

## APPENDIX C

### SELECTED ADDITIONAL DETAILS OF SSBCI COMPLIANCE REQUIREMENTS

All managers selected to create or manage the Life Science/ Healthcare Fund must adhere to SSBCI compliance requirements and regulations. Below is a partial list of compliance requirements for your review. Program information, including Capital Program Policy Guidelines, Frequently Asked Questions, and Capital Program Reporting Guidance, is available on U.S. Treasury's SSBCI website at <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/ssbci-2021>.

U.S. Treasury may make additional changes or clarifications to these requirements. In addition, the fund manager's obligations and responsibilities shall be consistent with and comply with the terms of the Allocation Agreement signed between U.S. Treasury and the New Jersey Department of the Treasury that will govern the use of the SSBCI funds that NJEDA will invest in the Fund. A Sample Capital Allocation Agreement is available on the U.S. Treasury SSBCI website, and exact terms will be shared with the selected manager(s) once the New Jersey Allocation Agreement is executed. Any firm submitting a response acknowledges that the compliance requirements and regulations listed below may not be a complete or final list of the selected fund manager's responsibilities. The fund manager(s) shall be responsible for complying with additional and final SSBCI rules and requirements applicable to the Fund when and as issued by the U.S. Treasury. While this list is a guideline, it is not intended to be inclusive. It is the responsibility of the fund manager(s) to follow SSBCI's rules, regulations, policies, and other guidance documents.

#### Investment criteria:

- The investee company for SSBCI funds must have 750 or less employees as calculated using the methodology under 13 C.F.R. § 121.106
- The Fund manager(s) must target an average investee size of 500 employees or less as calculated using the methodology under 13 C.F.R. § 121.106
- Ninety percent of investee companies must have a location in New Jersey.
- Investee companies must qualify as Life Science/ Healthcare company as previously indicated.
- Prohibited activities for the investment entity include speculative activity (futures trading, etc), earning more than 50% of net revenues from lending (unless investee is a CDFI that is not a depository institution or a bank holding company), engaging in pyramid sales, illegal activities, or gambling (33% or more of annual revenue).
- No investment of SSBCI funds can be made in a business in which an SSBCI insider has a personal financial interest, as defined in the SSBCI Capital Program Policy Guidelines. Upper management of the life sciences/health care investment firms or executives of the portfolio companies cannot have any relationship with SSBCI executives. This requirement will be part of the required conflict of interest certification.
- An investment candidate cannot financially benefit from more than one state approved SSBCI program at a time without prior written consent of the U.S. Treasury.
- 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 or loan fund. Candidates 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.

- Principals of the investor or the investees cannot be convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (34 U.S.C. § 20911, formerly 42 U.S.C. § 16911)). For this purpose, “principal” is defined as if a sole proprietorship, the proprietor; if a partnership, each partner; if a corporation, limited liability company, association, development company, or other entity, each director, each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.

#### Use of Funds:

- Funds cannot be used to repay delinquent federal or state income taxes or to repay taxes held in trust or escrow.
- The funds may not be used to reimburse funds owed to any owner.
- The funds are not to be used to purchase a portion of the ownership interest.

#### Transaction Requirements:

- Investments may only be made in rounds with total round size under \$20 million. The fund manager(s) must target an average round size of \$5 million or less.
- Recipients of SSBCI funds are not to be discriminated against based on race, color, national origin (including limited English proficiency), disability, age, or sex (including sexual orientation and gender identity).
- Records of direct and indirect private financing motivated by SSBCI funds must be maintained. The fund manager(s) must provide transaction-level information including additional private financing in portfolio companies and subsequent company growth. This information will be shared with U.S. Treasury by NJEDA.
- SSBCI capital must be separately accounted for in all transactions.
- All transactions must include disclosure by the investor in an easy-to-understand manner.

#### Fund & NJ Commitments:

- The ratio of private funds to SSBCI funds in an investment transaction must be at least 1:1, with private investments encouraged to be larger than public investments.
- There is to be no conflict of interest with SSBCI insiders and the officers/directors/owners of the investment firm. There can be no SSBCI influencer, family member, or person of financial interest to be involved in the designation of funds for SSBCI program.
- The funds are not to invest in a firm where NJEDA or the appointed investment manager(s) has a financial commitment or is related to a professional at the invested firm.
- The manager(s)s must identify the services to be provided to portfolio companies and annually certify these services were provided.
- The fund manager(s) must maintain detailed records of the total amount of the State’s SSBCI funds that are expended for NJ Life Science/ Healthcare businesses.
- Noncompliance of an investment must be addressed immediately by the fund manager. The fund manager must notify the Authority of the noncompliance and the actions taken to resolve the compliance issue, and the Authority will provide this information to the U.S. Treasury.
- The fund managers must obtain an assurance from each investee stating that the investment proceeds will be used for permissible purposes under the SSBCI program.
- Managers and owners of the Fund cannot have been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (34 U.S.C. § 20911)). For this purpose, “managers, owners and executives” are defined as a

director, or each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.

#### SSBCI Privacy Notice and Privacy Act Statement

The fund manager(s) are required to provide investee companies with a privacy notice and privacy act statement when investing and collecting information from investee companies. A sample of this disclosure is available for review in the SSBCI Capital Program Reporting Guidance, Appendix 2, accessible on the US Treasury's website <https://home.treasury.gov/system/files/136/SSBCI-Reporting-Guidance.pdf>, as of the date of this notice.

We thank you for your interest in supporting NJ's innovation ecosystem.