# MEMORANDUM

**TO:** Members of the Authority

**FROM:** Tim Sullivan
Chief Executive Officer

**DATE:** May 10, 2023

**SUBJECT:** New Jersey State Small Business Credit Initiative ("SSBCI") Life Science/ Healthcare Venture Fund Manager Approvals

## SUMMARY

Approval is requested of the Members to:

- Commit an aggregate investment amount of up to $25 million to limited partnerships or limited liability companies managed by fund managers, Signet Healthcare Management LLC (Signet) for an amount of up to $12.5 million, Syridex Bio LLC (Syridex) for an amount of up to $5 million and Tech Council Ventures LLC, (TCV) for an amount of up to $7.5 million to make investments into a portfolio of growing health care and life sciences sectors companies in New Jersey ("NJ" or "State") conforming to the material terms specified in the term sheet attached as **Appendix B**, with final terms approved by the Chief Executive Officer. Funding for the investments will be provided by the State Small Business Credit Initiative (SSBCI) for which NJEDA, on behalf of the State of New Jersey, Department of Treasury, was approved for a total of $255 million for both direct and fund programs.
- Delegate to the Chief Executive Officer the Authority to determine the fund structure (investment commingled with other funds or held in a side-car vehicle) and to finalize fees and expenses with each fund manager based on the parameters contained in this memorandum.

## BACKGROUND

SSBCI is a federal program administered by the US Department of the Treasury to support private financing to small businesses within eligible jurisdictions. The program was first established in 2010, with a second round funded by the American Rescue Plan Act (ARP) in the spring of 2021. With $10 billion available overall, funding was allocated non-competitively to states, territories, and Tribal governments. New Jersey is eligible for a total of $255 million. This includes sub-allocations specifically for very small businesses ($15,689,280) and businesses owned by socially and economically disadvantaged individuals, or SEDI businesses ($27,521,719). Incentive funds are available for jurisdictions that demonstrate strong support for SEDI businesses.

SSBCI is designed to increase the lending and investment of private capital into small businesses. At the program level, each dollar of SSBCI capital must be matched by at least another dollar of private capital. The allocation of funding across programs is designed to allow the portfolio to reach a leverage ratio (private capital to SSBCI funds) of 10:1 over a ten-year period. Therefore, programs must be designed so that SSBCI funds increase new lending and investment, unlocking capital for small businesses and start-ups that would otherwise not have access to it.

Because U.S. Treasury requires that state-level SSBCI applicants be a state department or agency that can obligate the State, the Governor has designated New Jersey Department of Treasury as the lead applicant, with NJEDA acting as a contracted entity to implement the program. New Jersey utilized a similar structure for the SSBCI 1.0 program established in 2010. The Board of the Authority approved an MOU between the NJEDA and NJ Treasury regarding the arrangement for SSBCI 2.0. These programs have been developed in alignment with the Governor's economic plan, The State of Innovation: Building a Stronger and Fairer Economy in New Jersey, which identifies clean energy and life sciences as among the state's targeted industries, sets a goal of building the most diverse innovation ecosystem in the country, and emphasizes the importance of easier access to capital for small businesses. This set of programs also builds on existing strengths and experiences within NJEDA.

New Jersey's SSBCI application proposed six programs:
• Blended Capital Investment ($50M);
• Recovery Loan Loss Reserve ($25M);
• Clean Energy Business Financing ($80M);
• Life Science Investment ($60M);
• SEDI Seed Fund ($20M); and
• Angel Match Program ($20M) (Approved by the Authority September 14, 2022).

Announcement of approval of New Jersey's SSBCI application by US Treasury occurred on March 2, 2023. SSBCI statute requires that all proposed programs be "fully positioned, within 90 days of the State's execution of the allocation agreement with the Secretary [of the Treasury] to act on providing the kind of credit support that the State program was established to provide." The allocation agreement between US Treasury and NJ Treasury was signed March 15, 2023. The Funds must be fully positioned by June 13, 2023. SSBCI funds are disbursed to jurisdictions in three tranches. The first disbursement totals $79 million. The second and third tranches will be disbursed when the NJ Treasury certifies that it has expended, transferred, or obligated at least 80% of the prior disbursement of allocated funds. The second tranche must be drawn down at the three-year anniversary of the signing of the allocation agreement, and the final tranche must be drawn down at the six-year anniversary of the signing of the allocation agreement. US Treasury has informed EDA staff that the expected deadline to disburse the funds is 10 years. SSBCI administrative costs are limited to 5% of SSBCI funds in the first tranche and 3% of SSBCI funds in the second and third tranches.

**Investment Details**

Since 1999, the Authority has committed more than $64.5M to 20 venture capital funds. This includes the three fund commitments totaling $7.8 million as part of SSBCI 1.0. The aggregate commitments have resulted in direct-investments into 114 NJ-based, early-stage companies, yielding over 6,500 jobs in New Jersey, and a private leverage multiple in excess of 64.7x. The Authority aims to deepen the success of its early-stage investment strategy. Up to $25 million will be allocated to three managers identified for recommendation, herein. The EDA will seek to commit the balance of the $60 million life science seed fund program allocation through one or more future NIO processes.

New Jersey has an extensive history in the life sciences industry as evidenced by the number of life sciences businesses in the state of New Jersey—3,200[1]. Dedicated NJ life science funds will be impactful to support new and ongoing life sciences activity in the State. NJEDA's venture fund program has invested in both generalist and specialist venture capital firms in the life sciences industry. Notable among the NJEDA's venture program track record is the 2004 vintage Garden State Life Science $10M side car vehicle operated by Quaker Bio Ventures. This fund liquidated in 2016 after having a financial return of nearly $20 million (1.97x invested dollars after fees). The fund drew additional investor capital of $39.7 million directly, and other co-investor capital of $789 million, supporting a leverage multiple of 82.76x in New Jersey. Given the capital intensity of life science investing, EDA would realistically anticipate a meaningful volume of follow-on capital to the SSBCI funds.

Beyond the EDA's direct investment programs, NJEDA supports NJ life sciences companies through incentive programs, including the Angel Investor Tax Credit (AITC). New AITC program stimulated almost $60 million of investments in NJ life sciences companies in 2021. In 2021, 74% of the life sciences investors receiving the AITC were based out of state. SSBCI funds will help grow an increasing number of NJ-based life-science investors. In particular, each approved Fund Manager will be required to establish a permanent or satellite office in the State. SSBCI dollars will be a foundational commitment to Syridex, a first-time manager. SSBCI will support Signet, a firm that have invested previously in New Jersey, and will now establish an office in-state. .New Jersey is home to 14 of the top 20 pharmaceutical companies.[2] Many industry leaders have found success here, including Celgene (a trailblazer in oncology, acquired by Bristol-Myers Squibb for $74 billion in 2019) and Amicus Therapeutics (which received its first FDA approval for rare diseases in 2018). In 2020, 39% of all FDA approvals, and in 2021, 40% of FDA approvals, were to NJ based companies.[3]

The SSBCI capital is expected to lead to meaningful job creation. There is a large talent pool located in NJ. New Jersey has the largest concentration of scientists and engineers per square mile in the U.S. Also, New Jersey is ranked the third highest state for employed biochemists and biophysicists.[4] Hence, New Jersey is a fertile landscape for life sciences investments with both labor and life sciences companies supporting continued growth in this industry.

***Process and Strategy:***

On February 9, 2023, NJEDA issued a Notice of Investment Opportunity (NIO) to gather 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 to receive an investment and manage a possible Life Science Seed Fund (a "Fund") for investment into life science and healthcare sector businesses. The fund manager(s) must ensure that the SSBCI investment is catalytic to private financing, based on the fund's age, size or experience. The submissions were evaluated according to process and scoring rubric in **Appendix A**, as provided from the Notice of Investment Opportunity issued.

The NJEDA received submissions from eight respondents for the life sciences opportunity. Responses were reviewed by cross-functional teams of EDA staff in two rounds and scored according to the rubric in **Appendix A**. The initial round of scoring was followed by a round of clarifying questions gathered in writing and via virtual interview sessions conducted by staff. The top scoring fund manager was Signet Healthcare Management LLC (scoring 37 out of 52), the

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[1] Life Sciences Industry | Companies in NJ | Choose New Jersey (choosenj.com)

[2] 2021 Pharm Exec Top 50 Companies

[3] Drug Approvals and Databases | FDA

[4] State Comparisons for Business: California and New Jersey | Choose NJ

second highest scoring manager was Tech Council Ventures LLC (scoring 37 out of 52) and the third highest scoring manager was Syridex Bio LLC (32 out of 52). The selected respondent manager summaries and description of strategy appear below. Key fund terms are included in **Appendix B**. A key element of the diligence process is the ability of the venture capital fund manager to raise sufficient 1:1 private capital to match the targeted dollar amount of funding allocable, and the pipeline of investible opportunities meeting the strategy objective as put forward by the NJEDA and approved by US Treasury. Notably, each fund manager must operate at a permanent or satellite in-State office or at a co-working facility in New Jersey with a regular presence held by a senior or mid-level investment professional. Fund managers will be required to report, on a regular basis, efforts to expand their pipeline of deal flow in New Jersey. This may include such example efforts as hosting office hours or attending ecosystem events like NJEDA's NJ Founders & Funders. Fund managers will regularly report jobs information and will be compelled to request demographic information of portfolio companies. A $60 million SSBCI Life Science Seed Fund, plus matching private capital at the fund level and additional private investment at the portfolio company level is expected to cause $660 million of investment in 40 companies based in the State of New Jersey. The initial $25 million tranche resulting from these approvals would be expected to generate $275 million invested in 17 portfolio companies. NJEDA staff seeks to deploy $25 million of the approved $60 million concurrent with the findings from this round of manager selections. Staff anticipates running another NIO selection process at a later date but within the time prescribed by the US Treasury, which is limited to within three years of signing the allocation agreement, March 25, 2023.

The funds will be disseminated to the qualified, highest-scoring manager(s) to make *an equity investment (or convertible note)* into NJ Life Science/Healthcare businesses. In accordance with SSBCI requirements, the fund manager(s) selected must raise a private capital match of at least 1:1 at the fund level, yielding a $50 million (or greater) total funding pool, assuming deployment of $25 million from this round of SSBCI allocation. SSBCI capital must be either (1) held in a separate fund and separately accounted (side-car or fund-of-one) for, or (2) held in a fund with other investors' funds, with each investor's investment accounted for separately. The selected managers must be able to record, with a written, detailed report, each investment transaction that received SSBCI funds, in part or in whole. A minimum of 90% of the investments must be in companies with a New Jersey location. A NJ business is: 1. One which at least 50% of non-retail employees working or living in New Jersey, or 50% of payroll is paid to employees, living or working in NJ; or, 2. A business which has its headquarters in New Jersey.

The selected managers 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 managers 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. Multiple investment transactions into a specific company, such as follow-on investments, are permissible, if funds into any one company will not surpass $20 million.

Venture capital funds offer a variety of services to their portfolio companies (i.e., the potential SSBCI investees). These services can include, for example, financial management, operational guidance, IT consulting, and connecting portfolio companies to potential customers, investors, board members, and officers. These services vary depending on the portfolio company's stage in the venture capital ecosystem. As these services to portfolio companies are a type of equity support, SSBCI funds, out of the federal contribution, may be used to pay for such support but are included in the maximum cap equal to an annual average of 1.71 percent of the federal contribution to a venture capital fund over the life of the jurisdiction's venture capital program. In the contractual agreement between a jurisdiction and a venture capital fund, the fund must be required to identify the services to be provided to portfolio companies and annually certify that these services were provided. The agreement between the fund and the portfolio companies must include disclosure of these services offered by the fund manager. Consistent with industry standards on payments of fees to cover these services to portfolio companies, the fund will reimburse the jurisdiction for payments of such services by SSBCI funds before returns are paid to the general or limited partners.

The selected manager(s) must obtain written certifications from the investees affirming that the investment proceeds will be used for business purposes, and align with specific SSBCI program compliance requirements, partially noted, herein, and will be sufficiently documented with the selected managers. A business purpose includes, but is not limited to, start-up costs; working capital; franchise fees; and acquisition of equipment under $2,000, inventory, or services used in the production, manufacturing, or delivery of a business's goods or services, or in the purchase, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes. Investment proceeds may also be used to purchase any tangible or intangible asset, except goodwill. Equipment acquisition and installation of $2,000 or more and construction are not eligible uses.

***Executive Summaries of Selected Managers***

**Signet Healthcare Management LLC**

Signet, which maintains its principal office in New York City, was founded in 1998. Signet provides growth capital to commercial-stage healthcare companies that are engaged in the pharmaceutical products, pharmaceutical services, and medical devices segments of the healthcare industry, to help accelerate their growth. Following approval by the Board of the Authority, Signet Healthcare Management LLC will establish a limited partnership that will serve as a side car investment vehicle to its primary investment vehicle, Fund V. The side car will only invest the allocated SSBCI funds into qualifying New Jersey healthcare and life science investments, pari-passu with the terms of the main fund on a basis of at least 1:1 to match SSBCI funds. Signet scored highly in several categories – notably, depth of experience and depth of resources. The firm has a long, successful track record with multiple past investments in New Jersey. Signet has raised approximately half of their target $250 million for Fund V. Signet submitted their NIO response with a request for $12.5 million. With a $12.5 million SSBCI allocation, and a private capital match of at least $12.5 million ($25 million total) the manager expects exposure within the fund to 2-3 qualifying investments. Per SSBCI guidelines, the Manager may not invest SSBCI capital where it previously has exposure to mitigate any potential conflicts of interest.

Fund Strategy

The Fund V's objective is to seek investments that generate attractive risk-adjusted returns. Consistent with SIGNET's investment strategy for the prior Signet funds, Fund V's investment strategy centers around making growth equity investments in commercial-stage healthcare companies, with the goal of enabling Fund V's portfolio companies to achieve their business objectives and enhance their respective growth. This investment strategy has been developed by SIGNET in the management of the prior funds over 20 years, and these objectives have served as the foundation for the positive investment results achieved by the prior funds. In certain instances, Fund V may choose to participate in transactions that involve a complete recapitalization or buyout of a portfolio company. SIGNET believes that the provision of growth equity capital to commercial-stage companies represents a highly attractive, risk-adjusted investment opportunity. By focusing on commercial-stage opportunities, SIGNET believes that Fund V can mitigate the binary risks inherent in development-stage life-science investing. Historically, most of the investments of the prior funds were made in companies that were either generating revenues at the time of investment or were expecting commercial sales within six months following the time of investment.

The Firm's objective is to pursue a venture capital strategy and to earn a high rate of return exceeding 20% to the limited partners and distribute over three times contributed capital over the life of the Fund. The investment return will be primarily capital gain oriented. The Fund will target life sciences/health care companies at early stages of development ranging from concept to $10 million in revenue.

The region is strong across many sectors from healthcare to communications and information technology as well as technology applied to life sciences/health care companies. The Firm anticipates making investments in 20-30 Portfolio Companies from the primary fund with an average initial investment of $500,000 to $2,000,000 and an average investment over the life of a deal of $3,000,000 - $4,000,000 to take advantage of investment across the sectors listed above.

<u>History:</u>
To date, SIGNET has managed four funds, which had combined total capital commitments of approximately $430 million. The prior funds collectively with Fund V ("Fund V") will be referred to as the Funds (the "Funds"). As September 30, 2022, the Prior Funds had invested an aggregate of over $397 million across 56 investments. In addition, Signet's NJ investments in the past five years were: Advantice Health (2019) – Cedar Knolls, New Jersey, and Ascendia Pharma (2021) – North Brunswick, New Jersey

Signet's Fund V expects to provide growth capital to commercial-stage healthcare companies that are engaged in the pharmaceutical products, pharmaceutical services, and medical devices segments of the healthcare industry, to help accelerate their growth. Fund V will predominantly seek to make investments in companies that are privately owned. Generally, companies that the Fund targets for investment will already have achieved commercial sales of their principal products or services. The Fund will generally hold minority positions in its portfolio companies, although the Fund may acquire a controlling interest in one or more portfolio companies. Many of the Fund's investments are expected to consist of purchases of convertible preferred stock of companies, with the objective of realizing substantial capital appreciation, while enhancing exit possibilities and limiting downside risk through preferential status in the event of a portfolio company's sale, initial public offering of common stock ("IPO") or liquidation. SIGNET seeks to achieve a target return of a three-times multiple of invested capital on each investment made, with the objective of having a timely exit which on average occurs within an approximate five-year timeframe.

<u>Fund Management:</u>
*James C. Gale***,** Managing Director & Chief Investment Officer, founded SIGNET's predecessor in 1998 in partnership with the then-principals of Sanders Morris Harris Group. Mr. Gale will serve as the Chief Investment Officer ("CIO") of the Fund, and he has served as the CIO of the Prior Funds. From 1991 to 1998, Mr. Gale headed the investment-banking department of Gruntal & Co., LLC. Mr. Gale transferred to Gruntal in 1991 from its corporate parent, Home Holdings, Inc. (Home), where starting in 1989 he was one of a small team creating and executing direct equity investments on behalf of its principal subsidiary, The Home Insurance Company. Prior to joining Home, Mr. Gale worked as an investment banker at Adams Cohen Securities (1987–1989) and E.F. Hutton & Co. (1981–1987). Mr. Gale currently serves on the Board of Directors of the following Prior Funds' portfolio companies: Juno Pharmaceuticals Corp, Chr. Olesen Synthesis A/S, Pharmaceutics International (Pii), RK Pharma, and Ascendia Pharmaceuticals (a NJ-based company). Prior portfolio company boards include Advantice Health (acquired by TA Associates), Arbor Pharmaceuticals, Amarin Corporation, eResearch Technologies Inc., Alpex Pharma S.A.,

Valera Pharmaceuticals, Pfenex, Teligent and CoreRx (acquired by NovaQuest). Additionally, Mr. Gale serves as Chairman of the Board of Knight Therapeutics (TSX: GUD) and serves on the Boards of Bionpharma Inc., Lee's Pharmaceuticals, Cerium Pharmaceuticals, and Hyloris Pharmaceuticals SA. Mr. Gale holds an MBA from the University of Chicago Graduate School of Business (1977) and a B.A. in Education from the University of Arizona (1972).

*Ashley Friedman*, Managing Director, joined SIGNET in 2014 to expand the Firm's professional capabilities for Fund III. Mr. Friedman is a Managing Director of the Fund and will also serve as a member of the Fund's Investment Committee. Mr. Friedman led SIGNET's efforts in completing several investments for the Prior Funds and currently serves on the Board of Directors of Altasciences, and Smart Medical Systems, and Paragonix Technologies. Mr. Friedman is also a Board Observer at Pharmaceutics International (Pii). Prior SIGNET portfolio company Boards include GI Supply (acquired by Laborie Medical Technologies), TELA Bio (NASDAQ: TELA) and Vigene Biosciences (acquired by Charles River Laboratories (NYSE: CRL)). Prior to joining SIGNET, Mr. Friedman spent over 11 years working for Investor Growth Capital, a part of Investor AB, most recently as a Vice President. Mr. Friedman was a member of Investor Growth Capital's dedicated healthcare team, which focused on development-stage and commercial-stage pharmaceutical, medical devices and diagnostics investments. While at Investor Growth Capital, Mr. Friedman was directly involved in eleven investments in both private and publicly held companies, and he was broadly responsible for sourcing and structuring new investments and managing portfolio companies. During his tenure at Investor Growth Capital, Mr. Friedman served as a Board Director or Board Observer for six portfolio companies. Mr. Friedman began his career at Lehman Brothers, where he was an Investment Banker from 2001 until 2003. While at Lehman Brothers, Mr. Friedman was an analyst in the Global Healthcare Group, where he focused on mergers and acquisitions and corporate finance transactions in the healthcare sector. Mr. Friedman holds a Bachelor of Science from Yale University (2001), where he double majored in Molecular, Cellular and Developmental Biology (MCDB) and Economics.

*Nikhil Puri*, Managing Director, joined SIGNET in 2016 to assist in launching and investing Fund IV. Mr. Puri is a Managing Director of the Fund and will also serve as a member of the Fund's Investment Committee. Mr. Puri led SIGNET's efforts in completing two investments on behalf of Fund IV and currently serves on the Board of Directors of the following SIGNET portfolio companies: Leading Pharma, Goodwin Biotechnology, Laxai Inc. Prior to joining SIGNET, Mr. Puri spent over 5 years working for Pfizer, Inc., most recently as Vice President and Head of Worldwide Business Development for the Essential Pharmaceuticals business. The Essential Pharmaceuticals business generated annual revenues of over $20 billion and encompassed Pfizer's off-patent specialty pharma, generics, injectables and biosimilars businesses. Mr. Puri also served on the Business Development Leadership team and the Executive Leadership team for the Essential Pharmaceuticals business. During his tenure at Pfizer, the Essential Pharmaceuticals business completed more than $15 billion of acquisitions across multiple regions and countries. Mr. Puri began his career as an investment banker in 1996 and spent the next 15 years in roles of increasing responsibility at Lehman Brothers, Bear Stearns & Co., and Ambit Corporate Finance. Mr. Puri holds a Bachelor of Commerce from the University of Mumbai (1989) and an MBA in Finance from New York University (1996). He is also a qualified Chartered Accountant (1992).

**Syridex Bio LLC**

Founded by a New Jersey native and headquartered in Princeton, NJ, the heart of New Jersey's life sciences research corridor, Syridex Bio is an impact-driven, life sciences-focused venture studio investing in therapies that accelerate health equity by addressing the needs of underserved communities. Generally, a venture studio does not invest in existing businesses. Venture studios create startup businesses by incubating their own business ideas or obtaining ideas. The ideas may be obtained through the purchase of intellectual property (IP) from others (for example, universities) and forming companies with the IP, the key individuals with knowledge of the IP, and a successful management team. The firm draws on its deep relationships across the global pharmaceutical and biotech industries to source innovative, best-in-class clinical stage or near-clinical stage therapies for diseases that disproportionately affect underserved communities. The firm then invests in the development required to bring to market novel drugs and treatments that might otherwise go undeveloped. Some of the disease categories of particular investment interest are high-burden and emerging infectious diseases, non-communicable diseases, autoimmune conditions, and maternal, newborn, and child health disorders addressing the needs of underserved communities. Syridex scored a 32 out of 52 possible points. Syridex requested $10 million and will be awarded $5 million to support catalyzation of matching funds for this newly launched. While Syridex is a newly formed entity, the team brings relevant investing and operating experience to the fore to launch this venture studio. The firm's presence in New Jersey will be a boon to the life science ecosystem, as the team intends to base each newly formed business in the State by bringing together unique intellectual property and highly skilled management team relationships. The firm is actively raising funding for its first fund, and EDA's SSBCI investment will be made into this fund or into a side car that will mirror the terms of the main fund.

Fund Strategy

The Syridex Bio team consists of two experienced investment and operating professionals supported by an advisory board of five experienced industry and investment professionals with deep expertise across biotech/pharma and finance. The Syridex Bio team (investment professionals and advisory board) was assembled by Managing Partner, Squire Servance, incorporating people with whom he has had professional relationships for, on average, close to a decade. The team was built to execute on the fund's two strategies that rely heavily on traditional business development and company creation expertise (including the identification, assessment and execution of potential opportunities for partnerships, acquisitions, and mergers).

History

Syridex Bio, founded in 2022, is a first-time fund being led by an emerging manager. Syridex has built a team with the relevant expertise and experience to execute on the fund's investment strategies, i.e., life sciences venture creation and private equity.

Fund Management

*Squire Servance* is Managing Partner of Syridex Bio and brings nearly 15 years of expertise in structuring and executing life sciences transactions - most recently as SVP, General Counsel & Corporate Secretary for Repligen Corporation (NASDAQ: RGEN), a bioprocessing-focused life sciences company. Prior to Repligen, Mr. Servance held several roles including Associate General Counsel at Baxter International, Inc. where he was the chief legal advisor for their $2B+ global pharmaceuticals business division, Director (Legal) supporting Dr. Reddy's Laboratories business development team, and Life Sciences Associate at Morgan, Lewis & Bockius, LLP. Mr. Servance received his J.D. from Duke University School of Law, M.B.A. with a concentration in corporate finance and a Certificate in Health Sector Management from Duke University, Fuqua School of Business and B.S., with honors, with a double major in biomedical engineering and cell biology and neuroscience from Rutgers University, School of Engineering.

*Joshua Adeoye, MD* serves as Principal at Syridex Bio LLC. He joins from Adjuvant Capital, GP for a $300M global health equity fund anchored by the Bill & Melinda Gates Foundation, where he was a key member of the investment team. He was critical to allocating ~$25M in capital across therapeutics, vaccines, and diagnostics assets. Prior to Adjuvant, Dr. Adeoye was a highly acclaimed maxillofacial surgeon and academic in West Africa, obtaining a Master's in Public Health from Harvard University and an M.B.A. from Stanford Graduate School of Business during his career as a provider.

Dr. Adeoye brings his vast technical and scientific background, knowledge of industry landscape and patient management, as well as fund and portfolio management best practices necessary to attract and manage capital from high caliber investors.

*NJ Advisory Board* members have a combined 125 years of relevant experience across the biopharmaceutical industry and finance, including raising and deploying capital, building and exiting portfolio companies, and thought leadership in the space. The advisory board actively assists Syridex Bio and currently, along with the Managing Partner, operates as its Investment Committee

**Tech Council Ventures LLC**

Tech Council Ventures will seek investments in companies with experienced and highly motivated management. The General Partner will work to build value in the Portfolio Companies as an active member of the board of directors. The General Partner believes that the investment program has the potential to provide positive returns as a result of: (i) the general growth of the targeted industries, (ii) a review of a substantial number of companies to identify the best candidates for investment, (iii) a careful Portfolio Company selection and due diligence process, (iv) the use of a conservative pricing model, (v) active participation of the General Partner at the board level, and (vi) an ability to identify and execute exit strategies. The General Partner will closely monitor Fund III's investments and actively support the management of the Portfolio Companies. Tech Council scored highly in the NIO process as a result of its deeply experienced and long-tenured management team. The Firm has been operating for nearly 25 years. NJTC Fund I, predecessor to Tech Council Ventures, is one of the top-performing funds for its vintage year. NJEDA helped launched the predecessor vehicle and continued on as the anchor limited partner in Tech Council Fund II. Staff recommends a commitment of $7.5 million versus the $12.5M request from the fund manager to mitigate portfolio concentration. The firm has also submitted applications for the NJ Innovation Evergreen Fund QVF review and for consideration in the EDA's venture fund program. Historically, life science investment totaled approximately one third of the prior funds exposure.

<u>Fund Strategy:</u>

The Firm's objective is to pursue a venture capital strategy and to earn a high rate of return exceeding 20% to the limited partners and distribute over three times contributed capital over the life of the Fund. The investment return will be primarily capital gain oriented. The total fund is expected to reach $75M with $26M currently raised. NJEDA will invest $7.5M of SSBCI funds, which will result in 2 or 3 investments.

The fund will predominantly seek to make investments in companies that are privately owned. Generally, companies that the Fund targets for investment will already have achieved commercial sales of their principal products or services. The Fund will generally hold minority positions in its portfolio companies. The Firm concentrates its investments in industries indigenous to the Mid-Atlantic region where companies possess competitive advantage such as telecommunications, pharmaceutical and financial services.

The Fund will target life sciences companies receiving investment alongside Tech Council Fund III at early stages of development ranging from concept to $10 million in revenue. Most companies will have completed initial product development or demonstrated their service. Occasionally, seed financing will be provided for unique concepts. Consequently, the Fund would invest in at the very earliest stage of funding, initially, seed and first, with potential follow-on in second, and perhaps third rounds of financing.

Tech Council Fund III will make an average initial investment of $500,000 to $2,000,000 and an average investment over the life of a deal of $3,000,000 - $4,000,000 to take advantage of investment themes across these sectors from its main fund: Healthcare IT, Life Sciences, Health Care, Tech-related Opportunities, Connected Devices & Internet of Things, Enterprise IT Applications & Security, Next Generation Data Center, Wireless Technologies & Mobile Computing, Energy & Environmental, Education Technology, Financial Technology, Media Technology. The SSBCI dollars will be committed via a side car that invests only in pharmaceuticals, including, branded, generic and specialty, biotechnology, medical devices, regenerative medicine, microbiome, technology platforms geared to assist the medical community, digital health or healthcare software, diagnostics, biomedical technologies, nutraceuticals, cosmeceuticals, and others that dedicate their efforts to creating products to improve human or animal lives.

<u>Fund Partners:</u>
The Fund will be managed by the Principals, Jim Gunton, Stephen Socolof, and Mark Kolb. Jim Gunton has invested in New Jersey and the surrounding region for 20 years, initially with Edison Venture Fund and then with Fund I. Stephen Socolof has spent the last 20 years based in New Jersey investing nationally and in Europe. From 1996 to 2001, Stephen was a leader of the Lucent New Ventures Group, which was a venture incubator for Bell Labs within Lucent Technologies. Mark Kolb is an entrepreneur and investor with extensive experience in the healthcare industry, having served as CEO, director, consultant and advisor to life sciences and healthcare companies.

*Jim Gunton, Managing Partner,* has invested in privately held growth technology companies for more than 25 years. Before co-founding in 2001 the $28 million Tech Council Ventures I, Jim was a partner at Edison Venture Fund and a manager at Oracle Corporation in the Silicon Valley. He served formerly as a Governor of the National Association of Small Business Investment Companies (NASBIC). Jim earned a BS from Stanford University and an MBA with distinction from Duke University. He has served on the board of numerous private and public companies including Achieve3000, Amber Road (NYSE: AMBR), CytoSorbents (NASDAQ: CTSO), InstaMed, IntegriChain, and CareGain.

*Stephen J. Socolof, Managing Partner,* has been a technology investor for over 25 years. Steve's interests are in enterprise software (particularly applications of AI/ML), infrastructure required to collect, store, and process data, internet of things, wireless, and environmental and materials technologies. He is currently on the board of Adrich, Kintra Fibers, and SunRay Scientific. He was a board member or observer of Data Inventions (sold to ECi Software Solution), Stratis IoT (sold to RealPage), and Vydia (sold to Gamma). In his prior firm, he served on the board of Airclic (sold to Descartes Systems), Alverix (sold to BD), Everspin Technologies (NASDAQ: MRAM), Neohapsis (sold to Cisco), Silicon Hive (sold to Intel), Sychip (sold to Murata), and Flarion Technologies (sold to Qualcomm). Steve has also been a leader in the corporate venture community and was Chair of the Corporate Venture Group within the National Venture Capital Association ("NVCA") and on the Advisory Board of Global Corporate Venturing. He is currently a board member of the NVCA. Prior to Tech Council Ventures, he created a venture incubator for Lucent's Bell Laboratories for 5 years and then formed and ran New Venture Partners for 15 years investing in commercialization of technologies spun out of corporate labs. Steve received an MBA from The Amos Tuck School at Dartmouth College where served for many years on the board of the Center for the Study of VC & PE. He received degrees in economics and mathematical sciences from Stanford University.

*Mark Kolb, Partner***,** is an entrepreneur focused on the health care industry. Before joining Tech Council Ventures, he was the CEO of Bergen Medical Products. Prior to that he was running BKHealth, where he and his partner were issued two patents for a physical therapy robot. At

Dynamic Clinical Systems, he joined as Board Chair, transitioned to CEO and then repositioned the company for a sale to Press Ganey. Earlier, he founded the life sciences consulting firm Taratec Development Corporation. There, he raised venture capital and led its significant growth before selling the company to Patni Computer Systems, one of India's largest IT firms. Serving then as a senior vice president at Patni, he led their global life science business. Along the way, Mark has consulted to early-stage technology companies, supporting them in planning, finance, operations and fund raising. He has served on many corporate and non-profit boards, including Taratec, Dynamic Clinical Systems, Moda Technology Partners, the Somerset Medical Center and the NJ Technology Council. Mark currently chairs the board of Dorsata and serves on the Optima Global Solutions Advisory Board and the NJEDA Technology Advisory Board. Mark's personal and company awards include the E&Y NJ Entrepreneur of the Year and NJTC Growth Company of the Year. He earned his bachelor's degree in electrical engineering from the University of Notre Dame and attended the OPM program at Harvard Business School.

**DELEGATED AUTHORITY:**

Staff is still negotiating whether the investment will take the form of a limited partnership investment with the selected fund managers serving as general partner and the EDA serving as a limited partner, aligning with EDA's typical venture fund investment mode and process, or as a member in a limited liability company, as is typical in relation to accelerator strategies. Staff is also negotiating with the fund managers as to whether the investment will be commingled with other funding in a single fund or will be invested in a side-car.

Fees and expenses will differ depending on the fund structure, as well as the additional services that the fund manager may provide in an accelerator-based model. Accordingly, staff requests delegated authority to the Chief Executive Officer to determine the fund structure and to negotiate the fees and expenses, provided that the fees and expenses are comparable to market fees for similar fund structures and models and do not exceed SSBCI's 1.71 percent aggregate management fee cap over the life of the fund, organizational expenses of the fund do no exceed $150,000 and annual operating and audit expenses in aggregate will not exceed $25,000 annually, (comparable to side car or multi-asset fund vehicles previously established by the NJEDA based on market research). The organizational expenses and annual operating and audit expenses will be paid from the administrative expense allocated to NJEDA from the SSBCI Program (for example, from the 5% of the first tranche of SSBCI capital).

**RECOMMENDATION:**

Following from the Notice of Investment Opportunity process and depth of evaluation conducted by Authority staff, according to the criteria established, approval is requested of the Members to:

- Commit an aggregate investment amount of up to $25 million to limited partnerships managed by fund manager Signet Healthcare Management LLC (Signet), for an amount of up to $12.5 million, fund manager Syridex Bio LLC (Syridex) for an amount of up to $5 million, and Tech Council Ventures LLC, (TCV) for an amount of up to $7.5 million to make investments into a portfolio of growing health care and life sciences sectors companies in New Jersey ("NJ" or "State") conforming to the material terms specified in the term sheet attached as **Appendix B**, with final terms approved by the Chief Executive Officer. Funding for the investments will be provided by the State Small Business Credit Initiative (SSBCI) for which NJEDA, on behalf of the State of New Jersey, Department of Treasury, was approved for a total of $255 million for both direct and fund programs.

- Delegate to the Chief Executive Officer the Authority to determine the fund structure (investment commingled with other funds or held in a side-car vehicle) and to finalize fees and expenses with each fund manager based on the parameters contained in this memorandum.

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Tim Sullivan, CEO

Prepared by:
Lexie Demirali – Senior Product Officer, Venture Programs
Michelle Martinez– Product Officer, Venture Programs
Tim Rollender – Director, Venture Programs

Attachments:

Appendix A – Scoring Rubric

Appendix B – Program Terms

# Appendix A – Scoring Rubric

1. **FUND MANAGER QUALIFICATIONS & ELIGIBILITY**

On Thursday, February 9, 2023, the NJEDA issued a notice of investment opportunity (NIO) to receive interest from venture capital manager(s) that have demonstrated competency, capacity, and skill in managing start-up and early-stage investment strategies into growing health care and life sciences sectors companies in New Jersey ("NJ" or "State"). Respondent submissions include narrative responses and applicable exhibits (see Appendix B) to the program Due Diligence Questionnaire (Appendix A) ass indicated in the NIO. Only electronic submissions email sent to SSBCILifeSciFund@njeda.com were accepted. Furthermore, respondents were to adhere to the following eligibility guidelines:

a) Include a cover page with preparer's contact information.
b) Include a table of contents listing all required evaluation criteria in Section 7 of the NIO.
c) Applicable exhibits and narrative responses addressing each of the evaluation criteria in Appendix A.
d) Must submit all requested information denoted with a "must" or "shall"
e) Complete an NJEDA legal debarment questionnaire and other NJEDA and State compliance documentation.

To be eligible for evaluation and potential selection, respondents submissions must demonstrate familiarity with the compliance and reporting standards mandated by SSBCI and must demonstrate an ability to leverage the allocated public funds for additional private capital to achieve at least a public/private ratio of 1:1 at the fund level. Responses were scored against the NJEDA scoring matrix. The matrix measures, among multiple factors, the respondents' experience, capacity, and skills, and will rank the respondents against those criteria. The criteria are listed in Section 7.

The respondent(s) with the highest-scoring submission shall also be expected to draft investment agreements to reflect NJEDA's investment. Those agreements shall include provisions required by State law and policy, including, but not limited to:

- The fund manager(s) shall indemnify NJEDA (except for investment losses) and provide insurance as NJEDA may request
- NJEDA shall not indemnify the fund manager(s)
- No transfers or assignments without NJEDA consent
- All Fund assets must be transferred to NJEDA upon dissolution
- Standard New Jersey State Conflict of Interest provision
- The fund manager(s) shall be subject to applicable political contribution disclosure requirements, which may include N.J.S.A. 19:44A-20.27 (L. 2005, c. 271)
- Records must be retained the greater of 5 years after the end of the Fund or the period required by federal law, and NJEDA and the New Jersey Office of the State Comptroller shall have the right to audit all records held by the fund manager(s) related to the Fund
- All agreements are subject to the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq., and the New Jersey Contractual Liabilities Act, N.J.S.A. 59:13-1 et seq.

## 2. <u>EVALUATION PROCESS/SCORING CRITERIA</u>

Submissions were evaluated by a cross-organizational Evaluation Committee composed of NJEDA staff and management, to evaluate, score, and rank submissions. Scores will be averaged to determine an overall score for each submission.

Below are the evaluation criteria for the Life Science Seed Fund manager(s). Any submission that does not meet the minimum score of 10 in total were not scored and ranked. *Achieving a score of 10 or above did not guarantee selection.* Each criterion was equally weighted. Specific questions to be answered that pertain to each criterion are in Appendix A.

1. **Experience of Leadership**

   Considers senior leadership's length of experience as fund manager and investor as detailed in their submission.

   0 = No experience as fund manager and investor
   1 = Minimal (2-4 years) experience as fund manager and investor
   2 = Some experience (4-8 years) as fund manager and investor
   3 = Exceptional experience (8-10 years) as fund manager and investor
   4 = Unique experience (10+ years) as fund manager and investor

2. **Depth of Resource**

   Considers number of investment professionals, support/back-office staff, professional network, and ability to effectuate strategy and ensure SSBCI compliance as detailed in their submission.

   0 = No depth of resources
   1 = Internal resources are insufficient for the scope of work, including SSBCI compliance
   2 = Internal resources are undersized relative to the scope of work, including SSBCI compliance
   3 = Internal resources are right sized for the scope of work, including SSBCI compliance
   4 = Internal resources are more than sufficient to achieve the scope of work in addition to current activities, including SSBCI compliance

3. **Consistency of Strategy**

   Considers whether respondent's targeted strategy is consistent with prior investment experience as detailed in their submission.

   0 = Not a consistent investment strategy
   1 = Minimal consistency to manager's past investment strategy
   2 = Some consistency to manager's past investment strategy
   3 = Exceptional consistency to manager's past investment strategy
   4 = Total consistency to manager's past investment strategy

4. **NJEDA Partnering**

Considers respondent’s ability to serve as a strategic partner to the NJEDA, including the Life Science/ Healthcare entrepreneurial ecosystem as detailed in their submission.

0 = No ability to support NJ’s entrepreneurial ecosystem
1 = Minimal ability to support NJ’s entrepreneurial ecosystem, provides less than 12 hours annually to engage in NJ’s ecosystem events
2 = Some ability to support NJ’s entrepreneurial ecosystem, provides more than 12 hours annually to engage in NJ’s ecosystem events
3 = Exceptional ability to support NJ’s entrepreneurial ecosystem provides executive talent to entrepreneurs as well as over 12 hours annually engage in NJ’s ecosystem events
4 = Unique ability to support NJ’s entrepreneurial ecosystem provides at least 8 events annually for entrepreneurs and/or investors.

**5. Sourcing/Pipeline Development**

Considers respondent’s ability to source and track relevant and unique deal flow to effectuate strategy as detailed in their submission.

0 = No ability to source and track relevant deal flow
1 = Minimal ability to source and track relevant deal flow
2 = Some ability to source and track relevant deal flow
3 = Exceptional ability to source and track relevant deal flow
4 = Unique ability to source and track relevant deal flow

**6. Focus industry & Stage**

Considers respondent’s ability to focus on identifying investment opportunities into “early-stage” (Pre-seed through Series B) companies in Life Science/ Healthcare businesses as defined elsewhere in this document, as detailed in their submission.

0 = No ability to identify NJ Life Science/ Healthcare investments
1 = Minimal ability to identify NJ Life Science/ Healthcare investments
2 = Some ability to identify NJ Life Science/ Healthcare investments
3 = Exceptional ability to identify NJ Life Science/ Healthcare investments
4 = Unique ability to identify NJ Life Science/ Healthcare investments

**7. Performance History**

Considers respondent’s past investment returns (realized & unrealized) on attributed investments as compared to industry and applicant peers (benchmark source: Pitchbook) as detailed in their submission.

0 = No past investment returns
1 = Low (third quartile or lower vs. peers) past investment returns
2 = Moderate (second quartile vs. peers) past investment returns
3 = High (top quartile vs. peers) past investment returns
4 = Exceptional (top 10% vs. peers) past investment returns

**8. New Jersey Investment History**

Considers respondent's investment amount (on attributed investments) into New Jersey companies to date on an absolute basis and relative to industry and applicant peers as detailed in their submission.

0 = No history of investing in NJ companies
1 = Minimal history (less than 10% of investment) of investing in NJ companies
2 = Some history of investing (10% -25% of investment) in NJ companies
3 = High investment (25% -50% of activity) history in NJ companies
4 = Exceptional investment (50% or more of activity) history in NJ companies

**9. Incentive and Alignment**

Considers whether respondent's carry is comparable to peers, properly aligned with objectives, and equitably spread among team, as detailed in their submission. Also considers alignment of respondent's commitment as a general partner (GP) with limited partners' commitment(s).

0 = Has above market carry % (over 25%), GP's commitment <1%
1 = Has high market carry % (over 20%), GP's commitment <1%
2 = Has high carry % (over 20%), GP's commitment >3%
3 = Has carry % comparable to peers (20%), GP's commitment >3%
4 = Has carry % comparable to peers (20%), GP's commitment >5%

**10. Management fees, other fees and Expenses**

Considers whether fees and expenses are sufficient to effectuate strategy and comparable to industry as detailed in their submission.

0 = Management fee >2.5% over the life of the fund
1 = Management fee 2.25-2.5% over the life of the fund
2 = Management fee 1.75% - 2.25% over the life of the fund
3 = Management fee 1.25% - 1.75% over the life of the fund
4 = Management fee <1.25% over the life of the fund

**11. Governance**

Considers whether key person clause is strong and effective

0 = No key person clause
1 = Single individual key person clause
2 = Multiple individual key person clause requiring limited partner vote to activate
3 = Multiple individual key person clause with automatic effect
4 = Multi-tiered key person clause

**12. Fundraising status & capability**

Considers respondent's ability to match or raise an additional private capital to meet the SSBCI 1:1, fund-level matching requirement, as detailed in their submission.

0 = No ability or experience to meet required private matching
1 = Minimal ability or experience to meet required private matching; i.e. indicates ability to match less than the SSBCI 1:1 requirement

2 = Some ability or experience to meet required private matching; i.e. can match the SSBCI 1:1 requirement
3 = Exceptional ability and experience to meet required private matching; i.e. can meet 125% of the 1:1 match
4 = Unique ability and experience to meet required private matching; i.e. can meet 200% of the required SSBCI match

**13. Diversity**

Considers respondent's clearly articulated diversity, equity, and inclusion (DE&I) policy, specifying the collection of relevant diversity metrics internally, as well as from portfolio companies. Also considers respondent's clearly articulated Code of Conduct (CofC) addressing harassment and discrimination internally

0 = No defined DE&I and CofC policy for investment company or for portfolio companies
1 = Defined DE&I and CofC policy for investment company or for portfolio companies
2 = Defined DE&I and CofC policy for investment company and for portfolio companies
3 = Defined DE&I and CofC policy for investment company and for portfolio companies with a demonstration of success towards either policy through metrics
4 = Defined DE&I and CofC policy for investment company and for portfolio companies with a demonstration of success towards both policies through metrics

# Appendix B – Program Terms

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| Use of Funds | • The fund manager(s) shall be responsible for complying with SSBCI rules and requirements as issued by the U.S. Treasury.<br>• The Fund's ability to invest is conditional upon the Fund first meeting or exceeding the 1:1 private financing ratio.<br>• In addition to regular reporting provided for in the Fund agreements (which may include Limited Partnership Agreement (LPA) and NJEDA side letter agreement), the selected fund manager(s) shall provide transaction details and federally-required certifications to NJEDA before each investment.<br>• 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.<br>• The selected manager(s) must ascertain that their intended investment will be the first SSBCI investment into the prospective firm (including verification documentation).<br>• The prospective business must also be raising a capital round that meets the "early-stage" designation (typically rounds "pre-seed" to "Series A").<br>• No investments may be made in capital rounds with total round size of $20 million or more. Multiple investment transactions into a specific company, such as follow-on investments, are permissible, provided that funds into any one company will not surpass $20 million<br>• Investment proceeds may also be used to purchase any tangible or intangible asset, except goodwill.<br>• Equipment acquisition and installation of $2,000 or more and construction are not eligible uses. |

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| | • A minimum of 90% of the investments must be in companies with a New Jersey location. A NJ business is: 1. One which at least 50% of non-retail employees working or living in New Jersey, or 50% of payroll is paid to employees, living or working in NJ; or, 2. A business which has its headquarters in New Jersey. |
| Minimum Requirements | • The selected fund manager(s) must convene in-person office hours or engagements in New Jersey on a regular basis.<br>• 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. 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.<br>• The selected fund manager(s) shall enter into one or more agreements with the Authority regarding the investment, which agreements will be governed by New Jersey law and shall include the minimum 1:1 private capital matching requirement.<br>• The selected fund manager(s) shall provide to the Authority annual Certified Public Accountant prepared financial statements for the life of the investment.<br>• The fund manager(s) shall submit quarterly and annual reports as described below.<br>• The Authority shall have a position on the Fund's advisory board. |
| Certifications | • The selected fund manager(s) shall supply certifications to the Authority relative to award and receipt of funds, and such certifications shall be supplied to the U.S. Treasury by NJEDA. Preliminary form documents will be provided by NJEDA as soon as possible after signing of the allocation agreement. |

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| | • The selected fund manager(s) must also certify that no principal of the selected fund manager(s) has 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, formerly 42 U.S.C. § 16911)).<br>• The selected manager(s) must obtain a written certification from the investee affirming that the investee is not:<br>o A business engaged in speculative activities that profit from fluctuations in price, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business or through the normal course of trade;<br>o A business that earns more than half of its annual net revenue from lending activities, unless the business is (1) a CDFI that is not a depository institution or a bank holding company, or (2) a Tribal enterprise lender that is not a depository institution or a bank holding company;<br>o A business engaged in pyramid sales, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants;<br>o A business engaged in activities that are prohibited by federal law or, if permitted by federal law, applicable law in the jurisdiction where the business is located or conducted (this includes businesses that make, sell, service, or distribute products or services used in connection with illegal activity, unless such use can be shown to be completely outside of the business's intended market); this category of businesses includes direct and indirect marijuana businesses, as defined in SBA Standard Operating Procedure 50 10 6;<br>o A business deriving more than one-third of gross annual revenue from legal gambling activities;<br>• The Authority will require a certification from the selected |

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| | 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.<br>• In the contractual agreement between a jurisdiction and a venture capital fund, the fund must be required to identify the services to be provided to portfolio companies and annually certify that these services were provided. The agreement between the fund and the portfolio companies must include disclosure of these services offered by the fund manager. Consistent with industry standards on payments of fees to cover these services to portfolio companies, the fund will reimburse the jurisdiction for payments of such services by SSBCI funds before returns are paid to the general or limited partners as will be recorded in the distribution of funds section of the LPA.<br>• The selected manager(s) must obtain written certifications from the investees affirming that the investment proceeds will be used for business purposes. A business purpose includes, but is not limited to, start-up costs; working capital; franchise fees; and acquisition of equipment under $2,000, inventory, or services used in the production, manufacturing, or delivery of a business's goods or services, or in the purchase, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes.<br>• The selected fund manager(s) shall collect certifications from the portfolio companies relative to company name, jobs, and receipt of benefits. Preliminary form documents will be provided by NJEDA as soon as |

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| | possible after signing of the allocation agreement. |
| Reporting | • In addition to industry-standard reporting provided for in the Fund agreements (which may include Limited Partnership Agreement (LPA) and NJEDA side letter agreement), the selected fund manager(s) shall provide transaction details and federally-required certifications to NJEDA before each investment.<br>• The selected fund manager(s) shall provide, when requested by the Authority, any information on the Fund's portfolio companies and jobs created, as such information will be requested by the federal government.<br>• The selected fund manager(s) shall provide quarterly financial statements and Fund updates in written form within 15 days of the end of each calendar quarter after the award documents are executed. The updates must include detail on companies invested into, including but not limited to industry, business specifics, location, jobs, additional funding, and highlights of portfolio business advancements. The quarterly report must also include updates on activities to support the ecosystem of SEDI entrepreneurs and businesses in New Jersey, including events and marketing.<br>• In addition to the report items listed above, the report shall also include the total amount of SSBCI funds deployed to eligible small businesses on a quarterly and cumulative basis, the aggregate amount of SSBCI funds deployed for very small businesses (VSBs) and businesses owned by socially and economically disadvantaged individuals (SEDI-owned businesses), the amount of program income generated, and the amount of SSBCI funds deployed for administrative costs.<br>• The Fund Manager(s) shall also submit quarterly reporting with transaction detail to NJEDA. |

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| | • The fund manager(s) shall submit SSBCI annual reports and certifications by March 15 of each year, the details of which will be captured in the LPA, LLC agreement or side letter. |
| Non-Compliance | If the selected Fund Manager fails to provide the deliverables required in the investment contract with NJEDA, they will be granted a 90-day grace period in which to cure the shortfall(s), after which point management fees will be withheld until deficiencies are corrected as outlined in the award agreement.<br><br>Fees and carry shall be withheld if the fund manager is not in compliance with the obligations in the agreement with EDA, including, but not limited to, compliance with SSBCI law, regulations, and policy.<br><br>The fund manager shall indemnify and hold harmless NJEDA, including, but not limited to, any re-payment of the Investment that the U.S. Treasury requires except as arising from the Investor's gross negligence or willful misconduct. |
| Notice Requirements | All terms incorporate any detailed requirement in the Notice of Investment Opportunity. Any other requirement in the Notice is also included. |