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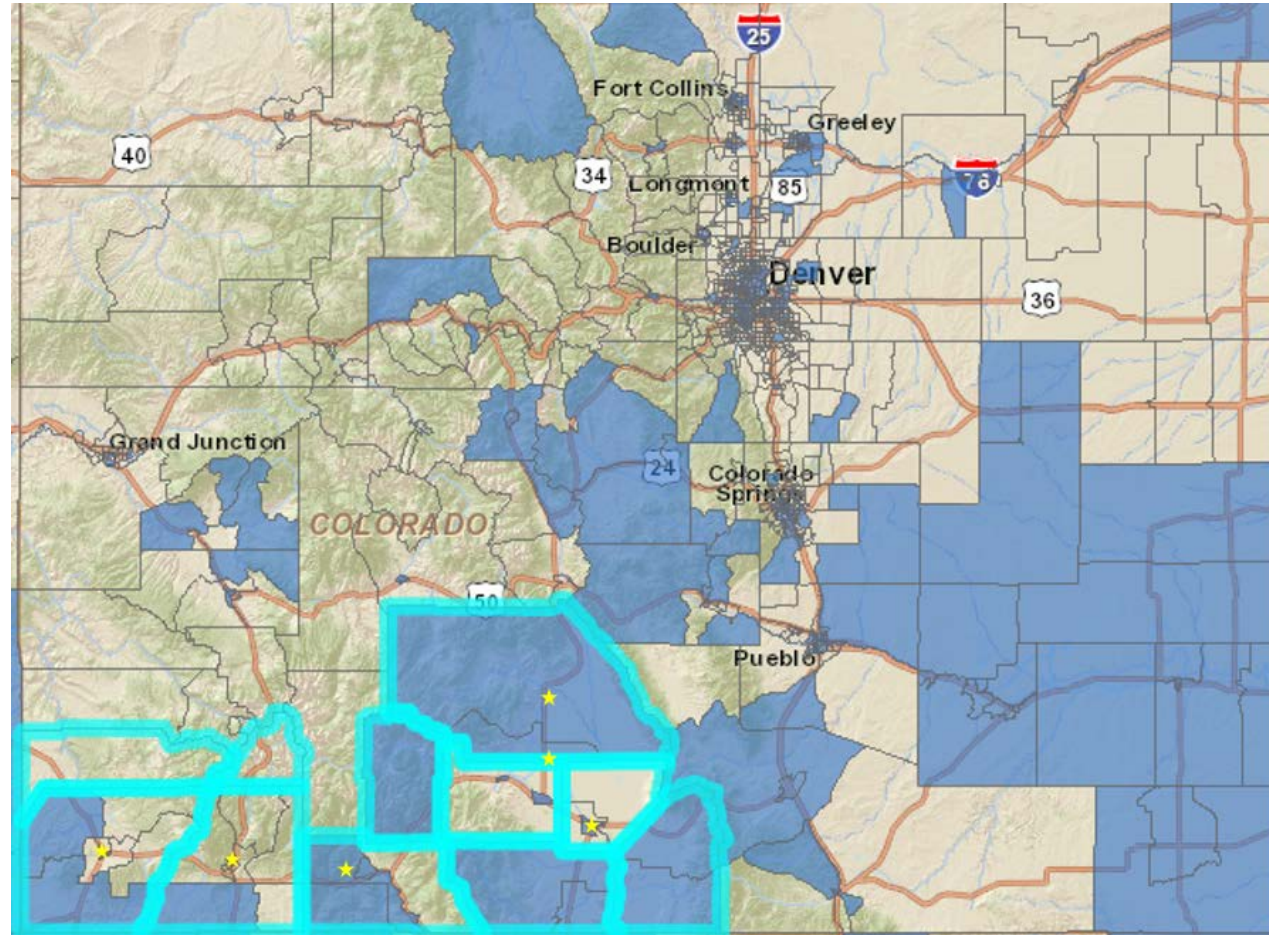
# 1st SouthWest Bank

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*We Can Help You Get There™*

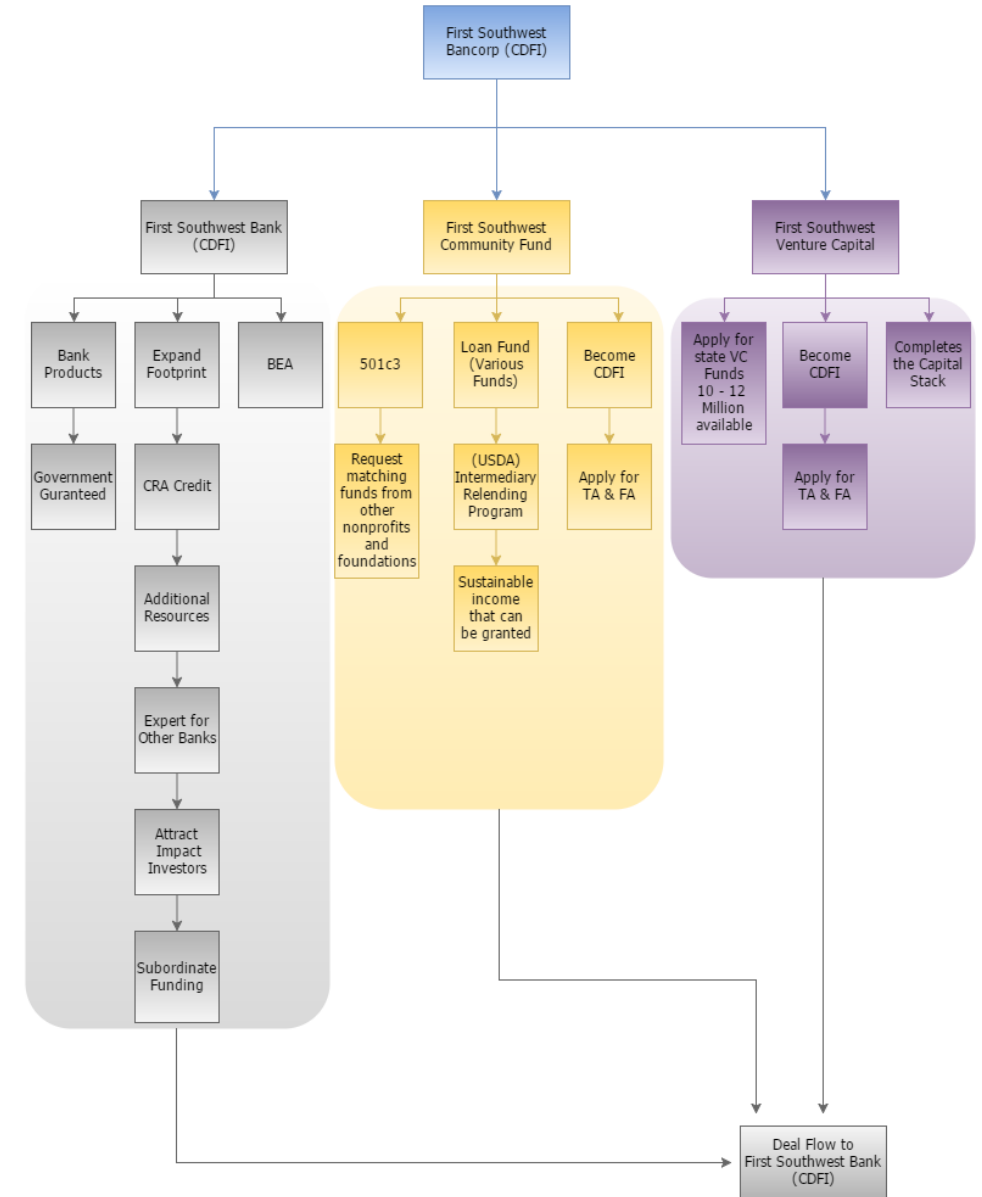


# Our Footprint



# Our Structure

- Both holding company (First Southwest Bancorp) and First Southwest Bank are CDFIs.
- First Southwest Community Fund, a 501c3 affiliate of First Southwest Bank, will apply to become a CDFI once it is fully established.
- The State has held discussions with us about creating another affiliate, First Southwest Venture Capital.



# Rural Venture Capital: 1<sup>st</sup> RFP

- In 2006, the Legislature set aside money to create a statewide venture capital fund.
- A RFP announced \$20 million was to be used in metro areas, \$5 million in rural areas.
- A bidder with VC experience secured the money and disseminated the \$20 million but was unable to find investments for the rural money.
- The bidder asked for my assistance in finding rural investment opportunities, which proved to be difficult.



# Rural Venture Capital: 2<sup>nd</sup> RFP

- In 2015, the Legislature in conjunction with the state VC Authority Board authorized the second round of funding.
- This time they announced two separate funds – a \$20 million fund for metro areas, a \$10 million fund for rural areas.
- We were sent the RFP but declined to pursue based on our lack of VC experience.
- Shortly thereafter, we were notified there were no qualified applicants for the rural money.



# Rural Venture Capital: 3<sup>rd</sup> RFP

- Because of our CDFI Designation we were able to open conversations.
- Two components needed to manage the fund: statewide rural deal flow (which we have) and venture capital (which we didn't have).
- Connected with Community Development Venture Capital Alliance to form a partnership – we bring the dealflow, they bring the experience.
- RFP is expected to be released in 2016 Q4, in the meantime we are creating the necessary systems.





# First Southwest Venture Capital (*Proposed*)

- Will form a **strategic partnership** with Community Development Venture Capital Alliance, <http://cdvca.org/>.
- Will fully **develop deal flow (network) state wide** to garner deals in rural Colorado counties.
- Will **build the business advisor network**, through personal contacts, SBDC, BLFs, incubator / accelerator programs, and other rural Colorado banks.
- Will **become a CDFI**, and will have access to Technical and Financial Assistance Awards.
- **Completes the Capital Stack.**
- Allows us to further **enhance rural Colorado** by lending expertise, advice and mentoring while creating startups that can become economic drivers.



# Community Development Venture Capital Alliance (CDVCA)

The national association of developmental venture funds, focused on improving access to capital, employment, entrepreneurship and wealth creation in underserved markets.

- Leadership in public-private impact funds for economic growth
  - Advance the use of LP fund structure for economically targeted investing
  - Best-practices portfolio strategies for achieving “returns with a purpose”
  - \$96 million in assets currently under management
- Mission, experience and accountability
  - Mission-driven fund manager with national experience
  - Certified Community Development Financial Institution
  - Transparent, non-profit structure with strong US Treasury, state-level credibility
  - Alignment of objectives and investment oversight with public LPs
  - Manager capacity building and policy advocacy / research





# Goal of Partnership

Double bottom line, economically targeted investment for Colorado.

Financial Goal:

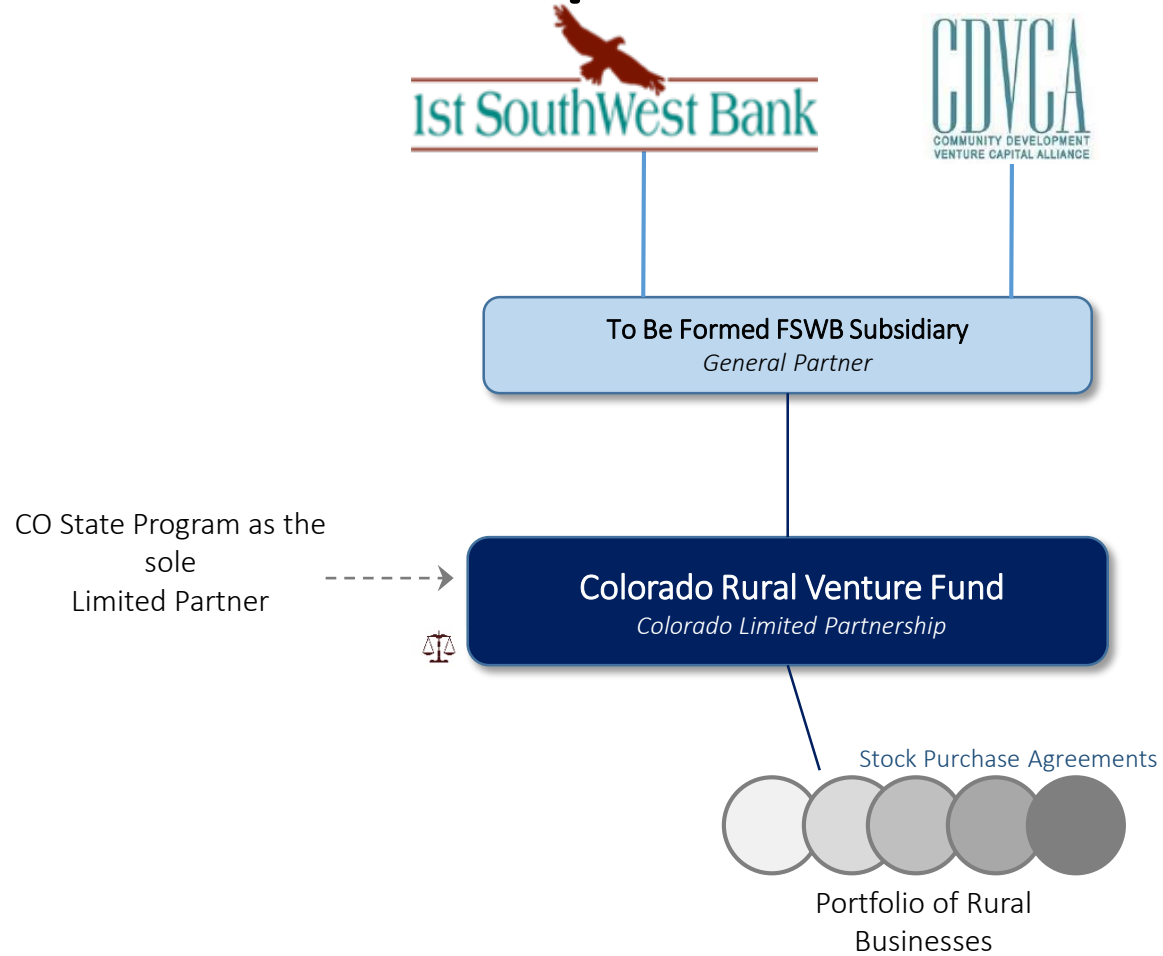
- Market rate returns that meet the allocation requirement of the State agency

Economic Development Objectives for Colorado:

- Address lack of growth capital in rural economies
- Promote business creation and growth, as well as local ventures with urban businesses
- Catalyze additional private sector investment in rural Colorado businesses
- Create and maintain jobs in rural counties across the state
- Increase the tax base
- Establish deeper venture management capacity within FSWB



# Structure of Partnership



# Recognizing Deals

- In 2002, I gave a \$100,000 loan to a small start up (4 employees) that processed credit cards in a nanosecond.
- A year later they needed one million, with accounts receivable from restaurants around the country as collateral. I was unable to provide this, they sought private equity.
- In 2014, the business sold for \$1.5 billion.





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