

NYS Innovation Venture Capital Fund RFP– Technology Commercialization Segment Q&A

What does ESD mean by equity-like investments? Can the investment entity invest through grants with warrants or grants that convert to equity at a later date?

Equity-like investments include stock (common and preferred), warrants and convertible notes that convert to stock. These instruments must be the same that the investors representing the matching funds also invest in.

The RFP states the pre-seed stage companies must be post-proof of concept. Is there an absolute prohibition for using investment funds for proof-of-concept experiments?

Exceptions can be raised and considered in advance on a case-by-case basis.

Are there any other restrictions on the use of funds by the startup companies?

An understanding of the use of proceeds should be part of the due diligence process and funds should be used for a legitimate business purpose. Certain compensation restrictions may be put in place as part of the contracting process.

The RFP states that the 1:1 matching fund requirement is on a portfolio basis. What does this mean? For example, if the investment entity received \$1.5 million to invest from ESD and the private partner invested \$1.5 million in one deal while the investment entity invested \$100,000 in that deal, would this satisfy the private match?

1:1 matching on a portfolio basis means that taken together co-funding must be a 1:1 match at all times between NYSIVC Fund funds and non-State funds across all investments taken together. Non-State funds include equity investments from private sources such as venture capital firms and Angel Investors. ESD reserves the right to have a similar or less restrictive matching requirement on a per deal basis.

What type of administrative expenses will ESD reimburse and how much money will they reimburse?

Certain fund structuring and travel costs may be reimbursed, to be determined as part of the contracting process.

I have a question as to the 1:1 matching requirement. Should this be an internal matching fund that is raised or used by our firm or external investors that will match with us on a case by case basis for each investment?

Matching funds may come from any non-State funding source, either from the Investment Entity's funds or external investors, led by the same term sheet. Non-State external funds include equity investments from private sources such as venture capital firms and angel investors.

Additionally, is the \$25k to \$100k investment amount meant to be the max invested total by the NYSIVC Fund and outside matching funds or just the amount that comes from the NYSIVC Fund?

\$25k to \$100k refers to the amount that can come from the NYSIVC Fund in a specific investment. There is no limit to external funding amounts.

In looking at the RFP and requirements I didn't immediately see any direct requirement that would bar a qualified investment firm from anywhere in the region or country (i.e non-NY states). Is this correct?

An investment entity should have a NYS presence and a working knowledge and appreciation of the State's investment and technology communities; those requirements are factored into the RFP review process.

The 25pg limit for the submission does not specify single or double spaced. Is there a preference?

Submissions can be single spaced with 12 point font.

In the past, you have requested that if the startups that have received the funds leave NY State, they would have to return the money with some penalty. With that term remain or is there any flexibility around the return or capital/penalty for leaving the state?

A similar clause will likely be required.

I don't believe an Investment Manager qualifies for STL-5-a because the investment manager/investment company does not make sales within NY State of tangible personal property or taxable services over \$300,000. A company that the investment manager "invests in" might be subject to this. Can you confirm that this is correct?

Must we also fill out the ST-220-TD to be compliant with ST-220-CA?

If the Investment Entity is registered with State Tax to collect and pay over sales/use taxes, then , having filed a ST-220-TD, they would fill out a ST-220-CA ("CA" means Covering Agency, i.e. ESD in this case) . If not, then they would file the STL-5 affidavit.

ST-220-CA

http://www.tax.ny.gov/pdf/current_forms/st/st220ca_fill_in.pdf

STL-5 Affidavit

http://esd.ny.gov/CorporateInformation/Data/RFPs/RequiredForms/STL_5A_Affidavit.pdf