

**Responses to Questions Submitted to the
Request for Proposals – Next level Fund Program Administrator (the “RFP”)**

The Indiana Finance Authority (“IFA”) provides the following responses to pertinent questions received by the Authorized Representative in regards to the RFP. Responses are denoted in **blue, bolded text** and appear under each pertinent question. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the RFP:

1. Can we confirm the deadline for RFP proposal submissions? The cover notes 8/28 but page 3 notes 8/25.

Responses to the RFP must be delivered by 5:00 p.m. EST on August 28, 2017.

2. The mandate appears to be non-discretionary, based on statements in the RFP. If so, can you elaborate on what the expectation might be for board involvement in the investment approval process?

and

3. Can you clarify what the role of the Investment Board will be in both approving and recommending potential investment ideas?

This RFP is soliciting responses for a discretionary mandate. Responsibility for the generation and due diligence of all potential investments lies with the Program Administrator. The Program Administrator will be expected to provide regular updates to the Investment Board and/or its staff regarding all investments that are made as well as those in the final stages of due diligence review and expected to be made. In the unlikely event that a prospective investment is deemed to hinder the portfolio’s ability to achieve the primary objectives set forth in Section III of the RFP, the Investment Board reserves the right to reject the opportunity.

The Investment Board is charged with fiduciary oversight of the Next Level Fund. As such, the Investment Board will be primarily monitoring the Program Administrator’s:

- a. Faithful implementation of its proposed strategic investment allocation,
- b. Investment performance versus appropriate benchmarks,
- c. Measures of the overall economic impact of the Next Level Fund, and
- d. Overall progress towards achieving the Next Level Fund Objectives set forth in Section III of the RFP.

In carrying out its fiduciary duties, the Investment Board may choose to delegate any of these responsibilities to a subcommittee, its staff, and/or expert third-parties.

4. Can you please clarify the definition of an “Indiana venture capital firm” on page 4, Section III of the RFP, specifically the “or similar needs requiring risk capital” language? For

example, would an Indiana-based investment firm that acquires controlling interests in an Indiana-based company that grows under its ownership be considered an Indiana venture capital firm under this definition? Or alternatively is there a separate definition for Indiana Private Equity Firm respondents should consider?

The definition for Indiana Private Equity Firm is analogous the definition of Indiana Venture Capital Firm provided in Section III of the RFP. One of the primary aims of the Next Level Fund is to address a dearth of private capital available to Indiana companies seeking to grow and expand. The Program Administrator should evaluate as many investment opportunities as possible that further this aim, provided strong financial return to the portfolio can be achieved. The Program Administrator may achieve these aims in a variety of ways including but not limited to investing in limited partnerships, directly in companies, or in other structures that invest or are expected to invest significant dollars in Indiana.

5. Does Indiana have a minimum threshold/target for commitments to primary funds as a % of the Next Level Fund? Or a maximum commitment to co-investments as % of the fund?

No, and no. Respondents should put forth their best ideas in their Proposal. It should be noted that Statute does place a maximum restriction of \$25 million on any one particular investment fund or investment firm.

6. We note the objectives includes a goal of “significant” investments in Indiana funds and co-investments. Does this imply some flexibility to commit some of the capital to non-Indiana companies or funds?

Yes. However, the most competitive Proposals will outline a viable approach to maximize investment in Indiana while still achieving the financial return objective.

7. Are there legislative limits put on the number or amount of capital that can be invested in “National Funds”?

There are no explicit legislative limits, however, the Program Administrator will be expected to track this information if possible. Consistent with the spirit of the initiative, the Investment Board will select a Program Administrator that will endeavor to support the growth of funds, innovative business ventures and entrepreneurs within the state.

8. Understanding that venture capital will be a core focus of the Program, with regard to the asset allocation schedule on page 12 (Section VI, question 31), is there a minimum venture capital allocation which the Investment Board would like a manager to consider?

There is no minimum allocation that will be considered. The Investment Board will evaluate all aspects of the Proposals submitted by Respondents. The Program Administrator selected will have detailed a strategy that is deemed most likely to be able to achieve all objectives of the Next Level Fund.

9. Regarding the Impact Reporting stated in Section IV, Item 3:

- a. Is there an existing template used by the IFA which it would like to provide to private investments, and can you provide additional detail on what data would be required?

There is no existing template used by the IFA for this purpose. The expectation is that the Program Administrator will make consistent and reasonable efforts throughout the duration of the Next Level Fund to collect relevant data that provides evidence of measurable economic impact to Indiana related to the Next Level Fund. Respondents are encouraged to research data reported by similar targeted investment programs administered in other states.

- b. Would the provision of such data be a requirement for managers supported by the Program or provided on a best efforts basis if limited availability by underlying managers?

The Program Administrator may wish to evaluate the willingness/ability of a potential underlying manager to provide such data as one factor within its due diligence review of the investment.

10. Regarding Section IV, Item 12, L-Q, would the provision of detailed portfolio company information be a requirement for managers supported by the program or on a best efforts basis? Historically, we have experienced some, often high quality, venture managers restrict this information to underlying investors.

Formal reporting of measures related to investment performance, investment allocation diversification, fees, and underlying exposures is a requirement to the Program Administrator. We acknowledge that the Program Administrator may encounter challenges to obtain certain data points for some underlying investments. The Program Administrator is expected to provide the most accurate data possible given these challenges and is encouraged to discuss this ask with potential underlying investment recipients.

11. Will “fund of one” or discretionary fund structures created for the sole purpose of executing the Next Level program be considered as part of this mandate?

The Investment Board is open to considering a variety of structures to be used for the investment portfolio. A Respondent should describe the risks and merits of its proposed structure(s) in the “Respondent’s Commitment Strategy and Market Assumptions” section of its Proposal.

12. The RFP makes the following statement: Willingness to establish a physical presence within the state or maintain existing presence. We were hoping to some clarity around the statement – do we need to have or establish an actual office, does it mean frequent travel, etc.

Qualified Respondents having existing employees based in the State or expressly willing to establish such a presence if selected will be preferred, all other relevant factors considered equal.

13. The team reviewed the RFP and associated appendices further and noticed a number of parameters and restrictions that could potentially limit the quality of funds in which one could invest. Examples are below:
 - a. In the footnotes for Question 31, there is a definition for national firms to sign a side-letter committing to evaluate Indiana opportunities. This could significantly impact the firms the team can source for investment as many premier venture managers will not accept this term.

The Respondent should address these potential challenges in its formal responses for Questions 31-34 of Section VI of the RFP, and provide constructive suggestions of alternate solutions for the Investment Board to evaluate that are supportive of achieving all of the broader objectives of the Next Level Fund outlined in Section III of the RFP. The Investment Board is receptive to dialogue surrounding any recommended changes that are supportive of achieving the Next Level Fund objectives at the aggregate portfolio level.

- b. In Exhibit C, the diligence information on a fund will be the property of the client. What our team has found in the past is that most of the quality venture funds will not provide information if they know it will move on to another party.

See “Global Response to All Questions and/or Comments Submitted Regarding Exhibit C of the RFP” below. Additionally, it is the intent of the IFA and the Investment Board to respect the integrity of the underlying portfolio investments, particularly in regards to the confidentiality of non-public information.

14. With regards to Exhibit C and Key Contractual Provisions, in our experience a few of the provisions as drafted seem atypical for, and in some cases less relevant to, a PE / VC Investment Partnership as contemplated in the RFP. Would the IFA be open to a call to clarify certain Contractual provisions ahead of the RFP submission, or alternatively be open to explanatory language around the Respondent’s positions on and clarifications to the Key Contractual Provisions in the “Agreement to Terms” response section?

See “Global Response” below. Additionally, the Authorized Representative will not be conducting calls with potential Respondents before the RFP Due Date.

15. Regarding Part K of Exhibit C, the Termination provisions allow for the right to reduce compensation. Would the IFA be open to agreeing with the selected Program Administrator on a specific set of circumstances (i.e. cause) that would lead to any reduction in compensation to the Program Administrator?

See “Global Response to All Questions and/or Comments Submitted Regarding Exhibit C of the RFP” below.

16. Regarding Part H of Exhibit C, we have not seen this request from other investors before with regards to an investment account. Could IFA clarify how this might work for a private equity manager who is working on behalf of multiple clients for similar investments? We believe that an additional complication for granting this right is that, in our experience, a large amount of this work would be covered under confidentiality agreements with underlying managers.

See “Global Response to All Questions and/or Comments Submitted Regarding Exhibit C of the RFP” below. Additionally, it is the intent of the IFA and the Investment Board to respect the integrity of the underlying portfolio investments, particularly in regards to the confidentiality of non-public information.

17. Regarding Part B of Exhibit C, in our experience, it is atypical for an investment manager to indemnify entities other than the underlying LP. Would IFA be open to a discussion on this point?

See “Global Response to All Questions and/or Comments Submitted Regarding Exhibit C of the RFP” below.

Global Response to All Questions and/or Comments Submitted Regarding Exhibit C of the RFP

Many of the Key Contractual Provisions included in Exhibit C to the RFP are ones included in the IFA’s standard “Professional Services Agreement”, and thus were not drafted specifically for this RFP. The Authorized Representative has been made aware of several comments and/or questions regarding some of the provisions, generally asking if some provisions can be negotiated and ultimately amended or eliminated.

The Authorized Representative recognizes that some provisions in Exhibit C may need to be amended or eliminated in the final Agreement. It is not the intent of the IFA or the Investment Board for the provisions included in Exhibit C to inhibit potential Respondents to the RFP or constrain the allowable investments ultimately made by the Program Administrator. Thus, in submitting its response to the RFP, the Respondent should assume that the Authorized Representative and the Investment Board will be open to some negotiations on such provisions included in Exhibit C.