

NYC Catalyst Fund Request for Applications
Project #10306
First Round Questions & Answers
October 23, 2023

In connection with the **Request for Applications (“RFA”)** relating to the **NYC Catalyst Fund (“NYCCF”)** released by NYCEDC on **September 20, 2023**, the questions from potential Respondents and answers provided by NYCEDC are below.

1. Q: If we do not anticipate investing in New York, is our Fund beyond the scope of your RFA, or shall we begin the application process?

A: The investment fund must establish a connection to New York City as a requirement for this RFA. The New York City connection requirement can be satisfied through at least one of the following criteria:

- a) The applicant is headquartered in New York City and at least 25% of the Applicant’s full-time employees work in New York City, including at least one investment partner, or
- b) The applicant will commit to investing at least three times (3x) NYCEDC’s invested capital in NYC-based portfolio companies or projects.

Therefore, if an applicant does not anticipate investing in New York, to satisfy the NYC connection requirement, the applicant must be headquartered in New York City and have at least 25% of its full-time employees work in New York City, including at least one investment partner.

2. Q: I wanted to clarify whether impact funds based in US states outside of New York are encouraged to apply for this RFA?

A: Impact funds based outside of New York City are encouraged to apply to this RFA as long as they fulfill the New York City connection requirement by committing to invest at least three times (3x) NYCEDC’s invested capital in NYC-based portfolio companies or projects.

3. Q: I see where to upload documentation but do not see a specific list of required documents. // There are five slots of files to upload - what documents would you like to see?

A: Detailed submission guidelines and documentation requirements are outlined in the RFA, specifically in Section VIII: Submission Procedures.

The RFP website includes five upload slots by default, but please refer to Section VIII regarding the upload procedures.

4. Q: What information is most helpful in providing in the application?

A: The information that applicants need to provide to be considered for the program is detailed in Section V: Material Terms and Conditions of the RFA. For example, key details about the fund’s investment strategy, expected returns, track record, social impact goals, and alignment with the program’s mission are all important in the application. Note that proposals will be scored according to the Selection Criteria detailed in Section VII.

5. **Q:** When are decisions for the first round made? What is your investment decision-making process and timeline?

A: First-round submissions are due by November 1, 2023. After the first-round closes, applications will be reviewed by NYCEDC's internal investment team, investment committee, and board of directors. Initial investments are expected to occur in the first half of 2024.

The RFA will remain open until all monies have been committed; this is expected to happen in an 18 to 24-month timeframe.

6. **Q:** We understand the first-round submission deadline is November 1, 2023, with rolling submissions thereafter every month. How many fund managers will be selected during the first round?

A: There is no predetermined number of fund managers that will be selected during each round of submission. Selection is dependent upon the quality of the submissions. Fund managers will be chosen until the RFA closes. We anticipate evaluating applicants across multiple submission windows.

7. **Q:** Do you require managers to raise a minimum amount of funds prior to submitting the application? If so, it would be great if you could specify dollar amount or % of target fund size.

A: Funds are not required to raise a minimum amount prior to submitting an application. However, the respondent must confirm that NYCEDC's commitment will not exceed 20% of the total investment capital of the Fund.

NYCEDC is comfortable committing its capital, with the understanding that its commitment will only be called on a prorated basis relative to the amount raised at each close.

8. **Q:** Is your goal to be a catalytic investor, or do you intend to come in when funds are nearing the end of their fundraise?

A: We anticipate investing in both funds that are in the early stages of fundraising and those that are nearing the end of their fundraise.

9. **Q:** Will you make a soft commitment to fund managers early on in their fundraising process, shifting to hard commitments once certain milestones are met? Will you make investments in tranches?

A: We encourage applicants to consider the timing of their applications with respect to fundraising status insofar as it could affect their score under Part 2, Section F of the NYCCF's Selection Criteria (page 10 of the RFA).

NYCEDC is comfortable committing its capital, with the understanding that its commitment will only be called on a prorated basis relative to the amount raised at each close.

10. Q: Can State Small Business Credit Initiative New York (“SSBCI NY”) funds be co-invested with NYCEDC funds for NYC-based companies?

A: NYCEDC expects fund managers will raise capital from multiple sources, and that they will invest into NYC-based companies and projects that have received monies from other funds. NYCEDC has no issue co-investing with SSBCI NY funds.

To the extent that other sources of capital have restrictive elements that would prohibit co-investments from NYCCF, fund managers must confirm such elements with their counsel and/or with those investors

11. Q: Will EDC require its funds to be located in a sidecar vehicle?

A: No.

12. Q: Do you intend to increase the allocation to the program above and beyond the \$40M initial commitment over the coming years?

A: A portion of the returns generated by NYCCF will be reinvested and there may be additional cash infusions from NYCEDC. Any additional capital will be partly contingent upon the fund's success and its ability to meet its financial and impact objectives.

13. Q: Is there a word or page count limit for each section of the proposal?

A: No, but brevity is appreciated.

14. Q: What constitutes a document that is analogous to the Private Placement Memorandum (“PPM”) // Since we are mid fundraise we don't have a full PPM yet. Can we submit our summary of Key Terms in lieu of a PPM?

A: If a PPM is not available, analogous materials will suffice. These materials should contain, at a minimum, an overview of the firm, investment team, fund structure, investment thesis and strategy, terms, track record, and illustrative investments from previous funds.

15. Q: If a firm is new, what types of financial statements or documents shall we submit?

A: Unaudited annual and quarterly financials to the extent they are available.

16. Q: Will the NYC Catalyst Fund consider funding applications from single General Partners (“GPs”) or is it strictly limited to funds with multiple GPs?

A: Both are eligible to apply.

17. Q: Is the NYC Catalyst Fund open to considering applications from new funds that are in the process of being established but have not yet operationalized, or is it restricted to funds that are already fully operational?

A: NYCEDC is open to considering applications from funds that are still in the process of being established. To be eligible, however, fund managers must meet all of the minimum criteria, including having a track record, described in Section V of the RFA.

Note that NYCEDC monies may not be used to seed the start-up expenses of a fund and must be used for investments in portfolio companies and projects, fund manager compensation, and/or investment fund-level operating expenses, such as audit and legal expenses.

18. Q: We are raising for an impact studio in addition to a fund. The studio will build 4 companies per year while the fund invests in those 4 companies. The fund is also investing in 10 companies outside of the 4 studio builds. Considering the studio is a venture studio that meets all the requirements would it be eligible along with the fund to participate?

A: No, this program is exclusively for investment funds.

19. Q: Our Fund team is geographically spread and entirely virtual. Our mailing address and legal headquarters are a home office address for one of four managing partners, who lives outside of New York City. However, another one of the four Managing Partners of the Fund works out of a home office in New York City, fulfilling the 25% threshold. We also are committed to investing in companies that fulfill the 4b criteria and already have a track record that matches that commitment, however we recognize that applicants that meet both criteria 4a and 4b will be assessed more favorably. Given the virtual nature of our company, would we qualify (or "semi-qualify") under 4a as well as 4b? Would it be important to highlight this distinction in the application? Any guidance here is welcome.

A: To fulfill the New York City connection requirement, an applicant must show that it is invested in the NYC ecosystem by satisfying at least one of the following criteria:

- a) The applicant is headquartered in New York City and at least 25% of the Applicant's full-time employees work in New York City, including at least one investment partner, or
- b) The applicant will commit to investing at least three times (3x) NYCEDC's invested capital in NYC-based portfolio companies or projects.

If a firm's legal headquarters is located outside of New York City, the firm would not meet the first criteria.

However, if the firm plans to invest at least three times NYCEDC's capital in NYC-based portfolio companies or projects, it would fulfill the second criteria, thereby satisfying the New York City connection requirement.

Separately, if a firm satisfies both requirements described above, NYCEDC encourages applicants to detail the degree to which the firm meets both aspects as it relates to the Selection Criteria Part 3, Section B on page 10 of the RFA.

20. Q: Re: Minority and women-owned business enterprise (“M/WBE”) status - do you require a City or State designation in addition to a federal designation, or is just a federal designation acceptable? Please note that one of our team members does have City and State certification but is am not the prime contractor here.

A: Although not a requirement, Companies that have been certified with the New York City Department of Small Business Services as M/WBEs are strongly encouraged to submit an application.

In addition, NYCEDC wants to ensure that BIPOC and women entrepreneurs and BIPOC and women-led Fund Managers that target such entrepreneurs have an opportunity to participate in the Program. To this end, NYCEDC strongly encourages BIPOC and women-led Fund Managers that seek to invest in BIPOC and women entrepreneurs to submit an application.

21. Q: Will an investment team with investing experience obtained at different firms (i.e., the team has not invested together before) be considered differently than other applicants?

A: Yes, an investment team that does not have a track record of investing together will be considered on a different basis as opposed to an investment team with longevity at the applicant’s firm (see Selection Criteria, Part 4, section C).

Nevertheless, this is not a disqualification from the program and NYCEDC encourages proposals from new firms that can establish a track record of success from prior experiences at different institutions.

22. Q: Will new emerging firms as applicants be given extra consideration, given the theme and mission of the Catalyst fund?

A: New emerging managers will not be given extra consideration.

Additionally, as is stated in Section V, for all applicants, proposers and/or key staff members must have verifiable experience in investing in private portfolio companies and projects and the applicant must have adequate resources to carry out the functions proposed in the applicant’s proposal. It is preferred that the firm, its principals, and/or senior investment team have demonstrated a minimum three-year track record in at least one prior equity or debt fund or fund-like investment vehicle similar to the investment fund being proposed. The applicant may link its track record with the track record of its principals and/or senior investment team from a predecessor firm as long as the investments of the two firms are substantially the same.

23. Q: We intend to invest heavily in New York. Currently two-thirds of our fund portfolio are NYC-based businesses. However, given that we can't know exactly what our future mix of pipeline and investments will look like, what would happen if we didn't meet the 3x threshold over the life of the fund? Would a certain amount of the commitment be voided such that the remaining commitment met the 3x threshold?

A: Depending on fund structure and subject to negotiations, NYCEDC may elect to renegotiate or terminate any further capital commitments if a fund manager has not met the 3x requirement. This decision would likely be made in the final year of the investment period for equity funds or after a significant portion of a loan fund has been deployed.

24. Q: We have one limited partner (“LP”) in our fund who for some compliance reasons (they are a bank) have their capital sitting in a separate sidecar entity. We have a single strategy across our core fund and this sidecar entity and for every investment we make, we draw pro-rata from the two vehicles. For the purposes of meeting the 3x NYC threshold and the fund exposure limit of 20%, can we count both vehicles?

A: Depending on confirmatory diligence, we would count both vehicles so long as there was an obligation for both to maintain identical portfolios.

25. Q: We are about to go to market with a new fund, however we do not have any committed capital yet. Given that the NYC Catalyst Fund must be no more than 20% of committed capital, will you do any contingency grants that could then be used to catalyze a first close, or would we be better positioned to apply for funding for our current fund and, if successful, amend the limited partnership agreement (“LPA”) to take in those additional funds?

A: We anticipate investing in both funds that are in the early stages of fundraising and those that are nearing the end of their fundraising. We would encourage applicants to consider the timing of their applications with respect to fundraising status insofar as it could affect their score under Part 2, Section F of the NYCCF’s Selection Criteria (as found on page 10 of the RFA).

NYCEDC does not expect to offer any soft commitments as part of the program.

Regarding the 20% of committed capital clause, respondents must confirm that NYCEDC’s commitment will not exceed 20% of the total investment capital of the Fund. NYCEDC expects to release its capital at each close at a prorated amount relative to funds raised at each close.

26. Q: In the RFA, three uses of proceeds are listed: (i) *Investing into portfolio companies and projects*, (ii) *Fund Manager compensation*, and (iii) *Investment Fund level operating expenses, such as audit and legal expenses*. Can you help clarify these as use of proceeds versus a typical fund investment, management fee, and expense reserve?

A: The use of proceeds listed in the RFA are analogous to that of fund investment, management fee, and expense reserve, based on the information provided in the question.

27. Q: In the last paragraph of “Investment Amount, Eligible Use of Proceeds, and Basic Terms of the Program,” how is NYCEDC defining “as appropriate” with regards to participation in investment governance committees?

A: “As appropriate” refers to whatever criteria are in place to determine representation on governing bodies.

For example, in the context of a venture capital or private equity fund, an LP’s commitment or proportional share of the overall fund may determine whether they are granted a seat on the LP Advisory Committee (“LPAC”). If NYCEDC’s commitment meets the requisite threshold, as applicable to all LPs, NYCEDC would expect a seat on the LPAC.

28. Q: Can you confirm that the NYCEDC will invest in the Limited Partnership entity, or does it require participating via the General Partnership entity or through a debt instrument similar to that of some government agencies?

A: NYCEDC expects to invest in the limited partnership entity for funds following a typical private equity strategy. In addition, NYCEDC expects that its capital will largely be committed on the same financial terms and using the same structure as other investors in the fund, as per page 5 of the RFA.

29. Q: Per IV.E, does NYCEDC have a standard for its impact reports it hopes managers adhere to?

A: NYCEDC does not have a bespoke format for its impact reports and understands report structure and content will vary depending on which impact verticals apply.

30. Q: If there are certain requirements of the RFP that require a manager to add a new or increase its expense at the investment adviser level beyond that which its other Limited Partners require, would NYCEDC consider expanding the expense reserve?

A: NYCEDC expects that its capital will largely be committed on the same financial terms as other investors in the Fund, as per page 5 of the RFA.

NYCEDC may consider expanding an expense reserve provided the fund manager can provide justification for the additional incurred expense.

31. Q: Relevant to V.6, can you confirm that "10 years or less" refers to the standard fund life and whether standard extensions are considered?

A: Yes, the section refers to a standard fund life. We are comfortable with funds that include provisions for standard extensions.

32. Q: Per Part 6 of the Selection Criteria, does NYCEDC have specific governance and policies requirements?

A: NYCEDC does not have specific governance and policies requirements and understands these may vary based on jurisdiction, size, maturity, and strategy of a firm and fund.

33. Q: The fund that you invest in – does it need to be a US-based entity, or can it be an international based entity?

A: Funds based outside the US are not prohibited from submitting a response; however, NYCEDC cannot say in advance whether it has the ability to invest through a fund in a foreign jurisdiction; it may depend, for example, on the laws of the foreign jurisdiction or on the regulatory or policy requirements of NYCEDC that apply to a given foreign jurisdiction. Also, please note the various selection criteria that place emphasis on activity in New York City.

34. Q: Will any of the information from applicants be made available to the public? Including who submitted?

A: All applications, responses and other materials submitted to NYCEDC in connection with this RFA may be disclosed in accordance with the standards specified in the Freedom of Information Law, Article 6 of the Public Officers Law ("FOIL"). The entity submitting a response may provide in writing at the time of submission a detailed description of the specific information contained in its

submission, if any, which constitutes a trade secret or would, if disclosed, harm such entity's competitive position. This characterization shall not be determinative, but NYCEDC will use it for purposes of evaluating the applicability of any exemptions under FOIL should any request be made under FOIL to see the submission.

Apart from the FOIL process, information from applicants will not be made available to the public except for applicants presented to the NYCEDC Executive Committee for approval (refer to Step 5 of the Review Process under Section VII on page 9 of the RFA). Materials presented to the NYCEDC Executive Committee will generally be limited in scope and nature to non-material information.