

## APPENDIX A

### DUE DILIGENCE QUESTIONNAIRE

Respondents to this notice are required to submit detailed responses to these questions as applicable, which give insight into the prospective managers' structure and policies. If not applicable, mark it "N/A"

#### 1.0 Respondent Firm: General Information

- 1.1. Provide a brief overview of respondent, including information on the founding, subsequent history and information on any predecessor firm and/or parent firm.
- 1.2. Provide the address for all office locations of respondent. Describe the potential plans for any expected office location changes during the life of the Fund.
- 1.3. Provide an overview (including chart) of the ownership structure of respondent, its relevant investment advisors, and any parent organization. Include details on the timing and rationale for each significant ownership change. Include percentage ownership, ownership vesting schedules, and any changes in ownership over the last 10 years as well as any future anticipated ownership changes and vesting schedules.
- 1.4. Provide brief bios for each member of respondent. Indicate any involvement by members of the management team in any community or business organizations active in New Jersey as well as any SSBCI personnel or professional connections.
- 1.5. Provide an overview (including chart) of the management/organizational structure of respondent, including back-office personnel. Discuss respondent's succession plans.
- 1.6. Provide an overview of all investing, advisory or other business activities performed by respondent. If respondent entered into any joint ventures with another manager, describe the structure, governance and economics of the relationship. Has respondent participated in side-car structures? If so, please describe.
- 1.7. Describe any additional outside activities (non-profit, academic, etc.) of respondent or its Principals, as named in the respondent's organizational documents, that are expected to take-up a significant (approx.  $\geq 20\%$ ) amount of time during the investment period of the Fund. Include the associated time commitments for each activity.

#### 2.0 Respondent Firm: Diversity and Inclusion

- 2.1. Detail respondent's formal Diversity and Inclusion policy or initiative. Has the Firm been successful in implementing its D&I policies? Please be thorough in your assessment.
- 2.2. Does respondent have a senior executive appointed to ensure the policy is executed?
- 2.3. Describe the development/implementation of and/or any significant changes to respondent's Diversity and Inclusion policy and Code of Conduct since the closing of respondent's most recent prior fund (or the inception of the firm if raising your first fund).
- 2.4. Detail respondent's Code of Conduct that covers harassment, discrimination and/or workplace violence.
- 2.5. Indicate if respondent would require such a Code of Conduct for the Fund's portfolio companies.

- 2.6. Does respondent have a formal underwriting procedure to evaluate diversity in prospective businesses it is considering for investment? If “yes,” what metrics does respondent consider relevant?
- 2.7. Have there been any claims of sexual or general harassment, misconduct or discrimination against any current or former respondent employees (while employed by respondent) within the last 5 years? Please explain.
- 2.8. Does respondent track the gender composition of employees taking family leave benefits? If ‘yes’, provide a summary of employees that have taken family leave in the last three years.
- 2.9. For investments made by respondent during the last five years, what is the average percentage of board members identifying as female per company? Average percentage of board members identifying as minorities? Data should be as-of the earlier of the most recent quarter-end or the date the investment was exited. Only include investments in which respondent held a majority interest (either directly or through “club deals”). SSBCI data definition identifies ethnic minorities as the following: Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and Sub Continent Asian American.
- 2.10. Does respondent have formal mentorship program for minorities and/or women?
- 2.11. Does respondent work with organizations that promote the attraction and retention of women and minorities within private equity? If “yes”, provide a list of these organizations, as well as any additional programs you have embraced.

### **3.0 Respondent Fund: General Information**

- 3.1. Provide the legal and tax structure (or proposed legal and tax structure) of the Fund (including chart). Describe any distinctive features.
- 3.2. Detail the respondent’s ability and capability in attracting additional capital to the Fund. List any current investor (Limited Partners) relationships (if available, the names and contact details) that you are confident could commit capital to the Fund. Have they invested in any previous funds managed by the respondent?
- 3.3. In your efforts to attract additional capital to the Fund, will unregistered placement agents (i.e. (a) not affiliated with a FINRA member broker-dealer, or (b) not registered as a municipal advisor with the SEC and the MSRB), be prohibited from assisting in the fundraising process?
- 3.4. State the respondent’s policy (or proposed policy) regarding co-investments or side-car agreements with other funds, agencies, allocators, other affiliates and/or limited partners. How will these co-investment or side-car opportunities be allocated? If applicable, provide examples of past co-investments and/or side-car opportunities.
- 3.5. State the respondent’s ability and intent to borrow capital, as well as any limits on borrowing capacity at the fund. Is the Fund prohibited from holding leverage on its balance sheet?

### **4.0 Proposed Fund Investment Strategy**

- 4.1. Summarize the respondent’s proposed investment strategy and types of transactions the Fund will pursue. Include details on anticipated transaction sizes (including minimum/maximum), investment pace, holding periods, industry/sector focus, investment stage and other relevant characteristics).

- 4.2. Indicate the Fund size needed to achieve critical mass to effectuate the targeted strategy as delineated by the respondent. Discuss the respondent's ability to invest at the Fund's targeted size. Also address the impact on co-investing with Limited Partners and non-Limited Partners.
- 4.3. Provide detail on the respondent's proposed diversification strategy in terms of number of investments and sector allocations.
- 4.4. Describe the background and evolution of the respondent's investment strategy, including strategies that may not apply to this Fund. Discuss how the Fund's investment strategy compares to the respondent's previous (if applicable) and current fund.
- 4.5. Describe respondent's competitive advantages and discuss how the respondent attempts to produce replicable returns.
- 4.6. Describe respondent's proposal for how the Fund will invest the capital in NJ-based, Life Science/ Healthcare companies. What percentage of respondent's current portfolio companies are located in NJ? What percentage of current portfolio companies are Life Science/ Healthcare companies?
- 4.7. Describe the Life Science/ Healthcare company venture capital market in NJ and provide an overview of current opportunities. Discuss respondent's experience investing in Life Science/ Healthcare companies.
- 4.8. Describe the respondent's proposal for the Fund's investment structures. What will be the typical equity structures used by the Fund? Discuss the use of leverage at the portfolio company level and state the targeted leverage levels (%) of a typical investment. Discuss the effectiveness of the Fund's expected strategy if leverage is not applied.
- 4.9. Describe respondent's preference for being a control, minority, joint or sole investor. Detail this preference historically. What controls and rights does respondent seek when executing investments? If predominately a control investor, under what scenarios would respondent consider a non-control position (and vice-versa)?
- 4.10. Describe any proposed Fund investment limitations (e.g. % of fund in a single company, geography, security type, company stage, etc).
- 4.11. Describe and list the Fund's direct competitors.
- 4.12. Discuss the risk factors of respondent's proposed Fund investment strategy (e.g. political risk, economic, financial, geographic, technology, business cycle, etc.) and the steps taken to mitigate these risks.
- 4.13. Discuss respondent's approach to working with existing or new management teams at portfolio companies. Describe (citing examples) the strategies that are used to incentivize portfolio company management teams. Discuss the services the respondent proposes that the Fund provide portfolio companies.
- 4.14. Discuss respondent's strategic strengths used to create value for its portfolio companies (i.e. restructuring, strategic (re)positioning, leveraging, structural improvements – marketing, finance, operations, etc.). Discuss how respondent's strengths in creating value for investments impact its sourcing capabilities. Provide case studies to illustrate respondent's value creation capabilities, if possible.

4.15. What is respondent's proposed return-profile threshold (gross IRR, money multiples, etc.) for targeted investments? What is the respondent's proposed holding period?

4.16. What are possible drivers that could lead to investing more or less capital in NJ-based investments?

## **5.0 Respondent Investment Process**

5.1. Describe the respondent's deal sourcing capabilities and the process used to identify attractive investment opportunities. How is the sourcing process staffed, conducted and documented? What criteria are used to assess an investment's attractiveness? Is the process documented?

5.2. Describe the respondent's screening and due diligence processes. How is each process staffed, conducted and documented? How long is the due diligence process?

5.3. Describe any functions performed by third parties in the sourcing, screening and due diligence processes. Describe the respondent's decision-making process for determining if a third party is used/not used. If any third parties have already been identified, describe their qualifications and experience.

5.4. Provide details on the respondent's internal decision-making and approval process, including details on the role, composition and function of the respondent's Investment Committee.

5.5. Discuss the respondent's approach to the valuation of investment opportunities and pricing discipline.

5.6. Discuss the respondent's portfolio investment monitoring policy, including details about contact events (weekly, quarterly, board meetings, etc.). Discuss the respondent's approach to board representation at its portfolio companies.

5.7. How many active portfolio companies is each investment professional responsible for? How was this number determined and how has it evolved over the respondent's history?

5.8. Describe the respondent's criteria for evaluating follow-on investments. Does the respondent propose that the Fund follow the most current International Private Equity and Venture Capital (IPEV) valuation guidelines? Include a description of respondent's proposal for the Fund's provisions for capital recycling and follow-on reserves.

5.9. Discuss if the respondent proposes that the Fund be valued by an independent, third-party valuation firm.

5.10. Discuss the respondent's strategy/criteria/plan for exiting investments. Include an analysis of past exits (IPO, trade sale, financial buyer, write-offs, etc.). Provide examples that illustrate the respondent's decision-making for choosing the type of exits.

5.11. Describe the respondent's processes for protecting against fraud and corruption, post-investment. If applicable, discuss any fraud and/or corruption that were detected in prior investments. Describe the respondent's process to resolve problems, noncompliance, etc.

## **6.0 Respondent Track Record**

6.1. Provide examples of active/exited investments with an investment multiple (TVPI) below 1.0x. Discuss what went wrong, action taken, lessons learned and how (and when) outside experts were brought in.

6.2. Discuss any investments in respondent's track record that are not included in the provided appendices. Describe the rationale for excluding them.

## **7.0 Reporting**

7.1. Provide the name, address, and email of the audit firm(s), along with a contact's name and email address, that you have used for the respondent (plus respondent's Principals as named in the respondent's organization document) and its fund(s) over the last 3 years. Also discuss if the audit firm(s) is unaffiliated with the respondent or any of its current or former individuals/Principals managing the fund.

7.2. Discuss if carry payments and allocation in prior funds have been audited (as part of an annual audit of respondent and its funds), as will be in this fund, to ensure they reflect the terms and conditions in the Limited Partner Agreement.

7.3. Discuss the respondent's proposed standard reporting package and confirm if respondent proposes that it will be modeled on the Institutional Limited Partner Association (ILPA) Reporting Best Practices.

## **8.0 Respondent Team**

8.1. Provide an overview of respondent's executive Members, owners, or managers, including the shared work history of respondent's owners, principals, and managers as named in the respondent's organizational document. Also, provide a description of each job title, detailing the responsibilities held by junior, mid-level and senior staff.

8.2. Provide brief bios for each investment professional of the respondent. Indicate any involvement by members of the management team in any community or business organizations active in New Jersey.

8.3. Describe any organizations, associations, groups or clubs that any of the members of the management team are involved in that will help facilitate a pipeline of Life Science/ Healthcare New Jersey startups seeking seed or start-up capital.

8.4. Discuss respondent's approach to staff retention and training. Discuss respondent's historical experience in this area. Discuss any promotions that took place over the last year and any that are expected to happen in the next six months.

8.5. Describe the circumstances of any "Key-Person" event in respondent's history. Describe the steps taken by respondent to remedy the situation and the subsequent impact on any respondent policies.

8.6. Describe any known conditions (health, financial, litigation, personal, etc.) of any of respondent's owners, principals and managers that might influence their ability to execute their duties to the Fund or respondent.

8.7. Describe any significant staff departures (partner in the respondent or director-level employee (or higher) with more than five years of history with respondent) over the past five (5) years.

8.8. Describe any significant staff departures (as noted above) that are expected to occur between now and the next five years.

## **9.0 Alignment of Interests**

9.1. Describe the compensation structure (salary, bonus, group/individual performance incentives, profit sharing, equity ownership, carried interest, etc.) for all investment professionals. Include details on

the allocation of the carried interest among Principals, as named in the respondent's organizational documents and others inside/outside the organization. How does this compare with respondent's previous fund's carry split (if applicable)? Provide details on any separate compensation arrangements proposed outside the Fund.

9.2. How is the carried interest vested for those parties that participate in the proposal for the Fund? What happens to the unvested carry of former investment professionals?

9.3. Describe how the respondent's contribution for investments is allocated among the investment professionals.

9.4. Describe how the respondent's contribution for investments will be financed.

9.5. Describe how any Principal, as named in respondent's organizational documents, or affiliate of respondent will invest in the Fund (outside of respondent's commitment).

9.6. Discuss if any commitments from respondent and/or any of its executives, owners, investment professionals, and managers be leveraged or loaned.

9.7. Were there any carry claw back situations in any of respondent's prior funds?

## **10.0 ESG (Environmental, Social, Governance)**

10.1. Describe the role of respondent's internal advisory board(s). Detail all matters referred to the advisory board(s), including any currently unresolved matters. Describe any additional governing/advisory bodies that impact the management or investment activity of respondent (e.g. CEO Circle, operating committee, management affiliate, etc.).

10.2. Detail any conflicts of interest (potential, current and historic) within respondent, and explain how they have been/are identified, managed, disclosed (to Limited Partner Advisory Committee (LPAC) or otherwise) and resolved. Identify any committees in place to help with the resolution of conflicts (conflict committee, etc.).

10.3. What is respondent's policy of personal investments by any employees or affiliates in deals reviewed by the respondent (both accepted and rejected)? If applicable, provide a list of all previous investments of this nature.

10.4. Is respondent a registered investment advisor (RIA)?

10.5. What are respondent's ESG-related policies and how do ESG factors influence respondent's investment beliefs?

10.6. What is the current implementation status of respondent's responsible investment policy? Does respondent have any firm plans to develop respondent's approach towards the management of ESG factors?

10.7. How does respondent contribute to portfolio companies' management of ESG-related risks and opportunities?

10.8. What monitoring processes would respondent have in place to assess the proposed Fund's portfolio companies' management of ESG factors?

## **11.0 Administration and Legal**

- 11.1. Describe the activities of respondent's support functions (Finance and Fund Administration, Human Resources, Compliance/Legal, etc.).
- 11.2. Describe the Fund's proposed internal accounting. What accounting principles does respondent propose for the Fund to operate under? Has respondent established an internal audit function? If so, how often are internal control audits performed?
- 11.3. Detail the processes and procedures for capital movements (capital calls, transfers of cash, investment acquisitions and distributions).
- 11.4. Provide an overview of the third parties providing services to respondent or proposed Fund (e.g., law firms, custodians, fund administrators, prime brokers, consultants, banks, etc.). How does respondent manage counterparty risk related to these third-party arrangements?
- 11.5. List and describe any software that respondent uses for business functions like portfolio management, trade order management, administration, and risk.
- 11.6. Describe any litigation/investigation against Respondent, its affiliated entities and/or its current or former owners and managers that is pending, ongoing, or closed in the last three years.