



TNInvestco Application Instructions

If you are interested in submitting an application to become a TNInvestco, please review the Tennessee Small Business Investment Company Credit Act-Public Chapter 610. The Act is available from the Tennessee General Assembly and may also be found on the website maintained by the Department of Economic and Community Development (ECD) at <http://www.tnecd.gov/>.

Purpose: The Tennessee Small Business Investment Company Credit Act is an economic development initiative to stimulate seed and early stage investments in high-growth businesses that could potentially deliver transformational economic development benefits to the state.

Definition: “TNInvestco” means a partnership, corporation, trust, or limited liability company, whether organized on a for-profit or not-for-profit basis that completes the application process in Section 5 and that is certified by the department of economic and community development as meeting the established criteria.

Instructions for the TNInvestco Application

The application for the TNInvestco program consists of two parts, both of which must be submitted no later than the close of business on **October 1, 2009**:

- 1) the certification of an organization as a TNInvestco, and
- 2) the application for a TNInvestco to receive an allocation of tax credits.

Part 1 is intended to be turned in prior to Part 2 in order to certify the applicant as a TNInvestco by the State of Tennessee. Within 30 days of turning in Part 1 of the application, ECD shall issue in writing the certification as a TNInvestco or refuse the certification and communicate in detail to the applicant the grounds for refusal, including suggestions for the removal of such grounds.

ECD and the Tennessee Department of Revenue, in consultation with the Tennessee Technology Department Corporation, will award the allocations of tax credits to TNInvestcos in \$20 million credit allocations no later than **December 31, 2009**. The TNInvestcos receiving the tax credit allocations will be the applicants judged to provide the most credible transformational economic development value proposition to the state through a strategy of investing in Tennessee-based seed and early stage small businesses with high growth potential.

Part 1 Instructions:

- Complete Part 1: TNInvestco certification form and submit three copies to the Department of Economic and Community Development.
- Pay a nonrefundable application fee \$7,500 to the “State of Tennessee” at the time of filing the application.

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- Submit as part of its application an audited balance sheet that contains an unqualified opinion of an independent certified public accountant issued not more than 60 days before the application date that states that the applicant has an equity capitalization of \$500,000 or more in the form of unencumbered cash, marketable securities, or other liquid asset.

Part 2 Instructions:

- Complete Part 2: Application for TNInvestco to receive tax credit allocation form and submit three copies to the Department of Economic and Community Development by **October 1, 2009**.
- Completely answer all questions and provide all supporting documentation as required. If a particular area is not applicable, please so indicate and provide a full explanation.
- Additional information may be provided beyond that requested in this application that, in the applicant's opinion, may assist the State of Tennessee in the review of the application.

Qualifications for a TNInvestco to be awarded investment tax credits will depend on the following criteria:

- The entity must be a for-profit or nonprofit partnership, corporation, trust, or limited liability company.
- The entity must have at least two investment managers with at least five years of investment experience.
- The entity must have been based, as defined by having a principal office, in Tennessee for at least five years or have at least five years of experience in investing primarily in Tennessee domiciled companies.
- The applicant's proposed investment strategy for achieving transformational economic development outcomes through focused investments of capital in seed or early stage companies with high-growth potential.
- The entity must have a demonstrated ability to lead investment rounds, advise and mentor entrepreneurs, and facilitate follow-on investments.

For more information on the TNInvestco program please contact:

Caleb Hemmer
Department of Economic and Community Development
615-532-5821
caleb.hemmer@tn.gov

Glen Page
Department of Revenue
615-741-2461
glen.page@tn.gov

Please mail all TNInvestco applications and related materials to:

State of Tennessee
Department of Economic and Community Development
Attn: Caleb Hemmer
312 Rosa L. Parks Ave., 11th Floor
Nashville, TN 37243



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Instructions: Please copy the questions below from the application into a Microsoft Word document to answer your questions fully and then when you are ready to submit, print three copies and mail them to the Department of Economic and Community Development.

Part 1: TNInvestco certification -

1. Name of organization applying for certification as a TNInvestco:

2. Names of individuals and/or organizations that own or will own more than 5% of the shares or rights to future ownership or profit-sharing interests of the applicant organization:

3. Organizational structure (partnership, corporation, trust, limited liability company, etc., and for-profit or non-profit basis). Also, include your Federal Employee Identification Number(EIN):

4. Equity capitalization on application date (minimum of \$500,000 required):

5. Required submissions:
 - a. Audited balance sheet containing an unqualified opinion issued within 60 days of application date.
 - b. Nonrefundable application fee of \$7,500.00 payable to the "State of Tennessee".



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Part II: Application for TNInvestco to receive tax credit allocation

1. Name of TNInvestco:

2. Number of tax credit allocations requested (1 or 2):

3. Names of the individuals and/or organizations that own or will own more than 5% of the shares or rights to future ownership or profit-sharing interests of the TNInvestco:

Name	Estimated share of management fees or other qualified distributions	Estimated profit share percentage (+/- 5%) after required 50% distribution to the state

4. Sources of investment capital equal to or greater than the “base investment amount” of \$14,000,000 for a single allocation or \$28,000,000 for a double allocation:
 - a. Describe the applicant’s process for securing commitments from “participating investors” – insurance companies that pay the state gross premiums tax pursuant to §56-4-205 (disclosure of the names of participating investors is not required at this time):



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- b. Disclose the amount of additional capital contributions and/or commitments from other individuals and/or organizations to contribute capital to the TNInvestco to ensure that the minimum base investment amount is available in cash or cash equivalents within 30 days of receiving an allocation of tax credits:

- 5. Amount of costs and expenses of forming, syndicating, and organizing the qualified TNInvestco, including fees paid for professional services, for which a qualified distribution will be made (such costs shall not exceed \$125,000):

- 6. Names of the TNInvestco investment managers:

Name	Location of residence and date established	Years of experience investing primarily in Tennessee domiciled companies

*NOTE: Each TNInvestco investment manager is required to complete a "TNInvestco Background Authorization Consent Form."

Please provide detailed bios and/or resumes of the TNInvestco investment managers listed above.

- 7. Describe the TNInvestco's process for making investment decisions, including the rights or requirements of individual investment managers, investment committees and/or TNInvestco capital contributors to authorize or approve disbursements to TNInvestco investees:



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8. Describe in sufficient detail the TNInvestco's proposed investment strategy for achieving transformational economic development outcomes through focused investments of capital in seed or early stage companies with high-growth potential:
 - a. General description of investment strategy:
 - b. Estimated percentage of base investment amount that would be invested in the equity of seed and early stage businesses in accordance with the proposed investment strategy:
 - c. Estimated percentage of base investment amount that would be invested in collateralized loans or other low-risk investment transactions with established or profitable businesses in accordance with the proposed investment strategy:
 - d. Process(es) TNInvestco will utilize to identify seed or early stage companies with high-growth potential in accordance with the proposed investment strategy:
 - e. Industry segments in which TNInvestco will access specialized expertise in order to source investment opportunities in accordance with the proposed investment strategy:
9. Describe in sufficient detail the TNInvestco's ability to lead investment rounds, advise and mentor entrepreneurs, and facilitate follow-on investments.



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TNInvestco Background Authorization Consent Form

Authorization to Investigate

I understand that my signature below grants the state of Tennessee permission to conduct a background check. I also understand that the State may request additional information from me to conduct a background check and information included in this background check may preclude my participation in the TNInvestco program.

Name of Organization Applying as a TNInvestco Applicant

Your Employer Name-Title

Name:

(Last, First, Middle)

Other Names Used:

Race: _____ Sex: _____ Date of Birth: _____ State of Birth: _____

Social Security Number: _____

Current Home Address:
Street: _____

City: _____ State: _____ Zip: _____

*Also, please state any previous home addresses for the past three years.

Have you ever been convicted of a felony crime, securities law violation, or fraud? _____

If the answer was yes, please explain on an attached piece of paper.

Signature

Date