



New Jersey Innovation Evergreen Fund

Corporate Tax Credit Auction Overview

Presentation Agenda

1 | NJ Innovation Evergreen Fund Introduction

2 | Auction Overview

3 | Strategic Commitment Details

4 | Application and Evaluation

5 | Next Steps

About the NJ ECONOMIC RECOVERY ACT

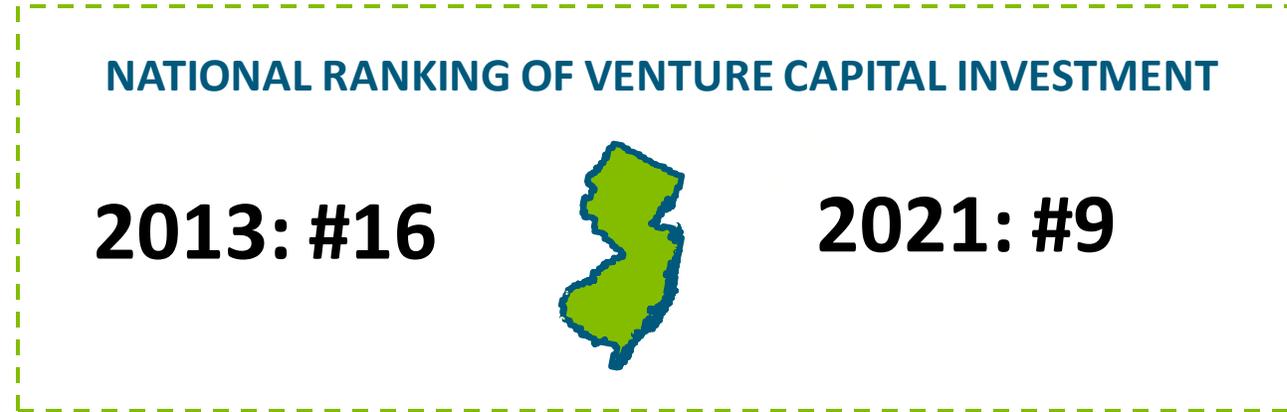
Governor Phil Murphy signed the New Jersey Economic Recovery Act of 2020 (ERA) into law on January 7, 2021.

The ERA creates a package of tax incentive, financing, and grant programs that will build a stronger, fairer New Jersey economy.

ERA is both a broad-based recovery bill and reform bill that will better position New Jersey to recover from economic crisis caused by the COVID-19 pandemic, while remaining true to the NJEDA's commitments to transparency and accountability

Visit the NJEDA's website at www.njeda.com/economicrecoveryact to learn more about each of the programs within the ERA, or to provide general ERA feedback.

New Jersey Venture Capital Investment is Accelerating Under the Murphy Administration



Venture capital services two critical functions, it helps

- ▶ commercialize, test, and scale research and ideas that can truly transform the economy
- ▶ attract and retain budding entrepreneurs

PROXIMITY and **ACCESS** to funding is a key value driver for the development of an entrepreneurial ecosystem

Investors are doubling down in NJ's targeted industries since the start of the Murphy Administration in 2018



Cross River Bank raised **\$620MM (2022)** in Series D funding from investors including, Andreessen Horowitz, Eldridge, and more.



TRANZACT

Provider of sales and marketing services for insurance companies. Investors included CD&R and Ares Capital. **Acquired by Willis Towers Watson for \$1.3B (2019).**



Own {backup}

Developer of cloud data protection platform. **Raised \$240MM (2021)** in Series E funding from investors including Insight Partners, Salesforce Ventures, and more.



Immunomedics

Global commercial biopharmaceutical company. Investors included New Enterprise Associates and Foresite Capital Management. **Acquired by Gilead for \$20.6B (2020).**



Misfits Market

Raised \$225MM (2021) in Series C funding from investors including Accel, D1 Capital Partners, and more.



DRIVE WEALTH

Emerging investor trading platform **raised \$450MM** in venture funding from Insight Partners and Accel **(2021).**

Why Evergreen Now?

The NJ Innovation Evergreen Fund will allow corporations to...



CONNECT INVESTORS, INNOVATORS AND STRATEGIC PARTNERS

Forge relationships with investors, NJ startups, universities, and other ecosystem enablers, increasing visibility into innovative products, evolving industry trends, and talent.



ENGAGE COMMUNITY STAKEHOLDERS

Execute ESG initiatives through Evergreen Fund program strategic commitments such as hosting networking events, startup mentorship office hours, or judging pitch competitions.



OFFSET NJ TAX LIABILITY / INCREASE ROI

Purchase tax credits at up to a 25% discount of face value. Offset tax liability and use strategic funds to drive shareholder return. Up to \$60 million of tax credits auctioned per year. Tax credits are valid for the year of approval and the next 7 tax years.

INNOVATION CAN OCCUR ANYWHERE, BUT IT MAY HAVE THE GREATEST CHANCE OF SUCCESS WHEN BORN AND FOSTERED WITH THE COLLABORATION OF INTERESTED PARTNERS.

Presentation Agenda

1 | NJ Innovation Evergreen Fund Introduction

2 | Auction Overview

3 | Strategic Commitment Details

4 | Application and Evaluation

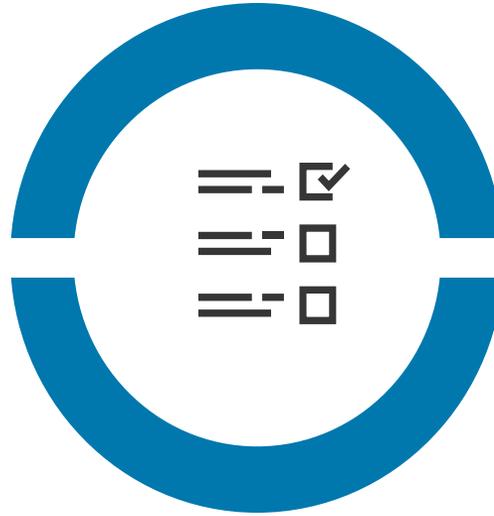
5 | Next Steps

Key Features of the Evergreen Program



STEP 1 | RAISE \$300M TO CAPITALIZE THE NJIEF

- Public money, raised through annual tax credit auctions
- Up to 25% discount on tax credits
- Ecosystem engagement through strategic commitment and advisory board participation



STEP 2 | QUALIFY VENTURE FUNDS

- State to partner with institutional investors that can be formally approved for access to NJIEF capital.
- NJIEF will be matched by private funds 1:1, projecting investment over \$600M



STEP 3 | QUALIFY INVESTMENTS

- A qualified venture firm can access up to \$12.5M per year in matching funds from Evergreen to invest into NJ-based companies

Benefits to Corporate Partners



Discount on taxes with the purchase of discounted tax credits (up to 25%) - **tax credit is purchased outright.**



Leverage ESG platform through engagement with startups and ecosystem stakeholders



Align with NJ's goal to build the most **Diverse, Equitable, and Inclusive** innovation economy in the nation



Access to innovative businesses and investors to discover new products and talent



Identify market insights on emerging trends through integration into the NJ innovation ecosystem

STEP 1: Raising \$300M // THE AUCTION

What does the bidding process look like?

- 1** Corporations bid on tax credits **and** put forth a strategic commitment into the state
Minimum bid: \$500K
Auction Floor: \$0.75
- 2** Bids are reviewed by NJEDA staff for initial evaluation
- 3** Bidders will be able to increase their submission for a best and final offer
- 4** Awards will be allocated on availability based on value of the combined bid.



Auction Eligibility

Applicants will be asked to:

- ▶ Complete NJEDA common application (contact info, bank details, application certification and legal questionnaire, etc.)
- ▶ Specify the requested amount of tax credits (>\$500,000, >75% of face value)
- ▶ Refundable deposit wire for 10% of bid due at application (up to \$500,000 and binding upon execution of contract)
- ▶ Commit to serve on the **New Jersey Innovation Evergreen Advisory Board** for one year
- ▶ Specify the number, duration, verifiable financial cost, and description for the strategic commitment(s) including simple documentation that will demonstrate achievement

Award Size

Tax Credits

A pilot of \$30M of tax credits will be available annually for financial and strategic commitments in 2022.
(This may be expanded during the application period based on market demand.)



Tax credits are **valid for year in which application approved** and for **the next seven privilege periods**.



The Authority may **pro rate** the amount of tax credits allocated to each tax credit purchaser if auction is oversubscribed.



At application, bidders are offered the possibility **to increase requested allocation** if any remains below the pilot \$30M pool.

Presentation Agenda

1 | NJ Innovation Evergreen Fund Introduction

2 | Auction Details

3 | Strategic Commitment Overview

4 | Application and Evaluation

5 | Next Steps

Evergreen Fund Strategic Commitments Support NJ's Innovation Ecosystem

A strategic commitment represent corporations' support to New Jersey's innovation ecosystem. Commitments are open-ended to **align with your focus and established resources**, categorically they might consider*...

- ▶ **PEOPLE** (develop talent)
- ▶ **ECOSYSTEM** (commit to holding start-up events and programs)
- ▶ **INVESTMENT** (provide resources, access to customer channels or distribution networks, monetary support)
- ▶ **MARKETING** (promotes Evergreen and New Jersey innovation ecosystem)

Case Study 1

Company A partnered with a NJ non-profit to establish a women & minority business owners mentorship cohort. Participating founders were also offered grants to present at a NJ innovation festival.

Case Study 2

Company B partnered with NJ university to provide grants to expand STEM degrees and career pathways to Newark residents, first-generation students, and those from communities underrepresented in STEM fields.

What are Strategic Commitment Components?

Components are elements of a strategic commitment with **identifiable financial costs**.

Purchasers must **substantiate the attributable dollar value** to complete the commitment in the application.

Consider: Performance requires at least **80%** of each component must be completed per the purchase agreement.

Case Study 1 Components Example

Title	Description	Financial Cost of Component	Completion Milestone	Expected Date of Completion	Completion Documents
Mentorship hours	10 hours of 3 senior staff members' time over 12 months	\$3,000	30 virtual mentorship sessions completed	12/01/2023	Certified attendance logs
NJ innovation festival sponsorship	\$10,000 of grant funding to sponsor cohort participation	\$10,000	Disbursement of funds	12/15/2023	Signed award agreements and wire transfer receipt

Upload Supporting Documents

Additional Examples of Strategic Commitments

Get **INVOLVED** in New Jersey's **INNOVATION ECOSYSTEM** by...

- ▶ Join the NJ chapter of Golden Seeds
- ▶ Support an innovation ecosystem non-profit
- ▶ Take on STEM interns
- ▶ Sponsor an innovation case study competition for university students
- ▶ Judge or sponsor an accelerator demo day
- ▶ Mentorship office hours for entrepreneurs
- ▶ Provide access to your existing incubator or venture program to NJ investments
- ▶ Host an innovation ecosystem networking event
- ▶ Introduce startups to potential customers
- ▶ Market the Evergreen Fund or NJ innovation ecosystem

Example of Innovation Ecosystem Partners

Non-profits



Accelerators & Incubators



University Centers



Angel Investor Groups



*Non-comprehensive referral list, please contact NJEDA to add additional organizations

Presentation Agenda

1 | NJ Innovation Evergreen Fund Introduction

2 | Auction Overview

3 | Strategic Commitment Details

4 | Scoring and Evaluation

5 | Next Steps

Application Roadmap

Part 1 of 3: General Information

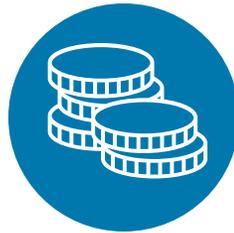
Common Application

- Applicant Contact Information
- General Organizational Information
- Organization DE&I Information
- Legal Questionnaire
- CEO Certification



Part 2 of 3: Financial Bid – Purchase Offer

Purchase Offer Price (cents/dollar)	\$0.75
Amounts of Tax Credits Requested (pre-discount)	\$10,000,000
Total Purchase Offer	\$7,500,000

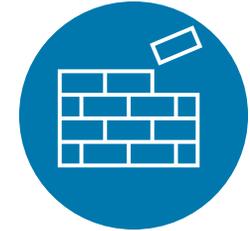


Application Roadmap

Part 3 of 3: Strategic Commitment

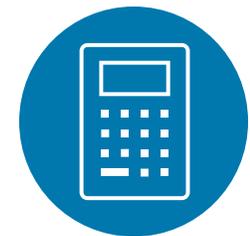
Strategic Commitment Components

Title of Component	Description of Component	Financial Cost of Component
Target Date of Completion	Completion Milestone	Completion Documents



Consider: Strategic Commitment Evaluation Criteria

<u>External Partners</u>	<u>Staff Members / Hours Involved</u>
<u>Educational Institutions</u>	<u>Investment Target</u>
<u>Opportunity Zone Outreach</u>	<u>Marketing Self-Valuation</u>
<u>Duration of Strategic Commitment</u>	<u>Strategic Commitment Ratio</u>
<u>Frequency of Strategic Commitment</u>	<u>Bonus Point for New Applicants</u>



Scoring Example

Case Study 1 Example Scoring

- ▶ **External Partners**
 - 1 point for no external partners
 - **2 points for 1 or 2 external partners**
 - 3 points for 3+ external partners
 - **2 bonus points for working with established entities in NJ innovation ecosystem**

- ▶ **Duration of the strategic commitment**
 - 1 point for <1 year
 - **2 points for 1-2 years**
 - 3 points for 3+ years

- ▶ **Investment target (grants, equity, loans, etc.)**
 - **1 point for <\$50,000**
 - 2 points for \$50,000-\$125,000
 - 3 points for \$125,000+

- ▶ **Strategic Commitment Ratio**
 - **1 point for <0.1**
 - 2 points for 0.1-0.3
 - 3 points for 0.3+

- ▶ **Frequency of the strategic commitment**
 - 1 point for <1 time/year
 - 2 points for 2-3 times/year
 - **3 points for 4+ times/year**

- ▶ **Bonus Point for First Time Bidders**
 - **1 point**

Divide Raw Score by 60

Strategic Final Score

0.20

Financial Bid Score

0.75

Total Bid Score

0.95

*If auction is oversubscribed, bids will be prorated based on score. If undersubscribed, highest scores will receive opportunity to purchase additional allocation.

Post Approval Engagement



Tax credits transferred to purchaser upon approval, agreement execution and receipt of funds. Tax credit belongs to purchaser without limitation – not subject to clawback.

80% **Ongoing compliance related to strategic commitment.** Purchasers must complete at least 80% of each strategic commitment component or repay the NJEDA the difference.



Attend Advisory Board meetings. Purchasers must nominate a representative to sit on the New Jersey Innovation Evergreen Fund Advisory Board for one year.



The NJEDA's Ecosystem Engagement Manager and staff will liaise on strategic commitment compliance, NJIEF Advisory Board, venture and early-stage engagement for corporations.

Presentation Agenda

1 | NJ Innovation Evergreen Fund Introduction

2 | Auction Overview

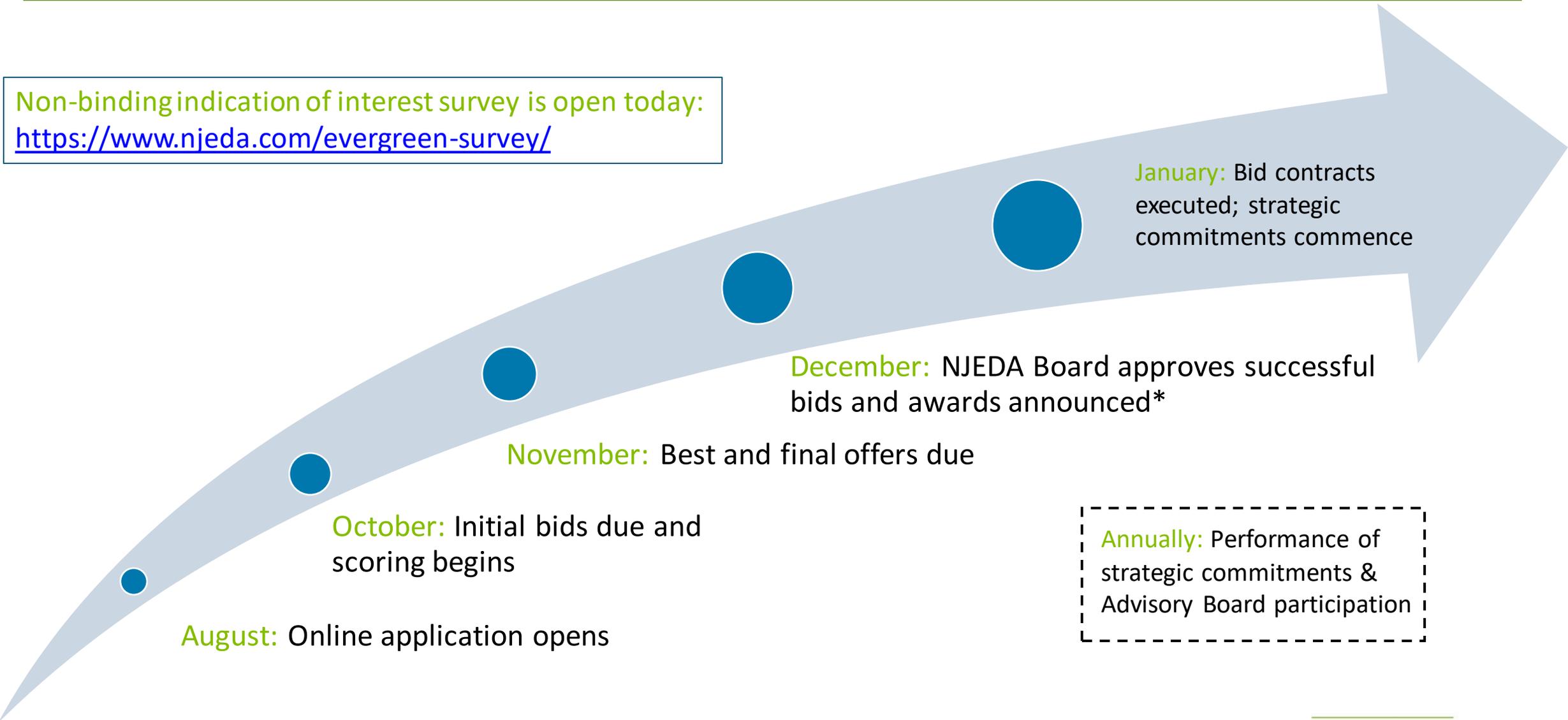
3 | Strategic Commitment Details

4 | Application and Evaluation

5 | Next Steps

Approximate Corporate Auction Timeline

Non-binding indication of interest survey is open today:
<https://www.njeda.com/evergreen-survey/>



August: Online application opens

October: Initial bids due and scoring begins

November: Best and final offers due

December: NJEDA Board approves successful bids and awards announced*

January: Bid contracts executed; strategic commitments commence

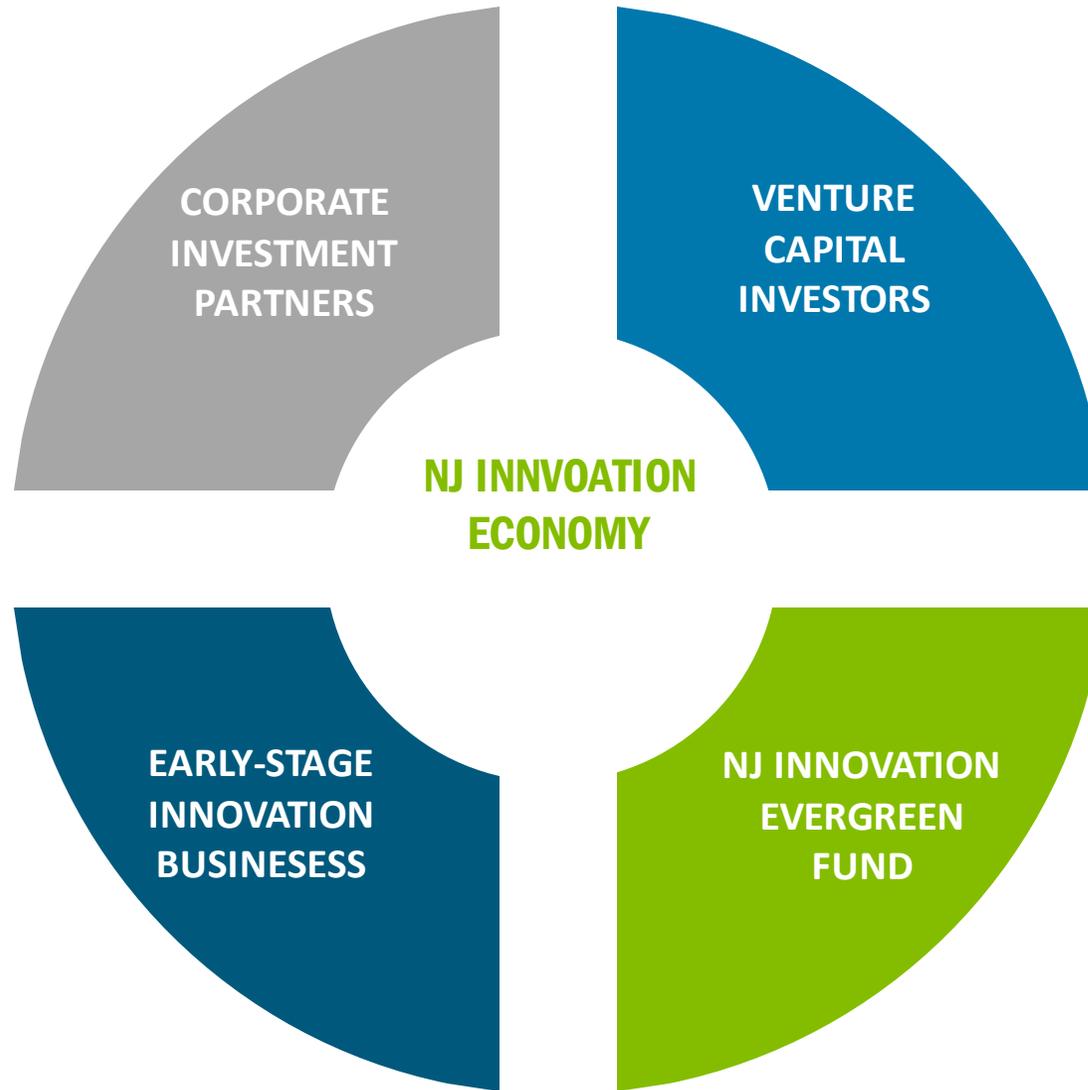
Annually: Performance of strategic commitments & Advisory Board participation

*Bidders may appeal Board action. Credits valid for year of approval and next 7 tax years.

Next Steps

- ▶ **COMPLETE** an indication of interest survey: <https://www.njeda.com/evergreen-survey/>
- ▶ Schedule a **CALL or MEETING** to discuss follow-up questions: NJIEF@njeda.com
- ▶ **PLAN** your strategic commitment
- ▶ Review application along with FAQ and Purchase Agreement
- ▶ **BEGIN APPLICATION** in August
- ▶ Complete applications and **SUBMIT DEPOSITS** by October 7, 2022

NJ Innovation Economy





Visit www.njeda.com/evergreen for more information.



@NewJerseyEDA | njeda.com | 609.858.6767

NJEDA

Proration Mechanism

If more than \$60M of eligible bids are received, **bids will be prorated** based upon a formula determined by the authority.

All **bids will be ranked** such that bidders with higher scores will receive a **greater proportion** of their **requested** amount of tax credits.

A percentile rank is calculated to determine how the bidders compare to each other. **All qualified applicants receive a prorated amount of tax credits based on their percentile rank.**

This mechanism ensures that the tax credit auction is transparent and efficient, with priority given to the higher scoring bids.

Proration Example

Bidder A

Request: \$25M
Total Score: 1.30

Bidder B

Request: \$25M
Total Score: 1.10

Bidder C

Request: \$25M
Total Score: 0.90

In this scenario, there are \$75M of requests but only \$60M of tax credits available.

As per proration, Bidder A will receive \$25M while Bidder C will receive between \$10M - \$15M of their ask.

STEP 2: Qualifying Venture Firms

How will the EDA select venture firms to participate in the process?

A qualified venture firm may include a venture capital fund, a family office fund, or a corporate investor fund.

Venture firms must meet minimum criteria, including:

1. An equity capitalization, net assets, or written commitments of more than \$10M
2. More than two investors employed to direct the investment of capital with at least five years of money management experience



EDA will evaluate the following minimum criteria when qualifying a venture firm:

1. Management structure
2. Investment strategy
3. The location of a venture firm

How will qualified venture firms access capital from the NJIEF?

Once a venture firm is qualified into the program, it is eligible to access capital from the fund for up to two qualified investments, not exceeding \$5M in initial investment (or \$6.25M for certain businesses), each calendar year.

Benefits to Venture Funds



STEP 3: Investing in NJ Companies

Qualified venture funds will have access to capital for up to two qualified investments each calendar year into high growth businesses.

Qualified Investments must be made in one of the following industries:

- Advanced transportation and logistics
- Advanced manufacturing
- Aviation
- Autonomous and zero-emission vehicle R&D
- Clean energy
- Film and digital media
- Finance and Insurance
- Hemp processing
- Information and high technology
- Life Sciences
- Non-Retail food and beverage
- Other disruptive industries
- Professional services

UP TO
\$5M
in initial
Investment*

NEW JERSEY STARTUPS!



NJEDA's website will have a list of pre-approved VCs that have access to the Evergreen Fund for introductions to any of these contacts to help you access dedicated state funding and grow your business here in the Garden State.

*Initial investment cap is extended to \$6.25M for qualifying businesses certified by the state as women- or minority-owned; use intellectual property developed at a NJ university at the core of their business model; or NJ university spin-off businesses.

Benefits to Startups

