

New Jersey Economic Development Authority
Venture Fund Allocation/Investment Guidelines

I. Mission

The mission is to complement EDA's allocation to and investment in technology and community development by providing guidelines for the allocation of funds into a technology and community venture fund..

II. Objectives

- Facilitate the success of emerging technology and community based companies
- Maintain a consistent, comprehensive investment approach
- Leverage EDA resources (financial and human)
- Hedge against risk
- Earn a reasonable rate of return

III. Strategy

- **Stage-** investments will focus on early stage investment funds, to include funds which invest in companies with less than \$3 million in annual revenues. In general, there is more equity available to fund companies who have a proven revenue track record; traditionally, \$3 million is the minimum threshold for equity investments.
- **Industry Focus-** the industry of selected candidates should primarily be technology and/or life sciences or Community Development. This is consistent with the Technium model and aligns with the Governor's Economic Growth Strategy.
- **Return-** The return on investment will be measured by both financial return and the growth of jobs, in targeted sectors. The approximate rate of return for Authority direct investments is 4-5%, any proposed investments should yield a minimum multiple of 2x the "in house" return and be able to measure the creation of jobs in companies being financed by the fund.
- **Leveraging-** the track record of the fund under consideration, should demonstrate the managers' ability to leverage EDA's investment with other investment dollars. A minimum leverage factor, should be 3:1 for an early stage investment portfolio.
- **Track Record-** Although consideration may be given to a first time fund, the partners in the fund should have an established "track record", with performance and investment criteria that align with these guidelines.

- **Management-** Any fund under consideration should be managed by a team (management and partners) who have both operating and financial experience. In addition, all technology/life science investments should include senior partners which have a personal investment in the fund.
- **Partnering-** The fund management should be willing to serve as a strategic partner to the Authority. This would be demonstrated by the active promotion of all related EDA initiatives. Fund management would be expected to be available, as needed, for due diligence assistance under various Authority initiatives. Additionally, the partners should be considered leaders in the NJ community and serve as supporters of the membership lead groups that support these industry sectors.
- **Location/New Jersey Focus-** There will be a strong preference for the fund to have a physical presence in New Jersey. Depending on the amount of the investment, relative to the size of the fund, that presence can range from a satellite office, to the commitment of a full time partner in the NJ region. Any fund under consideration should have a history of at least 1/3 of their investment portfolio be within the state and a commitment to maintain that or a higher level of funding to NJ based Companies. NJ based companies will include companies with their headquarters and a minimum of 75% of their employees in the state. Higher concentration of NJ based portfolio companies could warrant a higher level of EDA investment.