MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: May 10, 2023

SUBJECT: New Jersey Black & Latino Seed Fund (BLSF) Manager Approvals

SUMMARY

Approval is requested of the Members to:

- Commit an aggregate investment amount of up to $20 million to limited partnerships, or limited liability companies managed by fund manager Conscious Venture Partners, LLC (Conscious), for an amount up to $7.5 million; fund manager, Red Bike Capital LLC (Red Bike), for an amount of up to $5 million; and accelerator manager, Tale Venture Partners LLC (Tale), for an amount up to $7.5 million to make investments into early-stage, Black and Latino owned businesses in New Jersey, subject to the final analysis based on the disparity study. Funding for the investments is provided by State Budget appropriations from Fiscal years 2021 and 2022.
- 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

As provided for by New Jersey State budget, appropriations of $10 million in fiscal years 2021 and 2022 each, totaling $20 million, and signed into law by Governor Murphy, the NJEDA was authorized to pursue the creation of a seed fund to invest in Black and Latino founded and led businesses. The funding was appropriated into NJEDA's Economic Recovery Fund (ERF), from which EDA is authorized to make equity investments into small and medium-sized businesses that have new concepts or invention or expanding, transitioning to, or using a new business model. Accordingly, pending the outcome of a disparity study in NJEDA's equity investments. The object of the study was to determine if there is a disparity between the percentage of available, diverse-owned enterprises (women-, minority, veteran-owned business enterprises, also referred to as "diverse founders") and the percentage that have received direct funding from an NJEDA administered equity investment programs or indirect support from the Authority's venture fund programs.

NJEDA Equity Investment Disparity Study

In May 2021, the Authority retained Rutgers University's Public Private Community Partnerships and Supply Chain Management Department to conduct a comprehensive disparity study of the Authority's equity investment program over the five-year period between July 1, 2015, through December 31, 2020. The study's scope of work asked the Rutgers team to first determine the total number of emerging or early-stage companies in the State and the number and percentage of diverse-owned enterprises. Then, using data compiled from the five-year period studied, the team determined if there is a disparity between the percentage of available diverse enterprises in this subset, and the percentage that have received direct funding from an NJEDA administered equity investment programs or indirect support from the Authority's venture fund programs.

The Rutgers team, in its review of the utilization data, found that diverse founders received a small percentage of the overall equity investments made by the funds within the Authority's equity-investment portfolio. For example, the study found that only about 11.9% of the Authority's equity-investment portfolio were made into diverse founders. For context, about 86.9% of the portfolio equity-investments went to the State's businesses that are not diverse-owned enterprises (also referred to as "non-diverse founders").

The Rutgers team made a number of recommendations, including some that are neutral as to race, ethnicity, and gender as well as set asides and race-, ethnicity-, and gender-conscious steps "in order to remedy the effects of potential future disparities while reducing or eliminating any other marketplace barriers that adversely affect future investments in diverse-owned enterprises."

One specific recommendation is to establish race- and ethnicity-conscious equity investment programs. To determine the amount of investments necessary for such programs, staff is presently analyzing the identified disparity in light of EDA's current investment portfolio and anticipated increased short-term investment (including all SSBCI equity investment recommended by separate memoranda).

The Authority's adoption and execution of the Black and Latino Seed Fund is part of a broader strategy based on the disparity study's recommendations. Among the actions included in the strategy that are being considered or have already been taken and recent legislative changes that staff anticipates will reduce the identified disparity are:

1. Recommending that the Board set aside funds from the NJ Innovation Evergreen Fund as authorized under the Innovation Evergreen Act (to be requested at a later Board meeting)
2. Additional investment from the Innovation Evergreen Fund (up to an additional $1.25) for certified women- or minority-owned businesses
3. Including whether a venture firm has diversity, equity, and inclusion policies for internal operations and for investments as a significant scoring criteria to determine whether a venture firm qualifies for Innovation Evergreen Fund investments
4. Increase to the amount of the NJ Accelerate convertible note available to business graduating from NJEDA approved accelerators, and approval of one accelerator with a focus on early-stage technology and technology-enabled companies led by underrepresented founders
5. Recommending, by separate memorandum, the investment of $20 million in Socially and Economically Disadvantaged Individuals (SEDI) Seed Funds, using federal State Small Business Credit Initiative. The U.S. Treasury defines SEDI to include, among other things, membership in racial and ethnic groups "that ha[ve] been subjected to racial or ethnic

prejudice or cultural bias within American society"; gender; veteran status; and membership of a federally or state-recognized Indian Tribe.

Additionally, although not directly impacting NJEDA's equity investment, the following also help direct funds to diverse founders:

1. Increase to the amount of the Angel Investor Tax Credit (ATC) for an investment in a certified women- or minority-owned business
2. Increase to grant funding, up to an additional $150,000, for women and minority entrepreneurs participating in the Innovation Fellows Program

The Authority continues to strive to develop more-equitable investment portfolios and support diverse companies in compliance with relevant State laws.

<u>Investment Details</u>

Since 1999, the Authority has committed more than $64.5M to 20 venture capital funds. 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.

Strategy:

The Black and Latino Seed Fund is purposed to increase access to capital for Black and Latino owned businesses operating within the State. The Authority, for purposes of the Fund, defines these businesses as "New Jersey- businesses where at least 51% of its ownership interest is held by Black or Latino entrepreneurs." Staff proposes defining these terms consistent with the State statutory definitions for "Black" and "Hispanic" for purposes of certifying minority-owned businesses. Accordingly, a "Black Entrepreneur" is an entrepreneur with racial origins in any Black racial groups in Africa and a "Latino Entrepreneur" is an entrepreneur of Spanish or Portuguese heritage, with origins in Mexico, South or Central America, or the Caribbean Islands, regardless of race.

Additionally, while ERF allows for investment in any business with new concepts or invention or that is expanding, transitioning to, or using a new business model, staff proposes generally focusing this investment on "targeted industries" as defined in the New Jersey Economic Recovery Act of 2020, P.L. 2020, c. 156, for various new State tax credit programs, and further clarified in the Emerge Program at N.J.A.C. 19:31-22.2: to mean "any industry identified from time to time by the Authority that shall initially include advanced transportation and logistics, advanced manufacturing, aviation, autonomous vehicle and zero-emission vehicle research or development, clean energy, life sciences, hemp processing, information and high technology, finance and insurance, professional services, film and digital media, non-final point of sale retail food and beverage businesses, including food innovation, and other innovative industries that disrupt current technologies or business models." Disruption is assessed based on such factors as "whether the businesses in the industry are offering products or services that significantly improve current market offerings on the basis of price or other performance levels, whether the new industry creates opportunities for new firms to enter and redefine the supply chain or value chain of an industry, or whether the industry utilizes new technology or business processes that allow New Jersey firms to collect a share of revenues that were traditionally only available to companies in other geographies."

The recommended managers will utilize the amount determined by the Authority based on the equity investment disparity study, up to the maximum of $20 million, pending final staff analysis based on the disparity study data, to make seed-stage investments into New Jersey Black and Latino owned businesses. The allocation of dollars to the three managers identified for recommendation are specified herein.

Process:
On February 9, 2023, NJEDA issued a Notice of Investment Opportunity 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 Black and Latino Seed Fund (the "Fund") for investment into Black and Latino, New Jersey businesses. The submissions were evaluated according to a process and scoring rubric attached as **Appendix A**, as provided from the Notice of Investment Opportunity issued.

At a minimum, the following deliverables are the requirements of the fund managers' performance against the resulting investment contract:

- The selected fund managers must convene in-person office hours or engagements in New Jersey on a regular basis.
- If the interested fund manager does not currently have an office in the State, a manager 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.
- The selected fund manager(s) shall enter into one or more agreements with the Authority regarding the investment, which agreements shall be governed by New Jersey law.
- The selected fund manager(s) must provide quarterly financial statements and Fund updates in writing at the end of each calendar quarter after the award documents are executed. The Fund 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 Black and Latino entrepreneurs and businesses in New Jersey, including events and marketing.
- The selected fund manager(s) shall provide annual Certified Public Accountant prepared financial statements for the life of the investment. The Authority shall have a position on the Fund's advisory board.

If the selected Fund Manager(s) 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.

The NJEDA received submissions from nine respondents related to the NIO. 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 Tale Venture Partners LLC (scoring 40 out of 52), the third highest scoring manager was Red Bike Capital, LLC (scoring 33 out of 52), and the fourth highest scoring manager was

Conscious Venture Partners LLC (scoring 32 out of 52). The second highest scoring manager is not proposed for investment here, as that manager applied for all three concurrently issued NIOs. To mitigate potential concentration risk at a total program level and create alignment with the capital matching requirement, the second highest scoring fund manager is being proposed only for the SSBCI Life Science Seed Fund NIO. Staff recommends that the funds be allocated to the identified, qualified, highest-scoring managers to make early-stage investments into New Jersey businesses founded and run by Black and Latino entrepreneurs. One hundred percent of the investments will be deployed into New Jersey companies. As identified at the time of investment, 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 US headquarters in New Jersey. Following the completion of reviews staff has identified Conscious Venture Partners, LLC, an accelerator manager, for an amount up to $7.5 million; fund manager, Red Bike Capital LLC, for an amount up to $5 million; and accelerator manager, Tale Venture Partners LLC, for an amount up to $7.5 million. See Non-confidential narratives under "summaries of selected managers" below.

As identified to the respondents in the Notice of Investment Opportunity, in addition to managing the State appropriated funds, the managers will be able to seek additional capital commitments from other investors to leverage the public funds as a catalyst for investment.

Executive Summaries of Selected Managers

Conscious Venture Partners, LLC Executive Summary

Conscious Venture Partners, LLC, based in Baltimore, MD, creates opportunities for new prosperity for diverse entrepreneurs, underserved or under resourced urban communities and for its investors, by using entrepreneurship as a tool for economic inclusion. Conscious launched its first fund, Conscious Venture Fund I, LP ("Fund I") in September of 2018. The Fund closed in early September 2020 after raising roughly $1.7m. Since 2014 and the launch of the first conscious Venture Lab cohort in the Spring of 2014, Fund I invested in 29 seed or pre-seed companies. Conscious launched its second fund, Conscious Venture Fund II, LP ("Fund II"), a $30 million fund, in March 2021. Conscious scored 32 out of 52. The firm was ranked highly, in part due to its experienced leadership team, who have meaningful investment records prior to founding Conscious. Additionally, despite the very early stage of the Fund I portfolio, the portfolio demonstrates a low loss ratio, or write-off rate of investments. Core to the nature of the Black and Latino Seed Fund, Conscious can specifically demonstrate the demographic metrics within its portfolio.

<u>Fund Strategy</u>

Conscious Venture Partners acts as a bridge between under-served founders and the resources they are so often denied. By providing investment capital, a world-class entrepreneurial training platform, connections to a network of corporate partners, mentors, consultants, academics and other investors, Conscious helps break down barriers and allow founders to become the protagonists in their own solutions of creating generational wealth in minority communities across the US. One of the ways Conscious continues to set itself apart from other accelerators and venture capital funds is with its focus on conscious capitalism and the theory of stakeholder management.

Conscious proposes that the fund will have a 10-year fund life term and a 5-year investment period, with the first 18 months of the fund life committed to additional capital raises. It will pursue investments through convertible notes, SAFEs, and equity holdings in its management of the Black and Latino Seed Fund. Its minimum investment would be $100,000 and its maximum at around $750,000. Conscious anticipates up to 20 investments per-year at an average size of $125,000 per startup for the initial investment. Follow-on investments would likely start at $250,000 and range to the upper level of $750,000.

Additionally, the fund will focus on making an average of $3M yearly (during the fund's investment period) into early stage (pre-seed to series B), businesses headquartered in New Jersey, with at least 51% of its ownership interest held by Black and/or Latino entrepreneurs.

Conscious considers itself acutely focused on supporting the development of businesses' soft and hard skills. The firm defines "conscious capitalism" as way of thinking about capitalism and business that better reflects where the human journey currently is, the state of the world today, and the innate potential of business to make a positive impact on the world. The firm views "conscious businesses" as galvanized by higher purposes that serve, align, and integrate the interests of all their major stakeholders; who have conscious leaders who are driven by service to the company's purpose, all the people the business touches, and the planet we all share together; have trusting, authentic, innovative and caring cultures that make working there a source of both personal growth and professional fulfillment; and endeavor to create financial, intellectual, social, cultural, emotional, spiritual, physical and ecological wealth for all their stakeholders.

Fund Management

Jeffrey Cherry is the Managing Principal of the current fund. He is a seasoned CEO, entrepreneur, corporate executive, startup advisor, venture and wall street investor, speaker, and writer with a track record of strategic execution and innovation. Over the last 37 years he has built award winning companies in engineering, design, strategic consulting, and investment management. He has been a trusted advisor to Fortune 500 executives, government agencies and startups, with a focus on helping teams understand customers and build dynamic, high-performing organizational cultures. Over his career Jeff has founded seven companies. His first company, LLD, Inc. was named one of the 500 fastest growing companies in America by Inc. Magazine in 1997.

Mr. Cherry also co-authored the book "Firms of Endearment, How World Class Companies Profit from Passion and Purpose." Mr. Cherry was also the co-founder and co-head of equity research for "The Concinnity Group," a hedge fund established to invest in stakeholder-managed, publicly traded companies. The Concinnity Group was a sub-advisor to Diamondback Advisors and Guggenheim Partners which, combined, saw Concinnity Group's allocation in excess of $600MM.

Red Bike Capital Executive Summary

Red Bike Capital is a Latino and woman-led early-stage fund, investing in startups that can significantly drive the economy and improve people's lives. Red Bike invests in US-based founders in FinTech, SAAS, and Health & Wellness. Red Bike is committed to improving equity and diversity in the Venture Capital industry, investing capital, time and network to make an impact. Red Bike's strategy expresses aims to bridge the gap for those who lack the network and wealth, but have the capacity and determination to succeed, making capital accessible to the best talent. Red Bike scored a 33 out of 52 on the basis of their leadership team's depth of experience as investors and operators, as well as, their history working together in prior capacities. The team is currently based in New York and actively working to source opportunities within New Jersey's diverse ecosystem, already.

Fund Strategy

Red Bike will invest in 10-15 New Jersey early-stage start-ups founded by Black and Latino entrepreneurs, with average initial investment of $200,000-$500,000 focusing on our core expertise of Fintech, SAAS, and Health & Wellness. The team expects to invest about one third in each of those verticals and expect to have follow-on reserves of 20-30% of the Fund to support successful portfolio companies in follow-on rounds. Additionally, they expect the fund to have a 10-year term, and plan to deploy most of the Fund within 36-48 months after the first closing of the Fund.

Red Bike strives to be value-add to founders having had the experience of scaling very early businesses. It believes that founders, particularly diverse founders that may not have the network or background, particularly benefit from Red Bike's financial support and very specific skill set around driving growth and revenue, team building and product/customer development in the early stages. One of Red Bike's main value propositions is its ability and commitment to actively support and mentor its portfolio companies and founders. The team is in constant communication with the firm's portfolio companies, helping them in many areas including strategic planning, growth and marketing, talent introductions, client introductions, financial planning, founder mentoring and capital introductions.

Fund Management

Rachel ten Brink is the General Partner and Co-Founder of Red Bike Capital. Rachel is a Founder, Investor, Board Member, and Growth Marketing expert. Prior to founding Red Bike Capital, she was Co-Founder and CMO of Scentbird, a Y-Combinator backed ecommerce startup that raised $29MM in venture funding. Leading Growth, Brand and Revenue, she scaled Scentbird to $100M in revenue, 150+ employees, and built 74 B2B partnerships with corporations including Coty, Macy's, Sephora and Glossier. Before this, she spent fifteen years building global billion-dollar brands at Procter & Gamble, Elizabeth Arden, Estee Lauder and L'Oreal. Rachel has been a board member and senior advisor for various companies and serves on the Board of Directors of AboveBoard and Dyper.

Rachel is one of 90 Latinas to have ever raised over $1M in venture funding and was named Entrepreneur Magazines' 100 Powerful Women of 2020. She has been featured in The New York Times, TechCrunch, WSJ, El Diario, Business Insider, Bloomberg and Forbes.

Rachel sits on the Board of Latinas in Tech, the largest organization of Latina tech workers in the US (over 25,000 members). She is a mentor to diverse founders at Y-Combinator, Techstars, Entrepreneurs Roundtable, 500 Startups, Black Ambition Betaworks, Columbia Business School Lang Center and NYU Entrepreneurship Center, and an active member of Top Latinx in Tech, LatinxVC, VCFamilia, Transact, and DealmakeHers. She is passionate about developing the next generation of diverse leaders and serves as Co-President of Columbia Business School Hispanic Alumni Association and Board Member of CodeAdvantage (nonprofit focused on early coding education for minorities). Additionally, through her work as a Board Member of AboveBoard (largest recruiting platform and community for diverse executives) and the Latino Corporate Directors Association, she is working to increase the number of diverse senior executives and board members.

Rachel graduated magna cum laude from Babson College and holds an M.B.A. from Columbia Business School.

Herman Goihman is an experienced investor who has deployed more than $2B, and held senior roles at Bank of America, Taconic Capital and Cygnus Asset Management. Herman started his career as an investment banker at Bear Stearns and spent more than 20 years on Wall Street. His expertise includes Fintech, the structuring and investing of high yield and distressed credit in public and private markets. He was also a member of several restructuring committees during his investing career.

As an immigrant and a minority himself, Herman is passionate about developing and supporting alternative underwriting models of credit and risk that are inclusive of underserved, creditworthy sectors of the population that are often excluded by traditional risk models and business practices. These underserved sectors of the population are disproportionately diverse, affecting the access to credit and financial services and therefore limiting the economic mobility of minorities.

Herman is a mentor at Entrepreneurs Roundtable, and Columbia Business School Lang Center where he has also served as a jury member in Venture competitions. Herman is also a member of LatinxVC and VCFamilia.

Herman graduated summa cum laude from The Wharton School of the University of Pennsylvania and holds an M.B.A. from Columbia Business School.

Tale Venture Partners Executive Summary

Tale Venture Partners (TaleVP) is a California-based early-stage venture capital firm founded in 2017 by Michael Young, a second-generation Jamaican-American, and Edward Jean-Louis, a first-generation Haitian-American. Since 2017, TaleVP has invested in and worked with exceptional entrepreneurs across their portfolio to build and scale companies to achieve a combined private market valuation of $11.6B, which has resulted in nearly 1,700 jobs created over the past five years. In addition, Tale's portfolio companies have gone on to raise more than $700M from additional investors. Tale can demonstrate that 75% of its investments have been in minority-owned and women-owned businesses. Tale seeks to build on its momentum and success by fully focusing on the needs of these groups who have been historically underrepresented, under-resourced, and under-funded. Tale scored 36 out of 52 and achieved the top score among NIO responses. Tale has committed to relocating their headquarters from California to Camden, New Jersey to launch an accelerator focused on their core sectors. Closing of the commitment will be conditional on this relocation. While an emerging institutional platform, the Tale Founders bring their own successful angel investment backgrounds and track records to bare.

<u>Fund Strategy</u>

Tale Venture Partners Fund II is targeting $40 million in total capital commitments and will be structured as a Limited Partnership. The Fund will have a 10-year term and a one-year option to extend. The commitment period will be three years and the investment period will be four years. The initial deposit will be 10% of the Limited Partners' (including EDA's) total committed capital and the Fund will call up to a maximum of one-third of the committed capital each year. The Fund's objective is early-stage venture capital investing.

While early-stage investing will always be risky, there are significant macroeconomic tailwinds from both the public and private sector that help reduce the risk of investment in companies developing climate-related solutions. For example, the United States is moving to eliminate fossil fuel subsidies and support renewable energy generation from sources such as wind and solar. On the consumer side, there is increased demand for electrification and decarbonization across industries including the built environment, transportation, materials, food and agriculture. Tale believes there is significant opportunity not only in final technology solutions that reduce or capture greenhouse gas emissions from the atmosphere but also in supply chain, advanced manufacturing, transportation, logistics, operations, analytics, monitoring, and more that contribute to and/or benefit from a low carbon economy.

The Fund will invest in early-stage companies (pre-seed through series A) that are Black and Latino owned businesses developing climate-related solutions across industries. The Fund will make 35-40 initial investments and target 10% initial ownership of each company. The Fund will seek to take a board or board observer seat in a majority of its investments. The Fund will have a recycling provision at the discretion of the General Partner. Company engagement is one of the firm's primary risk management tools. As such, an accelerator will be established to maximize the Fund's target rate of return.

Management Team

Michael Young has spent 12 years in the technology industry. He is a design thinking and product development expert and has built and launched technology products across various industries from consumer-focused pre-revenue startups to implementing billion-dollar enterprise technology solutions. Before leaving to pursue his MBA, Young led technology teams at Accenture. During his MBA, he co-led the development of multiple technology startups, including two eventual Y-Combinator companies. Michael graduated from UNC – Chapel Hill with a B.S. in Business Administration. Michael currently serves on the Board of the UNC Entrepreneurship Program as well as Board Director of several of Tale's portfolio companies. He also received his M.B.A. from the University of California, Berkeley-Haas School of Business where he studied finance and entrepreneurship as a Robert A. Toigo Fellow and Consortium Fellow. Currently, Michael is Founding Partner of Tale Venture Partners, an early-stage VC firm.

Edward Jean-Louis has over 10 years of professional experience in accounting, investment management, investment banking and venture capital. After graduating from UMass Amherst, Jean-Louis began his career at Brown Brothers Harriman in the company's Investor Services Division, working as a fund accountant and before leaving to pursue an MBA, he was overseeing accounting and administration for all of BBH's in-house mutual funds. While at UCLA Anderson School of Management, he worked as a research analyst at both Hawkeye Capital Management and Hypotenuse Capital Management, two deep value hedge funds in New York and Los Angeles, respectively. Additionally, Jean-Louis was selected as a Student Investment Fund Fellow where he and 11 other fellows managed ~$2M of UCLA's Endowment. After graduating from UCLA Anderson, Jean-Louis went on to work with QueensBridge Venture Partners, an early-stage venture capital fund in Los Angeles, supporting the fund's senior investment team and the fund's investments in over 100 early-stage venture backed companies. Currently, Jean-Louis is a Co-founder & Managing Director at Tale Venture Partners, an early-stage VC firm.

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 sidecar.

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 a 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 $20 million appropriation.

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 $20 million to limited partnerships, or limited liability companies managed by fund manager Conscious Venture Partners, LLC (Conscious), for an amount up to $7.5 million; fund manager, Red Bike Capital LLC (Red Bike), for an amount of up to $5 million; and accelerator manager, Tale Venture Partners LLC (Tale), for an amount up to $7.5 million to make investments into early-stage Black and Latino owned businesses in New Jersey, subject to the final analysis based on the disparity study. Funding for the investments is provided by State Budget appropriations from Fiscal years 2021 and 2022.
- 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.

____
Tim Sullivan, CEO

Prepared by:
Emmanuel Esochaghi – Diversity Entrepreneurship and Finance Officer, Venture Programs
Michelle Martinez– Product Officer, Venture Programs
Tim Rollender – Director, Venture Programs

Attachments:

Appendix A – Scoring Rubric

Appendix B – Investment Terms

Appendix A – Scoring Rubric

1. **FUND MANAGER QUALIFICATIONS & ELIGIBILITY**

This Notice is a competitive opportunity. All interested fund managers must provide their submissions by 5pm ET on Thursday, March 16, 2023, in order to be considered. You must submit your submission in PDF format to BlackAndLatinoSeedFund@njeda.com. Only electronic submissions will be accepted.

Furthermore, you must adhere to the following guidelines:
a. Include a cover page with preparer's contact information.
b. Include a table of contents that lists all of the required evaluation criteria in Section 7.
c. Must address each of the evaluation criteria.
d. Must submit all requested information denoted with a "must" or "shall".

Respondents to this notice must fully answer the attached Due Diligence Questions (See Appendix A) and provide supporting exhibits as applicable (see Appendix B). Responses will be 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 and weights are listed in Section 5.

After scoring is complete, the Authority shall determine, in its sole discretion, whether to proceed with the proposed investment and Fund with the respondent(s) with the highest-scoring submission(s). If the Authority determines to proceed, such respondent(s) shall be required to complete a NJEDA legal debarment questionnaire and other NJEDA and State compliance documentation.

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. EVALUATION PROCESS/SCORING CRITERIA

Submissions will be evaluated by a cross-organizational Evaluation Committee composed of the Authority's 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. Any submission that does not meet the minimum score of 10 in total will not be scored and ranked. Achieving a score of 10 or above does not guarantee selection. Each criterion is 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 as detailed in their submission

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

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 Black and Latino 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 Black and Latino-owned businesses as defined elsewhere in this document.

0 = No ability to identify NJ Black & Latino-owned investments
1 = Minimal ability to identify NJ Black & Latino-owned investments
2 = Some ability to identify NJ Black & Latino-owned investments
3 = Exceptional ability to identify NJ Black & Latino-owned investments
4 = Unique ability to identify NJ Black & Latino-owned 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

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. 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

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 raise an additional private capital to invest alongside the Authority's investment (up to $20 million).

0 = No ability or experience to meet required private matching
1 = Minimal ability or experience to meet private matching; i.e. indicates ability to match only up to 1:1 of the Authority's investment
2 = Some ability or experience to meet private matching; i.e. can match the only up to 1:1 of the Authority's investment

3 = Exceptional ability and experience to meet private matching; i.e. can meet 125% of the Authority's investment
4 = Unique ability and experience to meet private matching; i.e. can meet 200% of the Authority's investment

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

Appendix B – Program Terms

Use of Funds	• The prospective business must also be raising a capital round that meets the "early-stage" designation (typically rounds "pre-seed" to "Series A"). • Investment proceeds may 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. • A minimum of 100% of the investments must be in New Jersey businesses. 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. • 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. • 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 • The selected fund manager(s) shall provide to the Authority annual Certified Public Accountant prepared financial statements for the life of the investment. • The fund manager(s) shall submit quarterly and annual reports. • The Authority shall have a position on the Fund's advisory board.
Reporting	• The selected fund manager(s) shall provide, when requested by the Authority, any information on the Fund's portfolio companies and jobs created.

	• The selected fund manager(s) shall provide quarterly financial statements and Fund updates in written form. 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 Black and Latino entrepreneurs and businesses in New Jersey, including events and marketing.
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. Fees and carry shall be withheld if the fund manager is not in compliance with the obligations in the agreement with EDA. The fund manager shall indemnify and hold harmless NJEDA.
Notice Requirements	All terms incorporate any detailed requirement in the Notice of Investment Opportunity. Any other requirement in the Notice is also included.