is not state-sponsored.

Match Investment—an investment in which a financial investor provides or combines additional funds to equal, meet or complement funds provided by another investor or other investors.

Owned and Controlled—means, if privately owned, 51 percent is owned by such individuals; if publicly owned, 51 percent of the stock is owned by such individuals; and in the case of a mutual institution, a majority of the board of

directors, account holders, and the community which the institution services is predominantly comprised of such individuals.

“Personal Financial Interest”—any financial interest derived from ownership or right to ownership of, or lending to or other investment in, a private, for-profit entity that may receive an SSBCI investment (including any financial interest derived from ownership or right to ownership of, or investment in, a venture capital fund).

Seed Capital (for the purposes of this program)—

1. a dollar amount of not less than \$25,000 of capital provided to an inventor or entrepreneur to prove a concept and to qualify for start-up capital, which may involve product development and market research, as well as building a management team and developing a business plan, if the initial steps are successful;

2. research and development financing to finance product development for start-up as well as early-stage companies (which may include a company that may already be in business for three years or less);

3. start-up or early-stage financing to companies completing product development and initial marketing which companies may be in the process of organizing or they may already be in business for three years or less, but have sold their product commercially; or

4. first-stage or early-stage financing to companies that have expended their initial capital and require funds to initiate full-scale manufacturing and sales, for costs of inventory, equipment, expansion, modernization, and for working capital purposes.

Socially and Economically Disadvantaged Individuals (SEDI) -Owned Business—(for the purposes of this program)

1. business enterprises that certify that they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their (1) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; (2) gender; (3) veteran status; (4) limited English proficiency; (5) physical handicap; (6) long-term residence in an environment isolated from the mainstream of American society; (7) membership of a federally or state-recognized Indian Tribe; (8) long-term residence in a rural community; (9) residence in a U.S. territory; (10) residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization); or (11) membership of another “underserved community” as defined in U.S. Executive Order 13985;

2. business enterprises that certify that they are owned and controlled by individuals whose residences are in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii);

3. business enterprises that certify that they will operate a location in a CDFI Investment Area, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or

4. business enterprises that are located in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii).

SSBCI insider—a person who, in the 12- month period preceding the date on which SSBCI support for a specific investment in a venture capital fund or company is closed or completed:

1. Was:

a. a manager or staff member, whether by employment or contract, in the state’s SSBCI venture capital program;

b. a government official with direct oversight or jurisdiction over an SSBCI venture capital program, or such an official’s immediate supervisor;

c. a member of the board of directors or similar body for a state-sponsored non-profit entity who, through such membership, has authority to vote on decisions to invest SSBCI funds or has authority over the employment or compensation of staff managing processes related to the investment of SSBCI funds;

d. a member of the board of directors or similar body for an independent non- profit or for-profit entity that operates an SSBCI venture capital program; or

e. an employee, volunteer, or contractor on an investment committee or similar body that recommends or approves SSBCI investments under the SSBCI venture capital program; or

2. Exercised a controlling influence on state decisions regarding:

a. The allocation of SSBCI funds among approved state venture capital programs;

b. Eligibility criteria for the state’s SSBCI venture capital programs; or

c. The processes for approving investments of SSBCI funds under the state's SSBCI venture capital program.

State-Sponsored Non-Profit Entity—a non-profit entity created by state legislation to pursue policies of the state government and over which state officials exercise a controlling influence through budgetary decisions or other legislative action or direction.

Venture Capital Fund—also referred to herein as a *seed capital fund*, or the *applicant organization*; a fund that makes and manages a portfolio of investments in individual companies or businesses.

Very Small Business (VSB)—a business which employs 10 or less employees, including independent contractors and sole proprietors.

AUTHORITY NOTE: Promulgated in accordance with LA. R.S. 51:2312.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of the Secretary, Office of Business Development and Louisiana Economic Development Corporation, LR 38:991 (April 2012).

§8705. Eligibility for Participation in This Program

~~A. Except as may be hereinafter provided, all of the eligibility provisions contained in §7705 of Chapter 77 of the Seed Capital Program shall also apply to this Chapter 87 Program, except that co-investments will not be utilized in this Chapter 87 program.~~

A. The applicant organization may be organized either for profit or non-profit purposes.

B. The applicant organization must demonstrate that its management personnel have at least three years of experience in managing investments in individual, privately-held companies, utilizing funds provided by others to make such investments.

C. The applicant organization must have a minimum cash investment already on hand sufficient to cover the general and administrative costs for the first and early years of its operations.

D. The applicant organization is encouraged to have a Louisiana-based production office.

~~A-E. B.~~—The applicant organization must have raised a minimum of \$500,000 in investments or has a minimum of \$2 1/2 million under management, and already on hand cash sums sufficient to cover the general and administrative costs for the first and early years of its operations for participation in the SSBCI Venture Capital Match Investment Program.

~~B-F. C.~~—~~In addition to the eligibility provisions provided in the Section mentioned in the above Subsection A, In addition,~~ LEDC investments made in venture capital funds ~~and programs in connection with this Chapter 87 program~~ shall meet the following criteria:

1. the venture capital fund(s) shall target an average business-size of 500 employees or less at the time the individual business investment is made;

~~2.~~ It is strongly encouraged for each venture capital fund(s) to make every effort to target and invest in SEDI-owned businesses and VSB;

~~3.~~ such individual business investments shall not be extended to businesses with more than 750 employees;

~~4.~~ any investment targeted in this program shall not exceed the amount of \$ 5,000,000; and

~~5.~~ any investment transaction or investment round extended through this program shall not exceed the amount of \$ 20,000,000.

AUTHORITY NOTE: Promulgated in accordance with LA. R.S. 51:2312.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of the Secretary, Office of Business Development and Louisiana Economic Development Corporation, LR 38:991 (April 2012).

§8707. Application Requirements for Qualification or Eligibility, and for Co-Investment

A. None of the provisions contained in §7707 of Chapter 77 of the Seed Capital Program shall apply to this Chapter 87 program. The co-investment provisions of Chapter 77 will not be utilized in this SSBCI Chapter 87 program.

AUTHORITY NOTE: Promulgated in accordance with LA. R.S. 51:2312.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of the Secretary, Office of Business Development and Louisiana Economic Development Corporation, LR 38:992 (April 2012).

§8709. Application Requirements for Qualification or Eligibility, and for ~~Match~~ Investment

A. Prior to a seed capital fund submitting a request to the Louisiana Economic Development Corporation (LEDC) to be considered for a commitment for an investment, a prospective seed capital fund shall first submit an application for the applicant fund to be considered qualified or eligible to participate in this program. The application for the

fund's qualification or eligibility to the LEDC shall consist of detailed information covering three main categories, including:

1. the experience and qualifications of the Fund's existing or proposed management team;

2. if applicable, the fund's fund raising abilities, activities and success; and

3. the business plan for the seed capital fund. The application shall include at minimum but not limited to the following information. The applicant can use its own format, as long as the basic information is provided. Moreover, the applicant should feel free to provide additional information which is viewed as relevant. The LEDC or its staff may request additional information beyond that which is specified below and what is provided by the applicant.

B. After its receipt and review by the LEDC staff, the completed application for an investment will then be submitted to the next scheduled LEDC board screening committee meeting or other board designated committee meeting for recommendations. The recommendations of the committee will be submitted to the full board of directors of LEDC at its next scheduled meeting for its consideration of final approval.

C. Experience and Qualifications. In or with its application, the applicant shall:

1. submit resumes, references, and private placement memoranda for all principal members of the management team that are identified;

NOTE: Louisiana Economic Development Corporation reserves the right to perform criminal background checks on any or all of the members of the management team.

2. describe the responsibilities of each of the principal members of the management team that have been identified. If any of these people are not full-time management team members, describe their other activities;

3. describe the responsibilities of any principal management position for which a person has not been identified;

4. specify any directors that have been identified, and submit their resumes;

5. specify any other key people that have been identified, including any advisors, consultants, attorneys and accountants, and submit resumes and/or descriptions of firms.

NOTE: Louisiana Economic Development Corporation reserves the right to perform criminal background checks on any or all of these key people.

D. Fund Raising. In or with its application, the applicant shall:

1. specify the amount of LEDC commitment sought;

2. provide evidence of the amount of private capital that has been raised, and specify the ratio of actual cash to commitments raised;

3. describe the basic legal structure of the seed capital fund;

4. if applicable, describe and discuss the applicant's fund raising strategy for the raising of any additional private capital;

5. if applicable, specify the principal investor sources that the applicant fund will be targeting;

6. if applicable, provide the applicant's basic proposal to its prospective private investors, and the expectations and objectives the applicant is specifying. This shall include, for example, representations regarding reasonably expected returns on private equity investment, indirect financial benefits, if any, and social purposes, if applicable;

7. list all specific investors and financing commitments already obtained, including documentation for each. This shall include evidence of the initial \$500,000 minimum capital required for the applicant fund's eligibility to participate in this program;

8. specify whether applicant anticipates taking in all of the LEDC equity investment at closing, or whether applicant plans a phase in. If a phase-in is planned, specify the proposed schedule. It is permissible to have different scenarios based on the actual amount of equity capital raised.

E. Business Plan. In its application, and with regard to the subjects mentioned below, the applicant shall:

1. targeted market:

a. describe and discuss the types of businesses that the seed capital fund will finance. Discuss the extent to which the seed capital fund intends to specialize in certain industries, or whether a more broad based approach is planned;

b. describe the size range of businesses that it is contemplated the seed capital fund will finance, with a general indication of where most of the focus is expected;

c. discuss the life cycle stage or stages of the companies which the seed capital fund will likely finance, with an indication of where most of the focus is contemplated;

d. discuss the geographic area in which the seed capital fund plans to focus. Specify the city or parish in which the seed capital fund's principal office is planned to be located, and discuss intentions, if any, to establish any additional offices;

e. provide any market analysis that the applicant deems relevant;

2. financing. Describe and discuss the financing instruments that are intended to be used by the seed capital fund. Discuss the anticipated mix of the various types of financing instruments. Discuss the anticipated size range of investments to be made, and information regarding pricing, term, and other conditions. Discuss risk/return expectations on projects. Discuss methods of exit from investments;

3. marketing strategy. Describe the seed capital fund's plans and approach to marketing its services, including the identification of potential applicants for financing assistance;

4. screening process and evaluation criteria. Discuss the anticipated number of business firms that will be reviewed for possible investment, in comparison with the number that will actually be invested in. Discuss the approach to screening business firms, and the evaluation criteria for deciding whether, and under what terms and conditions, to provide investment;

5. fee income. Discuss the potential for fee income, and any plans that the seed capital fund might have for generating fee income;

6. management assistance. Discuss the plans of the seed capital fund to provide management and/or technical assistance to companies for which the seed capital fund provides investment. Discuss the seed capital fund's plans for monitoring its investments, and enforcing provisions of investment agreements. Discuss how the seed capital fund plans to handle problem investments. Discuss the seed capital fund's plans to provide management assistance to companies that the seed capital fund is not investing in;

7. complementary relationships. Discuss the nature of complementary relationships that are anticipated with banks, commercial lenders, investment bankers, venture capitalist and other institutions. This discussion can be based on general types of institutions and/or can identify specific institutions where complementary relationships have already been discussed;

8. management structure. Describe the proposed or existing management structure for the seed capital fund, and anticipated compensation for principal members of the management team;

9. idle funds. Describe plans for the management of the idle funds of the seed capital fund;

10. tax and accounting issues. Discuss relevant tax and accounting issues for the seed capital fund;

11. financial projections:

a. provide a detailed operating budget for the first or for the next three years of the seed capital fund's operation. The first year shall be month by month. The second and third years may be presented on an annual basis;

b. provide performance projections, year by year, for a five year period. These projections should show cash flow, income and expense (including taxes), and balance sheet data. For these performance projections, operating expenses can be consolidated into one line item;

c. specify the assumptions used for the performance projections. It is permissible to submit several sets of performance projections based on differing assumptions. However, if applicant submits several sets of projections based on differing assumptions, specify which set of assumptions are applicant's primary assumptions;

d. specify computer programs used for projections, and specify formulas used.

~~A. Except as may be hereinafter provided, all of the provisions contained in §7709 of Chapter 77 of the seed capital program shall also apply to this Chapter 87 Program. Only match investments will be utilized in this SSBCI Chapter 87 program.~~

AUTHORITY NOTE: Promulgated in accordance with LA. R.S. 51:2312.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of the Secretary, Office of Business Development and Louisiana Economic Development Corporation, LR 38:992 (April 2012).

§8711. Application Process

~~A. Except as may be hereinafter provided, all of the provisions contained in §7711 of Chapter 77 of the Seed Capital Program shall also apply to this Chapter 87 program. Co-investments will not be utilized in this Chapter 87 program.~~

A. All applications under this program must be submitted to the Louisiana Economic Development Corporation, P.O. Box 44153, Baton Rouge, 70804.

1. Application Requirements for Qualification or Eligibility to Participate in this Program and Investment Application

a. The application for qualification or eligibility of the seed capital fund to participate in this program and its application for the investment project may be, but are not required to be, submitted simultaneously for consideration.

b. Once a seed capital fund is deemed qualified or eligible to participate in this program, the fund is not required to resubmit a qualification or an eligibility application for subsequent investment requests.

2. All applications received by LEDC will be reviewed by the LEDC staff; and the staff may request additional information beyond that which has been provided. After their receipt and review by the LEDC staff, the completed applications shall then be submitted to the next scheduled LEDC board screening committee meeting or other board designated committee meeting for recommendations. The recommendations of the committee will be submitted to the full board of directors of LEDC at its next scheduled meeting for its consideration of final approval.

AUTHORITY NOTE: Promulgated in accordance with LA. R.S. 51:2312.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of the Secretary, Office of Business Development and Louisiana Economic Development Corporation, LR 38:992 (April 2012).

§8713. Investments

~~A. Except as may be hereinafter provided, all of the provisions contained in §7713 of Chapter 77 of the Seed Capital Program shall also apply to this Chapter 87 program, except that co-investments will not be utilized in this Chapter 87 program. Only match investments will be utilized in this SSBCI Chapter 87 Program.~~

~~A. B. —~~ A qualified or eligible fund may receive an ~~an~~ match investment equal to \$1 of LEDC funds for each ~~\$1.50~~ \$1.00 of funds privately raised by the applicant fund. The maximum total dollar amount of an LEDC ~~match~~ investment in an eligible fund shall not exceed ~~\$2,000,000~~ \$5,000,000.

B. ~~€~~The method of LEDC's investment into the qualified or eligible fund or investment will be equal to the method of investment of the other investors into that fund, i.e., committed capital for committed capital, cash investment for cash investment, or cash and commitment for cash and commitment.

C. A qualified or eligible fund may charge for services as allowed by the U.S. Treasury.

D. Investment funds may be used for out of state investments, after approval by LED.

E. Investment funds must make investment in accordance to U.S. Treasury guidelines.

F. Closing

A. — Prior to the disbursement of funds, the secretary-treasurer of LEDC and any one of the following: either the chairman of the board, the president, or the executive director of LEDC, shall execute all necessary legal instruments after certification by legal counsel that all appropriate legal requirements have been met.

~~— LEDC investments made in a qualified Seed Capital Fund will not exceed an initial investment of \$450,000, with up to four expected follow-up investments, but shall not exceed a total investment of \$2,000,000 per fund.~~

AUTHORITY NOTE: Promulgated in accordance with LA. R.S. 51:2312.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of the Secretary, Office of Business Development and the Louisiana Economic Development Corporation, LR 38:992 (April 2012), amended LR 40:275 (February 2014).

§8715. Reporting

A. Upon closing of each investment, each venture capital fund that is the recipient of LEDC funds shall provide to LEDC the following information:

1. Name of company, census tract, naics code, amount of investment, total amount of round of funding, and date of investment

2. The number of jobs with corresponding salaries, new and retained;

3. Narrative of business, use of funds, board presentation;

4. Prior and post investment of private capital; and

5. assurances and certifications in accordance to U.S. Treasury guidelines.

B. Each year, on the anniversary date of the initial disbursement of funds, or on such date as may be authorized by LEDC, each venture capital fund that is the recipient of LEDC funds shall provide to LEDC the following information:

1. a list of all investors in the fund, including the amounts of each investment and the nature of each investment;
2. a statement of the financial condition of the fund including, but not limited to, a balance sheet, a profit and loss statement, and a statement showing changes in the fund's financial condition;
3. a current reconciliation of the fund's net worth; and
4. an annual audited financial statement prepared by a certified public accountant (prepared within 120 days of the end of the fund's fiscal year).

~~Except as may be hereinafter provided, all of the provisions contained in §7715 of Chapter 77 of the Seed Capital Program shall also apply to this Chapter 87 program.~~

A.C. Investment funds must submit assurances and certifications in accordance to U.S. Treasury guidelines on each investment prior to closing.

AUTHORITY NOTE: Promulgated in accordance with LA. R.S. 51:2312.

HISTORICAL NOTE: Promulgated by the Department of Economic Development, Office of the Secretary, Office of Business Development and Louisiana Economic Development Corporation, LR 38:992 (April 2012).