SSBCI Capital Program Policy Guidelines
Revised October 7, 2022

Equity/Venture Capital Programs: Conflict-of-Interest Standards [Extracted, pages 31-33]

Funds from an SSBCI equity/venture capital program must not be used to make an investment in a business in which an SSBCI insider has a personal financial interest. Jurisdictions with such programs should adopt conflict-of-interest policies consistent with the standards set forth in this section.

The following definitions apply to the conflict-of-interest standards for equity/venture capital programs:

- An "SSBCI insider" of an SSBCI equity/venture capital program is a person who, in the 12-month period preceding the date on which SSBCI support for a specific investment in a venture capital fund or company is closed or completed:
    - Was:
        - a manager or staff member, whether by employment or contract, in the jurisdiction's SSBCI equity/venture capital program;
        - a government official with direct oversight or jurisdiction over an SSBCI equity/venture capital program, or such an official's immediate supervisor;
        - a member of the board of directors or similar body for a jurisdiction-sponsored non-profit entity who, through such membership, has authority to vote on decisions to invest SSBCI funds or has authority over the employment or compensation of staff managing processes related to the investment of SSBCI funds;
        - a member of the board of directors or similar body for an independent non-profit or for-profit entity that operates an SSBCI equity/venture capital program; or
        - an employee, volunteer, or contractor on an investment committee or similar body that recommends SSBCI investments for approval or approves SSBCI investments under the SSBCI equity/venture capital program; or
    - Exercised a controlling influence on jurisdiction decisions regarding:
        - The allocation of SSBCI funds among approved equity/venture capital programs;
        - Eligibility criteria for the SSBCI equity/venture capital programs; or
        - The processes for approving investments of SSBCI funds under the SSBCI equity/venture capital program.
- A "business partner" of an SSBCI insider is a person who owns 10 percent or more of any class of equity interest, on a fully diluted basis, in any private entity in which an SSBCI insider also owns 10 percent or more of any class of equity interest on a fully diluted basis.
- A "family member" of an SSBCI insider means:
    - Such person's spouse, domestic partner, parents, grandparents, children, grandchildren, brothers, sisters, stepbrothers, and stepsisters; and
    - Any other relatives who live in the same household as the SSBCI insider.
- An "independent non-profit entity" means any non-profit entity that is not sponsored by the jurisdiction.
- A "personal financial interest" means any financial interest derived from ownership or right to ownership of, or lending to or other investment in, a private, for-profit entity that may receive an SSBCI investment (including

any financial interest derived from ownership or right to ownership of, or investment in, a venture capital fund).

- A "jurisdiction-sponsored non-profit entity" is a non-profit entity created by legislation to pursue policies of the jurisdiction's government and over which the jurisdiction's officials exercise a controlling influence through budgetary decisions or other legislative action or direction.

Subject to the exceptions described below, SSBCI funds may not be used by SSBCI equity/venture capital programs to make or support investments in a company or venture capital fund if an SSBCI insider, or a family member or business partner of an SSBCI insider, has a personal financial interest in the company or venture capital fund. A prohibited conflict of interest is deemed to exist even if the conflict is disclosed or the relevant individuals recuse themselves from participating in the investment. Further, accepting a role as an SSBCI insider does not require a person to divest financial interests in a company or venture capital fund resulting from previous employment or personal investment activity. However, if a person is an SSBCI insider, any company or venture capital fund in which the insider has a personal financial interest is prohibited from receiving investments or financial support from SSBCI funds.

Exceptions to the general prohibition are as follows:

- A governmental entity or a jurisdiction-sponsored non-profit entity may use SSBCI funds for follow-on investments in companies or venture capital funds if the entity has an existing ownership or voting interest resulting from a prior investment of SSBCI funds or non-SSBCI funds. Furthermore, in this circumstance, the entity may authorize investments if an SSBCI insider serves on the board of directors of the company or venture capital fund, if an SSBCI insider does not have a personal financial interest in the company or venture capital fund and the entity's prior financial interest is in compliance with all applicable laws and rules.

- An independent non-profit or for-profit entity managing or investing SSBCI funds for an SSBCI equity/venture capital program is not precluded from authorizing follow-on investments using SSBCI funds in a company or venture capital fund in which the entity previously invested SSBCI funds or the entity has previously appointed a representative to serve on the board of directors in stewardship of the investment. However, such independent non-profit or for-profit entity may not authorize (or seek approval from the participating jurisdiction for) an investment of SSBCI funds in a company or venture capital fund in which the entity holds any type of financial interest resulting from an investment made with non-SSBCI funds.