

Florida Opportunity Fund Request for Proposal for Investment Management Services Addendum: Question Responses

QUESTIONS REGARDING FOF PROCESS & PROCEDURES

Question What investment management decisions beyond decisions to make an investment are required to go through DEO and Board approval?

Answer: Pursuant to section 288.9624, Florida Statutes: “The board is responsible for negotiating the terms of a contract with the Florida Opportunity Fund investment manager; executing the contract with the selected venture capital investment fund manager on behalf of the Florida Opportunity Fund; managing the business affairs of the Florida Opportunity Fund, such as accounting, audit, insurance, and related requirements; soliciting and negotiating the terms of, contracting for, and receiving investment capital and loan proceeds with the assistance of the investment manager; receiving investment returns; paying investors and debtors; and reinvesting the investment returns in the fund in order to provide additional venture capital investments designed to result in a significant potential to create new businesses and jobs in this state and further diversify the economy of this state.”

The FOF Bylaws, Appendix G to the RFP, beginning on page 297 of the RFP document, also reflect these responsibilities.

Investment decisions require Board of Directors approval, with investments from the FLVCP portfolio necessitating DEO review. Typically, this includes decisions impacting the value of the FOF portfolio. Day-to-day, administrative decisions typically do not necessitate board approval.

Question Is there a preference to continue to have the board approve investments or oversee a manager with discretion? Can you describe the board approval process for investments?

Answer: Investment decisions require Board of Directors approval, with investments from the FLVCP portfolio necessitating DEO review. Typically, this includes decisions impacting the value of the FOF portfolio. Day-to-day, administrative decisions typically do not necessitate board approval. As such, the Selected Investment Manager’s role can be better described as advisory rather than discretionary.

Board review and approval of investment occurs following complete due diligence of an investment opportunity. FOF staff, in conjunction and cooperation with the Investment Manager, submits an Investment Package, substantially similar to that described in Appendix D, the Florida DEO/EFI SSBCI Agreement, to the Board for review. The Investment Manager presents investment recommendation to the Board.

QUESTIONS REGARDING FOF PROCESS & PROCEDURES (cont.)

Question Is there any additional detail/description regarding the DEO approval process for FLVCP deals (which seems like it is separate from the FOF review/compliance approval outlined in the materials)?

Answer: Please see Appendix D to the RFP, the Florida DEO/EFI SSBCI Funding Agreement. The language of Exhibit A (paragraph 1.a.5) to the Florida DEO/Enterprise Florida SSBCI Funding Agreement (page 12 of the Agreement, page 251 of the RFP document), reads:

“5. Before using FLVCP Funds for an investment, EFI shall obtain the following and submit to DEO at least 10 business days prior to the next FOF Board meeting at which such investment will be presented:

- a. The Investment Package to be submitted to the FOF Board;*
- b. EFI and FOF completed and signed FLVCP Compliance Checklists (EXHIBIT E) certifying compliance and eligibility.”*

Defined on page 242 of the RFP document, “‘Investment Package’ means the documentation provided in support of a potential investment under the FLVCP, which must include, at a minimum: i) the investment memorandum ; ii) the term sheet or private placement memorandum; iii) the stock investment agreement; iv) the certificate of incorporation, articles, and bylaws of the Entity; v) the due diligence checklist; vi) a list of comparison companies for the potential investment; vii) any confidentiality agreements, and viii) any opinions of counsel; ix) audited financials (if not available then unaudited financials); x) Business Plan; xi) conflict of interest statements.”

Exhibit E to the Florida DEO/EFI SSBCI Agreement, page 258 of the RFP document, provides the “due diligence checklist.”

Question Factor 4.C, pg 23, references expectations for co-investing in Venture Funds and Direct Investments presented as investment-opportunities to FOF. Does this mean that FOF would be intaking investment opportunities and sending them to the manager to evaluate, or is the manager sourcing and evaluating and bringing recommended investments to FOF?

Answer: Both. FOF anticipates deal flow will come from both EFI/FOF staff and the Investment Manager.

QUESTIONS REGARDING FOF PROCESS & PROCEDURES (cont.)

Question *Historically, has the Board or DEO rejected any investment recommendations by any past Investment Manager of the FOF? Have the Board or DEO voted to make any investments against the recommendations of any past Investment Manager of the FOF?*

Answer: *Regarding whether the Board or DEO have rejected any investment recommendations, yes. The Board relies heavily on the investment recommendation of the Investment Manager, but makes an independent determination of whether the investment opportunity meets the statutory mandate of the Fund and benefits the state of Florida.*

Question *Can the Investment Manager veto making an investment voted on by the Board of Directors?*

Answer: *No.*

Question *If the Investment Manager runs qualifying Seed and Early Stage Venture Funds, can the Investment Manager allocate FOF assets to those funds?*

Answer: *All investment decisions and allocations must be approved by the Board. Please note, per Appendix D to the RFP, the Florida DEO/EFI SSBCI Agreement, page 251 of the RFP document: "Without the prior written consent of DEO, EFI may not authorize a new investment using FLVCP Funds in any Entity that, prior to such investment, is held directly or indirectly by the Investment Manager or any of its Affiliates or any employee, consultant, or director of FOF, unless FOF is also a shareholder of such Entity."*

QUESTIONS REGARDING FOF CAPITAL & AVAILABILITY

Question Is the capital in each of the programs subject to an evergreen/recycling provision? We are trying to understand the “dry powder” for new investments under the new manager. Also, should we assume the reinvestment for each program stays in that program (other than the Series A funds program which appears to be recycling into the Series B program)? Should we assume there is no additional capital for venture capital partnership investments?

Answer: Please see page 7 of the RFP document: “In accordance with the structure of FOF as an evergreen fund, proceeds realized from investments with respect to the above Investment Programs are recycled and used for making new investments.”

Further, please also see the FOF Bylaws, page 305 of the RFP document: “Section 1. Investment Returns. Investment Returns of the Fund shall be deemed to accrue to the State of Florida, but shall be reinvested by the Fund in order to provide additional venture capital investments designed to result in a significant potential to create new businesses and jobs in Florida and to further diversify the economy of Florida.”

Additionally, please see page 56 of the RFP document (CEIP Grant Agreement, paragraph 4.A.): “The term Program Capital ... shall include Program Returns, net of Program fees and costs.” (Also at page 153 of the RFP document). Program Returns is defined on page 57, in paragraph 4B, as, “Returns of capital, income, gains distributions or other revenue from Program activity, net of Success Fees”

Further, please see page 242 of the RFP Document (Florida DEO/EFI SSBCI Funding Agreement): “[FLVCP] Funds’ includes: i) the Allocation; ii) any Return of Capital, as defined herein; iii) any recycled funds; iv) any return of recycled funds, and v) any interest generated on any of items i)-iv) of this Section and not obligated to any investment or loan.”

For additional information, please see the FOF Annual Report and the General Answer Regarding the Existing Portfolio, below.

Question It appears most of the funding through the FOF has already been committed, is any additional funding expected beyond the opportunity to reinvest net proceeds from historical investments?

Answer: Regarding “It appears most of the funding through the FOF has already been committed,” please see the FOF Annual Report as well as the General Answer Regarding the Existing Portfolio, below.

No additional FOF funding is committed at this time beyond return of capital/proceeds realized from investments.

Question Do you see additional funds coming into FOF? Is there any forecasted timing for additional funds?

Answer: No additional FOF funding is committed at this time beyond return of capital/proceeds realized from investments.

QUESTIONS REGARDING FOF CAPITAL & AVAILABILITY (cont.)

Question Is the state absolutely committed to making all the net proceeds of investment from the FOF available for reinvestment through the Series B program?

Answer: Please see page 7 of the RFP: “This [Series B] Program is funded by the net investment returns received by FOF from the Fund of Funds Program.” Additionally, see pages 8 and 9 of the RFP for further description of the Series B Program.

Additionally, please also see the FOF Bylaws, page 305 of the RFP document: “Section 1. Investment Returns. Investment Returns of the Fund shall be deemed to accrue to the State of Florida, but shall be reinvested by the Fund in order to provide additional venture capital investments designed to result in a significant potential to create new businesses and jobs in Florida and to further diversify the economy of Florida.”

QUESTIONS REGARDING THE EXISTING PORTFOLIO

General Answer Regarding the Existing Portfolio:

The FOF Annual Report for Fiscal Year Ending June 30, 2021, reposted here in conjunction with the RFP, includes company and fund information as well as audited financials. For purposes of the RFP, please assume, given realistic outlook of current commitments, fees, expenses, etc., approximately \$45 million currently available for investment. FOF declines to respond beyond these statements because such information is confidential and not necessary to respond to the solicitation.

Question Assuming the selected manager would assume management of the existing portfolio in the 4 programs, is there any detail (including current cost and NAV) that can be provided on the current portfolio of companies and funds, and also the amount of cash/liquidity available for new investment currently?

Answer: *Please see page 10 of the RFP regarding the Selected Investment Manager's management of the existing portfolio:*

"FOF is seeking proposals from qualified investment managers to provide investment management services to FOF with respect to its existing and future investments." In addition, please see the FOF Annual Report and General Answer Regarding the Existing Portfolio, above.

Question On the FLVCP program, it wasn't clear to us how the \$3.4m "available for investment" amount was derived given that it was a \$41.9m program and \$20m (of \$30.38m committed) has been funded?

Answer: *Please see the FOF Annual Report and General Answer Regarding the Existing Portfolio, above. Additionally, please note that Program Funding pays expenses, fees, etc.*

Question Is it possible to get a copy of the existing holdings to better understand the current portfolio and the ongoing portfolio management required?

Answer: *Please see the FOF Annual Report and General Answer Regarding the Existing Portfolio, above.*

Question Can the Fund provide any further information on the various portfolio company investments? In particular, the types of investments, i.e., debt, equity or hybrids?

Answer: *Please see the FOF Annual Report and General Answer Regarding the Existing Portfolio, above.*

Question Also, can the Fund disclose the particulars of the portfolio companies, either by name, or at least by description of industry, stage of the company, etc.?

Answer: *Please see the FOF Annual Report and General Answer Regarding the Existing Portfolio, above.*

QUESTIONS REGARDING PROPOSAL DETAILS

Question On page 20, under Section VII: Factor 1, the second paragraph in the section states: "For each subsection, please include in your answer a description of your nexus to Florida, including number of investments, capital under management, capital raised, sources of capital, number of companies invested in, and track record." Please confirm that for each 'subsection' meaning sections A-E, the respondent must add the response to the above paragraph to that subsection before answering each subsection question.

Answer: Confirmed. To the extent that answers vary between overall portfolio and Florida-specific portfolio, please address Florida details in each subsection.

Question The RFP asks for three references we believe are similar in size, scope, and complexity to the services being solicited. Should we only include references from other state sponsored venture capital programs similar to FOF? If you'd like references beyond other state sponsored programs, would you prefer references from financial institutions, government, or the Florida technology ecosystem.

Answer: Please select references at your discretion.

Question To clarify (Section 6A, pg 26): Is the effective date the beginning of the Manager contract? And assuming so, would carried interest be paid on existing investments from the effective date forward until their exit on the appreciated value in excess of the effective date value?

Answer: The negotiated contract with the Selected Investment Manager will specify the "effective date." Factor 6.A. only precludes carried interest on appreciation through the effective date. The proposal should address payment of carry outside of that parameter.

QUESTIONS REGARDING PROPOSAL SUBMISSION

Question How will [Respondents] be notified that the Florida Opportunity Fund has received [their] submission?

Answer: *Via email to the point of contact designated on the Cover Letter.*

Question Will someone be present to sign for the [] submission[s]? If so, will this person be there on Saturday, February 12 and Sunday, February 13? If there will not be someone present to accept submission, can the document still be delivered and accepted on Saturday, February 12 or Sunday, February 13?

Answer: *Signature delivery can be accepted on weekdays only, including Monday, February 14, 2022. Postal service mail only is delivered on Saturdays, Sundays, and holidays.*

Question Confirming that the electronic submission is one redacted copy of [Respondents'] responses. There will not be two electronic copies: one redacted electronic copy and a separate electronic copy that does not include redactions.

Answer: *The USB thumb drive shall contain a complete copy of the proposal IN ADDITION TO one PDF document clearly identified as "Redacted Version Suitable for Public Release." Two copies on the thumb drive, one redacted and one complete.*