

Q1. Will this application fall under FIOA requested documents?

All proposal materials and materials generated throughout the application process, including, but not limited to, application, references, review materials, and due diligence information, submitted to the MEDC through the MSF Board may be subject to public disclosure under Michigan’s Freedom of Information Act (“FOIA”).

As provided in the Michigan Strategic Fund Act (“MSF ACT”), the applicants may request that “financial or proprietary information,” as defined in the MSF Act, contained within application submission materials be protected from disclosure under the Michigan FOIA. Such information MUST be identified directly within the material submitted by applicants and comply with the following requirements:

- Identify each component and portion of the narrative for which you are requesting confidentiality. Text, tables or graphics **MUST** be bolded and marked with asterisks and brackets (*[bold if text]*) within the narrative.
- Identify the attachment and the portion of the document for which you are requesting confidentiality. Text, tables or graphics **MUST** be bolded and marked with asterisks and for portions of a multi-page document, you **MUST** also list the page numbers of all pages that contain information marked by asterisks and bold brackets.

PLEASE NOTE: any final agreement to which the MSF is a party is subject to full and complete disclosure under FOIA. We are unable to redact any portion of such agreement.

Q2. How can we maintain confidentiality of the information shared?

Please see Q1.

Q3. Information requested for individual LPs - we have a confidentially agreement with LPs and cannot share details. However, few of the LPs from the representative group are willing to provide reference check. Please let us know if this would be sufficient.

Please see Q1.

Q4. One of the criteria is stated as: *SBVCP capital will be used for portfolio companies with their headquarters facilities in Michigan and for which Michigan is its principal place of operation.* However, the SBVCP capital, along with all LP money, would in a typical VC fund be “pooled” together. So, if the fund was not 100% dedicated to investing in Michigan companies, than SBVCP money would be spread out – along with all the LPs - into all the investments (some investments in Michigan, some elsewhere). It would seem that a reasonable solution would be that if SBVCP LP money was XX% of the total fund, then that same XX% of the total fund should be put into Michigan based investments. However, MEDC money would be spread to all fund investments,

some in Michigan, some not. Or is it really a requirement that **ALL MEDC** money be put into **ONLY** Michigan based companies, meaning that other LPs would need to have (potentially all) their money put towards the other non-Michigan investments in the portfolio, assuming the fund was not strictly investing in Michigan companies?

Here is an example. Let's say MEDC put \$5M in a fund, and a NYC based family office put in \$5M, for a total of \$10M. Then the fund invested \$1M each in 10 companies. 5 companies are in Michigan, 5 are in other parts of the country. The way your requirement reads, MEDC money would all need to go only to the 5 Michigan companies, and the NYC money would all need to go to the non-Michigan companies.

It is a pretty important matter, since typical LP funded VC funds expect (and are frankly required) to have a piece of all the portfolio investments spread to all LPs, to benefit from diversification across the portfolio and to treat all LPs fairly.

The SSBCI capital committed by the MSF AND the private capital match must be invested in the equal dollar (\$) amount into MI-based companies and cannot be invested in other states. Also, as defined in the "Reporting" section of the [SSBCI Capital Program Policy Guidelines](#), "When a state provides SSBCI capital to private investment funds, a state's capital must be either (1) held in a separate fund and separately accounted for, or (2) held in a fund with other investors' funds, with each investor's investment accounted for separately. State-sponsored venture capital programs must be able to trace and report on each investment in a fund's portfolio that was funded partially or entirely by the SSBCI contribution to the fund. A state will be required to report to Treasury on investment performance and other transaction-specific details for each business that received SSBCI capital."

Q5. Does 1% GP contribution have to be capital or can it include in-kind (i.e. salary offsets)?

Strong preference is given to 1% GP direct contribution in capital only. All applications will be evaluated on case-by-case basis.

Q6. Is there a requirement that 100% of the matching capital be invested in Michigan-based portfolio companies or is the requirement only that the SBVCP funding has to be invested in Michigan?

Yes, to both. All capital committed, both MSF SBVCP funds and private matching funds, must be invested in the equal dollar (\$) amount into MI-based companies. See Q4.

Q7. Are SBVCP limited partner returns restricted to only the companies in which SBVCP funds are invested in? Would Michigan's SBVCP funding get the benefit of returns generated from the fund's portfolio companies HQ'ed in other states?

SSBCI capital partner contributions will be pari-passu with all other LP contributions as it relates to distributions from the fund.

Q8. *The maximum investment to an eligible portfolio company may not exceed \$20 million and may not include more than \$5 million in Program funding per investment. Does this include investments from other VC funds that are investing SBVCP funding into the same company?*

Yes. See [Capital Program Policy Guidelines](#), Section VIII. e on Borrower/Investee and Loan/Investment Size Requirements.

Q9. *SSBCI/MSF investment must be catalytic to “cause and result in” a minimum 1:1 private financing. Must demonstrate that, at a minimum, \$1 of SSBCI/MSF investment will cause and result in \$1 of new private capital. Is the 1:1 private financing required to be matched within the fund’s AUM or can syndicated co-investment count towards the 1:1 match? (i.e. capital that other VC funds invest concurrently with the fund’s SBVCP funding into a portfolio company)*

The 1:1 financing requirement must be met at the venture capital fund level. Specifically, private investment in the specific fund must be equal to or greater than the SSBCI investment in that fund. The private investment should constitute “private financing,” as defined in the [Capital Program Policy Guidelines](#) in Section VIII. c on 1:1 Financing.

Q10. Deal Flow Log. For a first-time fund led by experienced VC professionals, do you want a deal flow log for just the current fund or for each GP with their previous fund(s)?

Our goal is to see the most complete picture of the GP track record as a fund manager. We encourage each applicant to provide as much historical track record info as possible.

Q11. Historic track record. Is this just for the current organization or for all VC funds in which the GP’s have worked at prior to the current fund?

See Q10

Q12. Transaction summaries. Is this just for the current organization or for all of the individual GP’s at all prior funds? If the latter, should we present individual transaction information (i.e. include every single follow-on and all the required information) or on an individual company basis (i.e. complete one for each company regardless of follow-on).

See Q10.

Q13. With regards to all portfolio companies and co-investors, are you looking for only the current fund (even if it is a first-time fund) or all company CEO's and co-investors from any of the GP's prior funds?

See Q10

Q14. Appendix C the Summary Attribution Table. Under the column "Rounds", is it expected that this column be completed for all rounds the VC fund participated in an investment in the portfolio company?

Yes.

Q15. Appendix C the Summary Attribution Table. Under the column "Origination", is that the name of the Venture Partner that identified the investment for the Fund?

Yes.

Q16. Appendix C the Summary Attribution Table. Under the column "Lead", is that the Venture Firm leading the financing round?

Yes

Q17. Appendix C the Summary Attribution Table. Under the column "SEDI-Owned (Yes/No)", what Companies qualify as SEDI? What is the type of individual(s) that possess ownership control of the business?

The November 2021 [Capital Program Policy Guidelines](#) provide a definition of what small businesses qualify as a SEDI business. The basis for eligibility can be geographic, demographic, or socioeconomic. A small business may qualify as a SEDI business if it meets at least one of the four criteria below:

1. Business enterprises that certify that they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to their: (1) membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; (2) gender; (3) veteran status; (4) limited English proficiency; (5) physical handicap; (6) long-term residence in an environment isolated from the mainstream of American society; (7) membership of a federally or state-recognized Indian Tribe; (8) long-term residence in a rural community; (9) residence in a U.S. territory; (10) residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization); or (11) membership of another "underserved community" as defined in Executive Order 13985.

2. Business enterprises that certify that they are owned and controlled by individuals whose residences are in [CDFI Investment Areas](#).

3. Business enterprises that certify that they will operate a location in a CDFI Investment Area.
4. Business enterprises that are located in a CDFI Investment Area.

The term “owned and controlled” means, if privately owned, 51 percent is owned by such individuals; if publicly owned, 51 percent of the stock is owned by such individuals; and in the case of a mutual institution, a majority of the board of directors, account holders, and the community which the institution services is predominantly comprised of such individuals.

Q18. What is the expected average investment award and the maximum?

The expected average investment award is \$5-10M. Recommendations for awards will be submitted to the Michigan Strategic Fund board for approval. Final award amounts will be at the discretion of the MSF Board.

Q19. Is it the intention to award the program funds as quickly as possible to qualified applicants or to spread the allocations over the three-year open period window?

Applications from qualified Michigan venture capital funds will be accepted by the MEDC during a three-year open period or until the budget is exhausted. Applications will not be accepted once available funding has been fully committed. If additional funding designated for the Program or previous investments have liquidity events that are returned to the Program the application process will be reopened and announced on [MEDC Access Capital](#) website.

Q20. Can a fund apply to SSBCI if it has already had a first close, and if so, how will the closed commitments be viewed upon in terms of matching and “cause and result in” private financing?

The program will only work with funds for which private capital is catalyzed by SSBCI participation based on the funds’ age, size, or experience.

As a part of the application, the fund must describe how the SSBCI investment will in fact “cause and result in” private financing. A private investment that occurs prior to the SSBCI investment may count towards the fund’s 1:1 financing ratio when a fund can document that the forthcoming SSBCI funds were the “cause and result” of the private investment. For example, a private investment that occurs prior to an SSBCI investment may count towards the fund’s private capital ratio if the fund supplies documentation (e.g., board meeting minutes) evidencing the causal connection between the SSBCI investment and the private investment.

Q21. Can you clarify the requirement that a fund not be engaged in lobbying activities? Does this only apply to the Fund itself and SSBCI in particular, or does it also apply to any affiliated entities and/or non-SSBCI funding opportunities?

Neither the fund/fund manager nor any affiliated entities may be involved in any lobbying activities. This is not limited to SSBCI. SSBCI funds must be used for a permitted purpose. Lobbying activities are not a permitted purpose. Lobbying Activities are defined in the Lobbying

Disclosure Act of 1995, P.L. 104-65, as amended, as “lobbying contacts and efforts in support of such contacts, including preparation and planning activities, research and other background work that is intended, at the time it is performed, for use in contacts, and coordination with the lobbying activities of others.”

Q22. With respect to the definition of SEDI businesses, does the 51% ownership requirement only apply at the time of initial investment? If the SEDI ownership % is diluted below 51% through rounds of funding, does it still meet SEDI definitions if the 51% ownership requirement was met initially?

Yes, as clarified in the [SSBCI FAQ on 8/15/22](#) in Capital Program section IV, SEDI-owned Business Allocations, Q4.

Q23. With respect to the definition of VSB investments, does the requirement for less than 10 employees only apply at the time of initial investment?

Yes.

Q24. Can a Fund that has received an SSBCI investment invest in a company that it has supported earlier through another fund? Would it be considered a conflict of interest to invest further in a company that has received support from an affiliated non SSBCI fund of the investor?

No. If the fund or fund manager has an existing equity interest based on a non-SSBCI investment, that would be a conflict. Please see the SSBCI Policy Guidelines regarding Conflict of Interest Standards for Venture Capital Programs available [here](#).

Q25. As to requirements for private capital do funds from a non-profit foundation meet this requirement?

Please see [SSBCI Capital Program Policy Guidelines](#) Section VIII b on “private financing” definition.

Q26. When will MEDC be accepting applications from VC firms?

See Q9.