



New Jersey Economic Development Authority  
Venture Capital Fund Due Diligence Questionnaire

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If any of the following are addressed in the Fund documentation, please indicate the document and page number in which the question is addressed.

### Firm: General Information

- 1.1. Provide a brief overview of the Firm, including information on the founding, subsequent history and information on any predecessor firm and/or parent firm.
- 1.2. Provide the address for all office locations of the Firm. Describe the potential plans for any expected office location changes during the life of the Fund.
- 1.3. Provide an overview (including chart) of the ownership structure of the Firm, its relevant investment advisors and any parent organization. Include details on the timing and rationale for each significant ownership change. Include percentage ownership, ownership vesting schedules, and any changes in ownership over the last 10 years.
- 1.4. Provide brief bios for each member of the firm. Indicate any involvement by members of the management team in any community or business organizations active in New Jersey.
- 1.5. Provide an overview (including chart) of the management/organizational structure of the Firm, including back office personnel. Discuss the Firm's succession plans.
- 1.6. Provide an overview of all investing, advisory or other business activities performed by the Firm. If the Firm entered into any joint ventures with another manager, describe the structure, governance and economics of the relationship.
- 1.7. Describe any additional outside activities (non-profit, academic, etc.) of the Firm or its Principals that are expected to take-up a significant (approx.  $\geq 20\%$ ) amount of time during the investment period of the Fund. Include the associated time commitments for each activity.

### Fund: General Information

- 2.1. Provide the legal and tax structure of the Fund (including chart). Describe any distinctive features.
- 2.2. Detail the fundraising timeline, including each of the actual or anticipated closing dates. State the total commitments received to date and, if available, the names, contact details and amounts committed by each investor.
- 2.3. List any investors in the previous fund that will not participate in the Fund, and provide reasons for their non-participation.
- 2.4. If applicable, provide details for this Fund's investments date. If no investments to date, when does the Fund expect to begin investing? When is the Fund expected to begin charging management fees?

- 2.5. State the Fund's policy regarding co-investments with other funds, other affiliates and/or limited partners. How will these co-investment opportunities be allocated? If applicable, provide examples of past co-investments.
- 2.6. Provide a list (with contact information) of any Limited Partners that have already agreed to participate on the LP advisory board.
- 2.7. State the Fund's ability and intent regarding borrowing capital, as well as any limits on borrowing capacity.

## Investment Strategy

- 3.1. Summarize the Fund's investment strategy and types of transactions the Fund will pursue. Include details on anticipated transaction sizes (including minimum/maximum), investment pace, holding periods, geographic focus, industry/sector focus, investment stage and other relevant characteristics).
- 3.2. Indicate the fund size needed to achieve critical mass to effectuate the targeted strategy. Discuss the Firm's ability to invest at the Fund's targeted size. Address any significant change in fund size compared to previous funds, and the impact on co-investing with Limited Partners and non-Limited Partners.
- 3.3. Provide detail on the Fund's diversification strategy in terms of number of investments, geographical concentration and sector allocations.
- 3.4. Describe the background and evolution of the Firm's investment strategy, including strategies that do not apply to this fund. Discuss how the Fund's investment strategy compares to the previous fund (if applicable).
- 3.5. Describe the Firm's competitive advantages and discuss how the Firm attempts to produce replicable returns.
- 3.6. Describe the Fund's expected investment structures. What will be the typical equity structures used by the Fund? Discuss the use of leverage at the portfolio company level and state the targeted leverage levels (%) of a typical investment. Discuss the effectiveness of the Fund's expected strategy if leverage is not applied.
- 3.7. Describe the Firm's preference for being a control, minority, joint or sole investor. Detail this preference historically. What controls and rights does the Firm seek when executing investments? If predominately a control investor, under what scenarios would the Firm consider a non-control position (and vice-versa)?
- 3.8. Describe any fund investment limitations (e.g. % of fund in a single company, geography, security type).
- 3.9. Describe the markets in which the Fund will operate and provide an overview of the current opportunities. Why is the opportunity to invest in this market particularly attractive during the Fund's investment period?
- 3.10. Describe and list the Fund's direct competitors. Include details on competitors for individual investment opportunities during the investment phase of the previous fund.

- 3.11. Discuss the risk factors of the Fund's investment strategy (e.g. political risk, economic, financial, technology, business cycle, etc.) and the steps taken to mitigate these risks.
- 3.12. Discuss the Firm's approach to working with existing or new management teams at portfolio companies. Describe (citing examples) the strategies that are used to incentivize portfolio company management teams.
- 3.13. Discuss the typical methods used by the Firm to create value for its portfolio companies (restructuring, strategic re-positioning, leveraging, operational improvements, etc.). Discuss how the Firm's strengths in creating value for investments impact its sourcing capabilities. Provide case studies to illustrate the Firm's value creation capabilities.
- 3.14. What is the return-profile threshold (gross IRR, money multiples, etc.) for targeted investments? What is the expected holding period?
- 3.15. Indicate what % of Fund capital the Manager intends to invest in NJ-based companies. In what number of companies? What are possible drivers that could lead to investing more or less capital in NJ-based investments?

## Investment Process

- 4.1. Describe the Firm's deal sourcing capabilities and the process used to identify attractive investment opportunities. How is the sourcing process staffed, conducted and documented? What criteria are used to assess an investment's attractiveness?
- 4.2. Describe the Firm's screening and due diligence processes. How is each process staffed, conducted and documented? How long is the due diligence process?
- 4.3. Describe any functions performed by third parties in the sourcing, screening and due diligence processes. Describe the Firm's decision making process for determining if a third party is used/not used.
- 4.4. Provide details on the Firm's internal decision-making and approval process, including details on the role, composition and function of the Firm's Investment Committee.
- 4.5. Discuss the Firm's approach to the valuation of investment opportunities and pricing discipline.
- 4.6. Discuss the Firm's portfolio investment monitoring policy, including details about contact events (weekly, quarterly, board meetings, etc.). Discuss the Firm's approach to board representation at its portfolio companies.
- 4.7. How many active portfolio companies is each investment professional responsible for? How was this number determined and how has it evolved over the Firm's history?
- 4.8. Describe the Firm's criteria for evaluating follow-on investments. Include a description of the Fund's provisions for capital recycling and follow-on reserves.

- 4.9. Discuss the Firm's strategy/criteria/plan for exiting investments. Include an analysis of past exits (IPO, trade sale, financial buyer, write-offs, etc.). Provide examples that illustrate the Firm's decision-making for choosing the type of exits.
- 4.10. Describe the Firm's processes for protecting against fraud and corruption, post-investment. If applicable, discuss any fraud and/or corruption that were detected in prior investments.

## Team

- 5.1. Provide an overview of the Firm's Team Members, including the shared work history of the Firm's Principals. Also, provide a description of each job title, detailing the responsibilities held by junior, mid-level and senior staff.
- 5.2. Discuss the Firm's approach to staff retention and training. Discuss the Firm's historical experience in this area. Discuss any promotions that took place over the last year.
- 5.3. Describe the circumstances of any "Key-Person" event in the Firm's history. Describe the steps taken by the Firm to remedy the situation and the subsequent impact on any Firm policies.
- 5.4. Describe any significant staff departures (partner in the management company or director-level employee (or higher) with more than five years of history with the Firm) over the life of the previous two funds.
- 5.5. Describe any significant staff departures (as noted above) that are expected to occur between now and the end of this Fund's investment period.

## Alignment of Interests

- 6.1. Describe the compensation structure (salary, bonus, group/individual performance incentives, profit sharing, equity ownership, carried interest, etc.) for all Team Members. Include details on the allocation of the carried interest among Principals and others inside/outside the organization. How does this compare with the previous fund's carry split (if applicable)? Provide details on any separate compensation arrangements outside the Fund.
- 6.2. How is the carried interest vested for those parties that participate? What happens to the unvested carry of former Team Members?
- 6.3. Describe how the General Partner's contribution for investments is allocated among the team.
- 6.4. Describe how the General Partner's contribution for investments will be financed.
- 6.5. Describe how any Principal or affiliate of the General Partner will invest in the Fund (outside of the General Partner's commitment).

## Governance

- 7.1 Describe the role of the Firm's internal advisory board(s). Detail all matters referred to the advisory board(s), including any currently unresolved matters. Describe any additional governing/advisory bodies that impact the management or investment activity of the Firm (e.g. CEO Circle, operating committee, management affiliate, etc.).
- 7.2 Detail any conflicts of interest (potential, current and historic) within the Firm, and explain how they have been/are identified, managed, disclosed (to LPAC or otherwise) and resolved. Please identify any committees in place to help with the resolution of conflicts (conflict committee, etc.).
- 7.3 What is the Firm's policy of personal investments by any employees or affiliates in deals reviewed by the General Partner (both accepted and rejected)? If applicable, provide a list of all previous investments of this nature.

## Track Record

- 8.1 Provide examples of active/exited investments with an investment multiple (TVPI) below 1.0x. Discuss what went wrong, action taken, lessons learned and how (and when) outside experts were brought in.
- 8.2 Discuss any investments in the Firm's track record that are not being included in the provided appendices. Describe the rationale from excluding them.

## Administration / Legal

- 9.1 Describe the activities of the Firm's support functions (Finance and Fund Administration, Human Resources, Compliance/Legal, etc.).
- 9.2 Describe the Fund's internal accounting. What accounting principles does the fund operate under? Has the Firm established an internal audit function? If so, how often are internal control audits performed?
- 9.3 Detail the processes and procedures for capital movements (capital calls, transfers of cash, investment acquisitions and distributions).
- 9.4 Provide an overview of the third-parties providing services to the Firm or Fund (e.g. law firms, custodians, fund administrators, prime brokers, consultants, banks, etc.). How does the Firm manage counterparty risk related to these third party arrangements?
- 9.5 List and describe any software that the Firm uses for business functions like portfolio management, trade order management, administration and risk?
- 9.6 Describe any pending or ongoing litigation/investigation against the Firm, its affiliated entities and/or its current or former Team Members.