

Subject	2023 SEDI NOI Questions and Responses
Tags	Question and Answer Period, Legal Review, Frequently Asked Questions, Federal Compliance, State Compliance, Reporting, SSBCI, Program Development

Summary

The purpose of this document is to accumulate and memorialize questions gathered in response to the notice of investment opportunity (“NOI” or “Notice”) for the Socially & Economically Disadvantaged Individuals (“SEDI”) Seed Fund. Questions to this notice had to be submitted in writing via e-mail. **NO FURTHER QUESTIONS ARE ALLOWED AT THIS TIME.**

PLEASE NOTE: THIS VERSION IS REPOSTED ON 3/7/2023. IT SUPERSEDES THE VERSION POSTED ON 3/3/2023. THE ONLY CHANGE IS THAT THE RESPONSE TO QUESTION #2 HAS BEEN REVISED.

When relevant throughout this document, responses referencing the SSBCI Capital Program Policy Guidelines (CPPG or guidelines) refer to the December 15, 2022, update available here:

<https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf>.

Questions – SEDI

#	Date	Question	NJEDA Response
1	2/21/23	Are there any restrictions with applying for this program, if a fund has already been approved for funding through another program (i.e. Venture Program)?	The Authority is seeking fund manager(s) through this Notice. A fund manager that has been approved to participate in another Authority program is not precluded from submitting a response to this Notice. Note that the submissions by interested fund managers are not applications, as this Notice is not advertising for applications for an Authority financial assistance program. Rather, the Notice seeks responses by firms to manage an Authority investment. See the answer to question #3 below for the remaining answer.
2	2/21/23	If an existing fund may be eligible to receive this funding, is it an issue if they have already received investments from other states SSBCI pool?	As described in the SSBCI Capital Program Policy Guidelines, “Jurisdiction-sponsored equity/venture capital programs may participate in multi-jurisdiction fund structures. Multi-jurisdiction funds are funds that can receive SSBCI capital from multiple jurisdictions or invest in ventures across multiple jurisdictions. In these arrangements, each jurisdiction must have a separate agreement with the fund manager.” As indicated in the NOI the fund manager(s) may also implement the use of a side-car structure (fund of one) to achieve the 1:1 match. A minimum of 90% of the investments must be in companies with a New Jersey location.
3	2/21/23	Does this program have to be a separate stand-alone fund, or is an existing fund that aligns with the focus and criteria of the SSBCI Seed Fund eligible to receive funding?	The “cause and result” requirement will be met by the selected fund manager(s) <u>raising</u> or <u>matching</u> private capital of at least 1:1 at the fund level. The Fund’s ability to invest is conditional upon the Fund first meeting or exceeding the 1:1 private financing ratio. SSBCI capital must be either (1) held in a separate fund and separately accounted for, or (2) held in a fund with other investors’ funds, with each investor’s

			<p>investment accounted for separately. The selected manager(s) must be able to record, with a written, detailed report, each investment transaction that received SSBCI funds, in part or in whole. The manager(s) may implement the use of a side-car structure (fund of one).</p> <p>However, per SSBCI CPPG, fund managers may not combine financing from private tax credit-supported entities (i.e., entities that are funded through the sale of tax credits they received from a State) and SSBCI-supported programs for the same business purpose, or within the same investment. Respondents will be required to attest that private capital is not from financing provided by tax-credit supported vehicles, such as funds capitalized by the sale of State tax credits.</p>
4	2/21/23	If an existing fund may be eligible to receive this funding, is it an issue if they have already made investments?	<p>Per SSBCI CPPG, a private investment that occurs prior to the SSBCI investment may count towards the jurisdiction's 1:1 financing ratio when a jurisdiction can document that the forthcoming SSBCI funds were the "cause and result" of the private investment.</p> <p>As stated in the SSBCI Capital Program Policy Guidelines, "an independent non-profit or for-profit entity managing or investing SSBCI funds for an SSBCI equity/venture capital program is not precluded from authorizing follow-on investments using SSBCI funds in a company or venture capital fund in which the entity previously invested SSBCI funds or the entity has previously appointed a representative to serve on the board of directors in stewardship of the investment."</p> <p>See the answer to question #3 above for the remaining answer.</p>
5	2/21/23	Will the investment be made in tranches or one time investment?	<p>With regard to the Authority's investment of SSBCI funds, NJEDA commits to a Fund or side car vehicle. NJEDA's commitment will be funded upon NJEDA's receipt of SSBCI funds, which will be provided in three tranches subject to availability of funds, and compliance with reporting requirements. NJEDA's commitment will be disbursed to a Fund or side car vehicle through capital calls administered by the fund or side car manager.</p> <p>As for any investment by the Fund made with SSBCI funds, the selected manager(s) shall be responsible to comply with the required guidelines for an investment to be made with funds co-mingled with the SSBCI allocation. The selected manager(s) must ascertain that their intended investment will be the first SSBCI investment into the prospective firm (including verification documentation). The prospective business must also be raising a capital round that meets the "early-stage" designation (typically rounds "pre-seed" to "Series A"), with a target round of \$5 million or less. No investments may be made in capital rounds with total round size of \$20 million or more.</p> <p>Multiple investment transactions into a specific company, such as follow-on investments, are permissible, provided that funds into any one transaction will not surpass \$20 million.</p>

			The Authority will require a certification from the selected manager(s) on the use of funds and prohibited use of funds before funding any and all capital calls. The selected manager(s) must specify that the intended use of called capital is compliant with use of funds and reporting requirements. In the event of non-compliance, NJEDA may not fulfill capital call funding for the transaction.
6	2/21/23	Can we apply to all RFPs (Black & Latino Fund, Blended Fund, etc)?	<p>The documents issued by the Authority are not Requests for Proposals. These are not procurements for services. Rather, these are notices informing the public of investments that the Authority seeks to make and a request for responses from any fund managers interested in managing the Authority's investments.</p> <p>Respondents are not prohibited from submitting responses to more than one Notice.</p>
7	2/21/23	Do we need to have a formal New Jersey presence to obtain funding through this opportunity?	<p>The selected fund manager(s) must convene in-person office hours or engagements in New Jersey on a regular basis. If the interested fund manager(s) does/do not currently have an office in the State, the manager(s) may operate at a remote or satellite in-State office, co-working facility or establish a permanent facility.</p> <p>The office location must be provided to the Authority before closing and evidence must be presented to verify the active and in person sourcing efforts in New Jersey.</p> <p>Respondents must secure a NJ tax clearance certificate, which first requires a NJ Business Registration Certificate. Pursuant to N.J.S.A. 52:32-44, all contractors and subcontractors must provide a Business Registration Certificate from the Division of Revenue in the Department of the Treasury. This may be obtained by visiting: https://www.state.nj.us/treasury/taxation/busasst.shtml.</p>
8	2/21/23	Can we set the vehicle up as a sidecar vehicle as an overall structure so that we have a specific NJ presence?	See the answer to question #3 above.
9	2/21/23	What does the decision-making process look like? Who is on the review committee?	<p>Submissions will be evaluated by a cross-organizational Evaluation Committee composed of the Authority's staff and management, to evaluate, score, and rank submissions. Scores will be averaged to determine an overall score for each submission.</p> <p>Criteria are included in the Notice of Investment Opportunity. Any submission that does not meet the minimum score of 10 in total will not be scored and ranked. Achieving a score of 10 or above does not guarantee selection. Each criterion is equally weighted. Specific questions to be answered that pertain to each criterion are in Appendix A.</p>
10	2/21/23	Can our non-profit ecosystem-building activities and emerging manager institute be a part of this application process?	Yes, the fund manager(s) must identify the services to be provided to portfolio companies and annually certify these services were provided. The fund manager(s) shall also submit quarterly reporting with all transaction detail to NJEDA. The fund manager(s) shall submit reports related to the direct and indirect administrative costs including, but are not limited

			<p>to: management fees, performance fees/carried interests, transactional and operational costs (i.e., organizational expenses, investment expenses, service provider expenses, insurance expenses, investment advisory committee expenses, regulatory expenses, tax expenses, fund termination expenses), extraordinary expenses (e.g., litigation expenses), borrowing costs/cost of capital, equalization payments, and placement agent fees.</p> <p>Respondents should consider the evaluation framework included in the notice for investment opportunity which includes, among other factors, management fees, incentives and ability to serve as a strategic partner to the NJEDA.</p> <p>Also, the submissions by interested fund managers are not applications, as this Notice is not advertising for applications for an Authority financial assistance program. Rather, the Notice seeks responses by firms to manage an Authority investment.</p>
11	2/21/23	How will NJEDA consider joint proposals?	<p>Joint proposals may be considered. Any named entity in the joint proposal will need to satisfy all the criteria of the Notice, including, but not limited to the SSBCI requirements, and will need to be legally responsible to meet all the obligations required by the Authority. NJEDA seeks submissions from venture capital managers that have demonstrated competency, capacity, and skill in managing early-stage investment strategies into start-up and early-stage companies in New Jersey (“NJ” or “State”), to receive an investment from a public institution and manage a possible SEDI Seed Fund (the “Fund”) for investment into SEDI businesses.</p> <p>Submissions will be evaluated by a cross-organizational Evaluation Committee composed of the Authority’s staff and management, to evaluate, score, and rank submissions. Scores will be averaged to determine an overall score for each submission.</p> <p>Criteria are included in the Notice of Investment Opportunity. Any submission that does not meet the minimum score of 10 in total will not be scored and ranked. Achieving a score of 10 or above does not guarantee selection. Each criterion is equally weighted. Specific questions to be answered that pertain to each criterion are in Appendix A.</p>