

APPENDIX

New Jersey is one of the most diverse states in the US with nearly 45% of its 8.9 million residents being people of color. MWBE's comprise over half of the firms in the state with 237,242 MBE's and 252,944 WBE's.

Diversity is one of our key strengths. It drives productivity and innovation. Public and Private entities recognize that with demographic shifts, and advances in technology, communication and globalization, diversity is quickly becoming a driver of growth. In order to harness and leverage the economies of the state's great asset of diversity the best in class national model is a Chief Diversity Officer. It has been deployed in NY and is responsible for its present 30% utilization of MWBE's across all state spend.

An examination of a best in class model shows that a CDO ensures:

- Diversity in appointments
- Diversity in recruitment
- Diversity and inclusion in appropriation of procurement spend

Diversity in Appointments:

CDO works with the Appointment officials and Agency recruiting teams to ensure that the State's leadership is comprised of top diverse talent that is reflective of the state's diversity. (Reflective in the Governor's cabinet- need continued trickle down in the agencies and departments)

Diversity in Recruitment:

CDO works to ensure that Diversity and Inclusion are key requirements. This is not the same as EEO (focused on enforcing the State Anti-Discrimination Policy) but does not ensure that the diversity that currently exists within departments are inclusive, fosters a climate of inclusivity and provides for promotional and leadership opportunities for women and people of color. Just now have pay equity law to ensure equal pay for women.

Diversity and Inclusion in Procurement Spend:

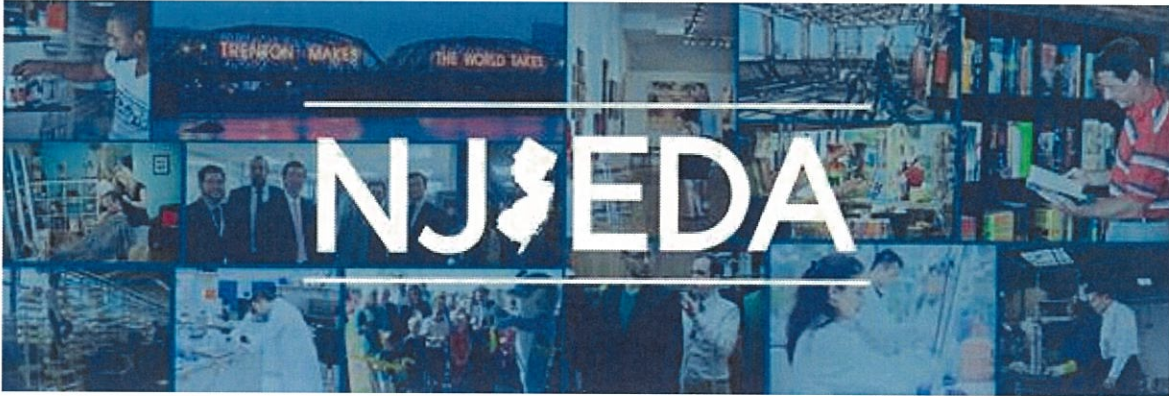
CDO drives the state's Diversity and Inclusion strategy in the utilization of MWBE's and strengthens the state departments, agencies, authorities, colleges and universities accountability toward achieving set goals. CDO works with these departments to foster full range of wrap around services and programs and policies needed to foster greater MWBE utilization.

- Co-Chair the State Disparity in Procurement Study Commission
- CDO's in Department of Banking and Insurance and EDA
- Diversity in Film Forum
- EDA Creation of a Venture Fund to support Founders of Technology
- NJ Transit MWBE Forum

- NJ Department of Transportation Communities Forum
- NJ Department of Treasury outreach to SMWBE's
- 2019 Garden State Minority, Women and Veteran-Owned Business Summit
- Deployment of a Diversity Dashboard
- Commissioning a Statewide Disparity Study

Work that Needs to be Done:

1. Disparity Study to set goals and operations across state government
2. Establishment of D&I Qualitative Criteria in state operations and do not silo it into one area
3. Diversification of state departments, boards and commissions
4. Establishment of a State Emerging Manager Program
5. Legislative mandates that ensure accountability and compliance



News Release

Contact: New Jersey Economic Development Authority
media@njeda.com

Statement by Tim Sullivan, President & CEO NJEDA

Good morning. Chairwoman Sumter and members of the committee, thank you for inviting me to speak with you and your committee. Encouraging the growth, development and success of minority-owned businesses and facilitating equitable access to existing and proposed programs is a critical issue for New Jersey. I am grateful for the opportunity to highlight new programs and initiatives we have created under Governor Murphy's leadership to begin to address these challenges, and to update you on our plans to do more in the future.

Small businesses are the heart and soul of communities and play an outsized role in the overall New Jersey economy. They not only give each community a unique local flavor, but they also provide benefits that go far beyond economic activity: they are centers of social life, support community programs and sports teams, and help breed a sense of pride that is crucial to building strong, unified communities. Crucially, small businesses are also significant generators of new jobs.

Sadly, small businesses, especially minority- and women-led businesses continue to face barriers that have hindered their growth. Historically, a lack of access to capital, and a variety of other challenges have combined to make it difficult for entrepreneurs to start businesses and have forced many established small business owners to forgo expansions or close their doors.

These challenges affect most small businesses, but they disproportionately hold back immigrant-, minority-, and women-owned businesses. The evidence shows access to financial capital is lower for minority owners. For instance, one study found minority-owned businesses often rely more on personal and family wealth than external debt or equity for business financing.¹ Another study showed that among businesses with annual gross receipts of \$500,000, 17 percent of minority-owned businesses received loans, compared to 23 percent for nonminority-owned businesses.² And

¹ Robb, Alicia. 2013. "Access to Capital among Young Firms, Minority-Owned Firms, Women-Owned Firms, and High-Tech Firms." Office of Advocacy, U.S. Small Business Administration, Washington, DC.

² Fairlie and Robb, 2010.

access itself is not the only issue. Studies have shown minority owners, even when they need funding, are less likely to seek loans from banks for fear of rejection.³

Addressing the challenges small business owners face and proactively dismantling structural barriers to success has been a top priority for the Murphy Administration. To support our increased commitment to small businesses, the NJEDA created a dedicated Small Business Services Unit charged with providing robust financial, workforce, and technical support to the small business community. Led by Christina Fuentes, this team meets small business owners in their home communities and at their businesses to spread the word about NJEDA resources and other State support that they may not know about or may not have realized they qualify for.

Many of the NJEDA programs for small businesses focus on addressing access to capital challenges that hold small business owners back from launching or expanding their companies. The NJEDA's **Access Program** makes it easier for business owners to qualify for financing by placing a greater emphasis on cash-flow than hard collateral. This is especially important for women- or minority-owned businesses, which may be thriving because of a great business plan but do not have the capital stores to provide collateral for financing they need to expand.

Even with this increased flexibility, many early-stage businesses cannot qualify for traditional financing. That's where our **Microbusiness Loan Program** comes in. Launched as a pilot in November 2019, this program provides loans up to \$50,000 to early-stage and microbusinesses that make less than \$1.5 million per year and employ fewer than 10 people.

To help businesses establish a physical presence, our **Small Business Lease Assistance Program (SBLAP)** reimburses businesses in targeted downtowns a portion of their annual lease payments for market-rate, first-floor office, industrial or retail space. This is an important resource for businesses and communities because it not only helps small businesses open a storefront, but it also brings new life to downtown areas in cities that have suffered from long-term vacancies in their downtown corridors.

These programs have helped a diverse range of small businesses launch and grow. From Arlee's Raw Blends and Haleemah Islamic Fashions – two Black women-owned business that used the SBLAP program to open storefronts in downtown Trenton – to minority-run businesses Shawnee Trucking and Shakti Group USA, which used financing procured through the Premier Lender Program to purchase additional space for their expanding businesses; these programs are helping New Jersey companies expand and create new jobs.

We have also launched a variety of programs that specifically address the barriers that holding back minority- and women-owned businesses. Many of these were developed with input from our **Diversity Roundtable** series, which to engages stakeholders to identify strategies for supporting minority-led businesses.

Many of our tax credit programs now include a diversity bonus for projects that implement inclusive hiring practices. On January 1st, we implemented new regulations that double the **New Jersey Angel Investor Tax Credit** from ten to 20 percent of a qualified investment and add a five percent

³ Bates, Timothy, and Alicia Robb. 2013. "Small-Business Viability in America's Urban Minority Communities." *Urban Studies*. <http://usj.sagepub.com/content/51/13/2844.full.pdf+html>.

bonus for investors that put their money into minority- or women-owned firms. The Film and Digital Media tax credit also includes a two percent bonus for projects that submit and show evidence of acting on a Diversity Plan for hiring women and minority persons for both “above-the-line” positions such as Director and Lead Actor and “below-the-line” positions as part of the production crew.

We also recently posted a request for information (RFI) aimed at helping us better understand the obstacles diverse funders face to raising capital and launching companies. One idea we are considering is creating a **Diversity Seed Fund** that will directly address the historic lack of investment in Black and Latinx entrepreneurs.

Thank you for your time. As the NJEDA embraces our role as a comprehensive economic development agency we are addressing the challenges small businesses – especially minority- and women-run companies – with a new urgency. We are proud of the impact we have had, but we know there is much more left to do. We look forward to working with you to grow a stronger and fairer New Jersey economy that provides equitable access to resources and opportunities for all New Jerseyans.



New Jersey Economic Development Authority

REQUEST FOR INFORMATION ("RFI")
2020-RFI-OET-TLS-099

for

Options for Expanding Access to Seed Capital for Black and Latinx Entrepreneurs

1. INTENT/SUMMARY OF SCOPE

The New Jersey Economic Development Authority ("Authority", "NJEDA"), an independent Authority of the State of New Jersey, is seeking information and ideas from qualified entities ("Respondents"), including, but not limited to fund managers, angel investors, venture capitalists, entrepreneurs, and small-business owners, researchers and practitioners involved in entrepreneurial work, relevant industry/trade groups, and other state governments.

This Request for Information (RFI) is issued by the Authority to seek information from firms and individuals with perspectives on the structural obstacles and potential disparities encountered by high-growth start-ups run by Black and Latinx entrepreneurs in New Jersey when seeking venture or seed funding, both private and public. The NJEDA also seeks interest and ideas on solutions to such obstacles and disparities, including, but not limited to, existing venture and seed funds that specifically invest in Black and Latinx-owned/run high-growth businesses. The Authority is especially interested to hear perspectives from those firms that may be interested in expanding those solutions within New Jersey or investing in Black and Latinx-owned New Jersey businesses. This includes the potential establishment of a diversity seed fund for Black and Latinx owned businesses in the State.

The NJEDA is interested in receiving comments, questions, recommendations, facts, information, ideas, and responses that will help the NJEDA better understand both the obstacles and disparities faced by Black and Latinx entrepreneurs in New Jersey and the scope and characteristics of potential solutions. The NJEDA may serve as the primary anchor or participant in the selected solution(s).

The Authority is investigating obstacles and disparities and this RFI is in anticipation of developing appropriate solutions to help support Black and Latinx entrepreneurs.

2. BACKGROUND

The New Jersey Economic Development Authority serves as the State's principal agency for driving economic growth. The Authority is committed to making New Jersey a national model for inclusive and sustainable economic development by focusing on key strategies to help build strong and dynamic communities, create high-quality jobs for New Jersey residents and provide pathways to a stronger and fairer economy. Through partnerships with a diverse range of stakeholders, the Authority creates and implements initiatives to enhance the economic vitality and quality of life in the State and strengthen New Jersey's long-term economic competitiveness.

In *The State of Innovation, Building a Stronger and Fairer Economy in New Jersey*, the State's comprehensive Economic Development Plan released in October 2018, Governor Murphy reiterated the importance of supporting the small business community in New Jersey, which employs more than 50% of New Jersey residents. One of the five explicit goals of the plan is "creating the most diverse innovation ecosystem in the nation and doubling venture capital investment in the State." Governor Murphy's plan also committed to a New Jersey future that supports all the State's businesses, specifically calling out the importance of ensuring that minority, LGBTQ, women, disabled, and veterans-owned businesses have enhanced access to the capital, programs, and networks that they need to successfully start and scale their businesses. This RFI, which focuses on the challenges faced by, and potential solutions for increasing capital to, Black and Latinx-owned businesses, is one of several steps being taken by the Authority and the Murphy Administration to address the goals of the State's Economic Development plan.

Concurrently, in the start-up world, there are a growing number of seed funds specifically investing in underserved populations, such as Black and Latinx entrepreneurs (See exhibit A for sampling). Repeated studies show that investing in underserved populations not only leads to greater equity and a more even playing field, but also provides outsized returns to investors: for example, companies with more women in top management positions increase their margins and produce more patents than teams with solely male leaders. This finding also holds true for LGBTQ+ and minority-led companies. Certain funds have been at the forefront of funding minority-led start-ups; they are part of a larger movement, numbering several dozen funds in the United States alone, that have made a conscious shift to invest in high-achieving minority-led companies (see Exhibit A for examples).

Based on these studies, NJEDA's own experience, and the diversity of the population in New Jersey, the NJEDA recognizes that there may be obstacles and disparities encountered by high growth start-ups in New Jersey run by Black and Latinx entrepreneurs when seeking venture or seed funding, both private and public, and that, accordingly, there would be a benefit to the State of supporting, promoting, and/or developing a fund specifically to support Black- and Latinx-owned high-growth companies. This RFI seeks to collect potential ideas and interest around potential solutions, which could include a diversity fund to efficiently allocate funds while maximizing impact to New Jersey minority business community.

3. **ELIGIBILITY CRITERIA (if applicable)**

This section is not applicable to this RFI.

4. **RFI RESPONSE QUESTIONS**

Please answer all questions that are relevant to you or your organization, to the best of your ability. We recognize, that many respondents will not be able to answer all questions. Answers to these questions are understood to be preliminary and non-binding.

Applicants are free to structure responses as necessary to increase clarity and efficiency of responses.

Description of your role and qualifications within the venture capital space:

- 1) Please provide information on your company, group, government entity, or self and your capacity and qualifications within the start-up and venture capital space.
- 2) What is your experience with and understanding of the venture capital environment, both private and public, specifically in New Jersey and/or specifically in funding Black or Latinx entrepreneurs?

Questions about challenges and obstacles in securing seed capital for Black and Latinx entrepreneurs forming high growth businesses in New Jersey:

- 3) Please provide information on obstacles that are preventing public or private capital to flow to Black or Latinx entrepreneurs.
- 4) Please provide information on the availability of potential deal-flow/investment opportunities, both private and public, with and Black and Latinx entrepreneurs in NJ.
- 5) Please provide information around attempts by Black or Latinx entrepreneurs to raise seed funding from investors without the same diversity composition as themselves or to obtain financing from the State and the NJEDA, including whether such attempts have been successful or unsuccessful and why.
- 6) Are there any other obstacles in public and private funding that you believe the Authority should be aware of when considering such a funding mechanism?

Questions about a diversity focused seed venture capital fund:

- 7) To date, New Jersey does not have a seed fund focused on investing in Black or Latinx entrepreneurs. Can you comment on specific obstacles which may be preventing this to occur?
- 8) What is the optimal size for an initial seed fund specific to high-growth New Jersey Black and Latinx entrepreneurs?
- 9) Are there structuring characteristics/terms/enhancements that you believe the Authority should consider when evaluating and/or creating a venture capital fund?
- 10) The Authority does not intend to manage or administer any venture capital fund directly but has a history of being an investor/limited partner in venture funds. What would be the ideal vehicle and structure for the Authority's involvement with a fund: a sidecar fund (handled by an existing fund manager), a stand-alone fund, or something else altogether?
- 11) What stage of company (pre-seed, seed, series-A, etc.) should be targeted?
- 12) What should be the average size investments made into the targeted companies and how many companies can be assisted with the support of a diversity focused seed venture capital fund?
- 13) What should the fee structure look like to ensure the maximum impact for both the investors and the companies receiving the fund investment?
- 14) How can the Authority along with a manager and/or existing fund maximize other interested investor support and capital, resulting in the greatest impact?
- 15) How closely aligned should the investment be to the diversity criteria in order for the fund to make an impact? (For example, should a company be eligible for funding if there is one Black or Latinx person in the C-Suite, or should the criteria require the company's founder to be a Black or Latinx person, or should the leadership team be required to be a majority Black or Latinx?)
- 16) Please elaborate on any additional guidance or consideration that you think the Authority should take under advisement or consider in any solution, when evaluating potential diversity seed funds, or in launching a Black and Latinx-focused seed fund.

5. QUESTIONS AND ANSWERS (From Respondents to the EDA)

All questions concerning this RFI must be submitted in writing no later than 11:59 PM EST, on March 27th, 2020 mail to: RFI-ExpandingSeedCapital@njeda.com.

The subject line of the e-mail should state:

Questions-2020-RFI-099: Expanding Seed Capital to Black and Latinx Entrepreneurs

Answers to questions submitted will be publicly posted on the Authority's website, under the Office of Economic Transformation RFIs section, on or about April 7, 2020.

IT IS THE RESPONDENT'S RESPONSIBILITY TO CHECK THIS WEBSITE REGULARLY FOR UPDATES.

RESPONSE DETAILS

All RFI responses must be submitted in writing no later than 11:59 PM EST, on April 23rd, 2020 via e-mail to: RFI-ExpandingSeedCapital@njeda.com

The subject line of the e-mail should state:

RFI Response-2020-RFI-099: Expanding Seed Capital to Black and Latinx Entrepreneurs

6. FOLLOW-UP QUESTIONS (from EDA) / ADDITIONAL INFORMATION

Respondents may be asked to provide additional information to allow the Authority to better understand the responses or services available.

7. PROPRIETARY AND/OR CONFIDENTIAL INFORMATION

The Authority reserves the right to copy any information provided by the Respondents. The Authority reserves the right to use ideas that are provided by Respondents, applicants, stakeholders, or vendors. By submitting a Response, the submitter represents that such copying or use of information will not violate any copyrights, licenses, or other agreements with respect to information submitted or product solutions demonstrated, if applicable. Responses must clearly be marked for any information the Respondent deems Proprietary and/or Confidential.

8. DISCLAIMER / NO OBLIGATION

This RFI is not a request for qualification/proposal. It may or may not result in further action.

This RFI is issued solely as a means of gathering information regarding the Authority's desire to understand the types of products and level of service available in the market to meet the Authority's needs. Interested parties responding to this RFI do so at their own expense. There will be no monetary compensation from the Authority for the time and effort spent in preparing the response to this RFI. All expenses incurred are the sole responsibility of the Respondent.

Should the Authority decide to move forward and issue an RFQ/P or announce a program/product related to this RFI, Respondents need not have submitted a response to this RFI in order to be eligible to respond to the RFQ/P or be eligible for the program/product. Should an RFQ/P be issued, responding to this RFI will not affect scoring or consideration for that process.

The Authority is under no obligation to contact Respondents to this RFI.

9. NEW JERSEY OPEN PUBLIC RECORDS ACT

Respondents should be aware that responses to this RFI are subject to the "New Jersey Open Public Records Act" (N.J.S.A. 47:1A-1 et seq.), as amended and including all applicable regulations and policies and applicable case law, including the New Jersey Right-to-Know law. All information submitted in response to the RFI is considered public information, notwithstanding any disclaimers to the contrary, except as may be exempted from public disclosure by OPRA and the common law.

Any proprietary and/or confidential information submitted in response to this RFI will be redacted by the Authority. A person or entity submitting a response to this RFI may designate specific information as not subject to disclosure pursuant to the exceptions to OPRA found at N.J.S.A. 47:1A-1.1, when such person or entity has a good faith legal and factual basis for such assertion (i.e. information that may be included in another ongoing public procurement or solicitation). The Authority reserves the right to make the determination as to what is proprietary or confidential and will advise the person or entity accordingly. The Authority will not honor any attempt to designate the entirety of a submission as proprietary, confidential and/or to claim copyright protection for the entire proposal. In the event of any challenge to the Respondent's assertion of confidentiality with which the Authority does not concur, the Respondent shall be solely responsible for defending its designation.

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| Name | Location | Focus | Women-focused? | POC-focused? | Size | Partners/Founders | Founding Date | Website | Contact |
|--------------------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|-----------------------------------------------------------------------------|----------------------------------------------|---------------|-----------------------------------|-------------------------------|
| Act One Ventures | Santa Monica | invests in business software at the seed stage, predominantly focused on LA universities and alumni, with 70% of investments to minority and women-owned businesses | ✓ | ✓ | Typical investment from \$300K-700K (24+ companies in portfolio) | Michael Sillon, Alejandro Guerrero | 2016 | actoneventures.com | info@actoneventures.com |
| Authentic Ventures | Oakland | Seed and early stage venture capital firm with a particular interest in women and minority founders; Looking for bold visions, at least one technical founder, and interest in AI/machine learning, mobile, cloud, healthcare and education | ✓ | ✓ | undisclosed Over \$7M invested in 120 companies | Lindsay Lee | 2016 | authentic-ventures.com | info@authentic-ventures.com |
| Backstage Capital | Los Angeles | Focus on investing into women, people of color, LGBTQ folks | ✓ | ✓ | Invests between \$100k and \$750K in 15-20 companies (less than \$50M) | Aidan Hamilton | 2015 | backstagecapital.com | partners@backstagecapital.com |
| Base Ventures | Berkeley | Seed-stage fund investing in tech companies with focus one-commerce, platform plays, mobile (minority-led team) | ✓ | ✓ | Over \$7M invested in 120 companies | Erik Moore, Kirby Harris | 2012 | base-ventures | hello@base-ventures |
| Black Angel Tech Fund | Sacramento | Focuses on early stage tech companies with at least one black founder and a connection to Stanford (students, alumni) | ✓ | ✓ | \$5M | Mark Thalya, Ken Grimes, Ron Berry, Amy Reid | 2015 | blackangeltchfund.com | info@blackangeltchfund.com |
| Black Girl Ventures | Washington DC | Fund and scale tech-enabled, revenue-generating businesses (under \$1M) founded by people who identify as Black/Brown and woman | ✓ | ✓ | crowdfunding meets pitch competition (every event varies) | Shelly Bell | 2016 | blackgirlventures.org | contact@blackgirlventures.org |
| Bumble Fund | Austin | businesses founded and led by women of color and underrepresented groups; Early stage companies (Seed or Series A); Companies solving a problem that disproportionately affects women | ✓ | ✓ | Average check \$35-50K (total amount not disclosed) | Sarah Jones Sinner | 2018 | thebeehive.bumble.com/bumble-fund | bumble.com/en/contact-us# |
| Caerus Investment Partners | Chicago | Provides seed capital to early-stage technology companies; believe in "inclusive entrepreneurial ecosystem" that promotes diversity in ideas/creativity and people | ✓ | ✓ | undisclosed | Aaron Gillum, James Robinson | 2014 | caerusip.com | info@caerusip.com |
| Chingona Ventures | Chicago | Fund for underrepresented founders, with focus on fintech, food, women's reproductive and healthcare services, wellness, B2C companies | ✓ | ✓ | \$10M (\$100K average check size) | Samara Mejia Hernandez | 2019 | chingona.ventures | twitter@chingonavc |
| Chloe Capital | Upstate NY | Pitching opportunities in Charlotte, New Orleans, Los Angeles; invests in women-led companies (at least one woman leader with significant ownership stake); other diversity also valuable | ✓ | ✓ | Investments between \$100- \$250K | Kathryn Carlini | 2017 | chloecapital.com | info@chloecapital.com |
| Color Capital | Portland | Invests in underrepresented and underestimated entrepreneurs (women and WOC); invests in early stage companies (Seed to Series A) and specialized in consumer product industry, retail, and DTC marketing, brand positioning and growth strategy—personal care, food and bev, retail, publishers, tech-enabled marketplaces, e-commerce | ✓ | ✓ | undisclosed | Jaime Schmidt, Chris Cantino | 2018 | color.capital | color.capital/contact |
| Diversecity Ventures | Sacramento; Shendean, WY | Backs companies with positive social/economic/environmental impact and high potential for outsized returns; Strive to close the funding gap that keeps those from socioeconomically disadvantaged backgrounds from accessing capital; Focus on clean tech, sustainability, education, finance/crypto, health, real estate/affordable housing, and etc. | ✓ | ✓ | Invest between \$10k-\$2M (sweet spot \$250K) | Mariah Lichtenstein | 2015/6 | diversecity.com | info@diversecity.com |
| EchoVC Partners | Palo Alto; Lagos | Finances and cross-pollinates leading technologies, teams, and business models with focus on sub-Saharan Africa; sectors include consumer internet, smart data, mobile, enterprise, underserved entrepreneurs and geographies (minority-led team) | ✓ | ✓ | \$50,000 to up to \$20 million USD depending on the stage and capital needs | Eghosa Omoigui | 2011 | www.echovc.com | echovc.com/contact |
| Elevate Capital Inclusive Fund | Portland West | Focus in the Pacific Northwest and investing in under-represented founders. Elevate maintains a 50/50 male/female founder split among its invested portfolio and has 100% of its investments where at least one co-founder is from a minority group (East Indian, Veterans, East Asian, African American, Latino, and etc.) | ✓ | ✓ | \$1.5M | Nitha Raj | 2016 | elevate.vc | hello@elevate.vc |
| Fairview Capital | Hartford | Focused on technology and life science companies (minority-led team) | ✓ | ✓ | \$3.4B | Joann Price, Laurence Morse | 1994 | fairviewcapital.com | info@fairviewcapital.com |

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| Name | Location | Focus | Women- POC- focused? | Size | Partners/Founders | Founding Date | Website | Contact |
|---------------------------------|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------|---------------------------------------------|
| Force for Good Fund | San Francisco | Invests only in "best for the world" B-corps (top 10% of B corps) founded by women or people of color. Fund service-based companies (\$250K-\$5M in revenue) led by minorities, veterans, or women through revenue-based investment based outside traditional major capital markets (low-moderate income areas) | ✓ | \$1.1M | Ryan Honeyman | 2016 | liffeconomy.com/forceforgood | erin@liffeconomy.com |
| Founders First Capital Partners | San Diego | Invests in all types of founders (but are all POC founders) with an interest in women and minority markets; industry agnostic; revenue of \$100K+, large market size, disruptive business model | ✓ | Provides up to \$1M in capital funding | Kim Tolson | 2015 | foundersfirstcapitalpartners.com | foundersfirstcapitalpartners.com/contact-us |
| Harlem Capital | New York City | Interested in digital health, future of cities, education, social support, economic wellbeing, food; accelerates growth for tech-enabled startups in partnership with established organizations and investors; focused on diverse entrepreneurs and those creating solutions for diverse audiences. | ✓ | \$40M (small team of 5-12 people) | Henri Pierre-Jacques, Jarrod Tingle | 2015 | harlem.capital | info@harlemcapital.com |
| Humble Ventures | Washington DC; New York City | Looking for companies at early stages (post-seed pre-series-A), teams and founders that are culturally competent and coming from low and moderate communities of color; business models that grow socioeconomic impact along with profits | ✓ | undisclosed | Ajit Verghese, Harry Allford, Kayoda Owens | 2014 | humble.vc | humble.vc/contact |
| Impact America Fund | Oakland | Invests in tech companies led by women and underrepresented minorities including people with disabilities, LGBTs, veterans | ✓ | \$10M | Kesha Cash | 2014 | impactamericafund.com | info@impactamericafund.com |
| Intel Capital Diversity Fund | Santa Clara | Companies must be minority and/or female-owned; invests in medical tech, software, advanced materials, aero propulsion power management, fuel cells/energy storage, sensing/automation, situational awareness/surveillance, solar photovoltaics | ✓ | \$38.1M as of Sept 2019 | Wendell Brooks | 2015 | intel.com/content/www/us/en/intel-capital/diversity.html | diversity.fund@intel.com |
| JumpStart Focus Fund | Cleveland | Invests in tech-driven start-ups that have potential for large-scale economic success, closes significant gaps of access/opportunity/outcome in the U.S., and are committed to building a diverse team and company culture (team is majority POC) | ✓ | \$10M (\$2.5M+ investments) | Ray Leach | 2003 | jumpstartinc.org/entrepreneurs/funding/ | ask@jumpstartinc.org |
| Kapor Capital | Oakland | Focus on investing into women, people of color, LGBTQ folks, all other underserved by venture capital; interest in CPG, B2B, consumer, SaaS, AI companies that are growing fast and need investment to help with strategic growth | ✓ | undisclosed/ team of 11 | Freda Klein-Kapor, Mitch Kapor, Brian Sizon, Ullil Onovokouri | 2011 (2011 to shift to Impact Investing) | kaporcapital.com | info@kaporcapital.com |
| Lightship Capital | Cincinnati | Early stage venture capital firm investing in tech companies that benefit from shifts in cultural trends and behaviors in an increasingly diverse global marketplace; strives to invest in minority-owned startups (minority-led teams); interests include e-commerce, fintech, edtech, health, media, mobile | ✓ | Invest between \$125K-\$300K | Candice Matthews Brackeen, Brian Brackeen | 2018 | lightship.capital | lightship.capital/contact |
| Mac Venture Capital | Los Angeles | Categories of interest include beauty, consumer goods, digital media, e-commerce, fashion, retail, wellness | ✓ | \$10.5M | Marlon Nichols, Trevor Thomas, Troy Carter | 2015 | macventurecapital.com | macventurecapital.com/startup/ |
| New Voices Fund | New York City | Global fund has 89 women investors (25 WOC) -- creating the next wave of educated and trained angel investors focused on social impact and financial returns and investing in underrepresented entrepreneurs (ideally women-led companies, some level of diversity on the team) | ✓ | \$100M | Richelleu Dennis (Sundial Brands) | 2018 | newvoicesfund.com | newvoicesfund.com/contact |
| Next Wave Impact | Denver | Fund for top women/POC in startup world ("operator roles") to get into venture capital | ✓ | \$100-250K in first stages; \$250-500K in later stages (\$5M fund) | Alicia Robb, Mallun Yen, Leyla Seka, Ambrosia Veress, 100+ limited partners | 2015 | nextwaveimpact.com | info@nextwaveimpact.com |
| Operator Collective | San Francisco | | ✓ | 100+ members, \$45M | | 2019 | operatorcollective.com | hello@operatorcollective.com |

| Name | Location | Focus | Women- POC- focused? | Site | Partners/Founders | Founding Date | Website | Contact |
|-----------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------|---------------------------------------------------------------------------------|---------------|----------------------------------------|--------------------------|
| Plexo Capital | San Francisco | Invests in emerging venture funds and early-stage companies led by women and POC -- but not a "diversity investor". Just focuses on opportunities that will generate high returns that happen to be from a broader universe of opportunities | ✓ | \$50M | Lo Toney | 2017 | plexocap.com | twitter@plexocapital |
| Precursor Ventures | San Francisco | Focused on B2B and B2C software applications and hardware; "committed" to investing in founders from a wide variety of backgrounds | ✓ | 4 members of team/\$46M | Charles Hudson Jennifer Carolan, Shauntele Garvey, Weyee Chu, Esteban Sosnik | 2015 | precursorvc.com | hello@precursorvc.com |
| Reach Capital | San Francisco | Invests in edtech and interest in non-traditional investors (team is majority POC) | ✓ | team of 9 /\$135M | Erica Duignan Minnihan, Monique Idlett-Mosley | 2015 | reachcapital.com | info@reachcap.com |
| Reign Ventures | New York City, Miami | Committed to investing in early-stage companies, at least 50% of whose founders/leaders are women or POC | ✓ | \$25M | Edward Dugger III, Julianne Zimmerman | 2017 | reignvc.com | info@reignvc.com |
| Reinventure Capital | Boston | Invest growth-stage capital in companies that have women/POC founders and potential for excellent financial returns and sustainable measurable impact | ✓ | undisclosed | | 2014 | reinventurecapital.com | 617-500-6607 |
| Salesforce Impact Portfolio | San Francisco | 70 percent of companies in fund are women- or minority-led. Salesforce typically invests in the A or B stage with interest in companies that do work in workforce development, equality, climate and sustainability, and social sector using Salesforce tech | ✓ | \$50M | Suzanne DiBlance | 2017 | salesforce.com/company/ventures/impact | twitter@salesforcevc |
| SAP IQ No Boundaries | San Francisco | SAP IQ No Boundaries will commit at least 40 percent of its investments to women and underrepresented minorities | ✓ | \$35M | Ram Jambunathan | 2018 | sap.io/noboundaries | twitter@SAP_IQ |
| Sofia Fund | Minneapolis | Seeks out women-led companies and diverse teams in IT, business products and services, and health and wellness | ✓ | \$5.5M | Cathy Connert | 2006 | sofiaind.com | info@sofiaind.com |
| SoGal Ventures | New York City | Invest in early stage diverse founding teams in the U.S. and Asia in healthcare, consumer, SaaS sectors | ✓ | undisclosed | Elizabeth Gallus, Pocket Sun | 2016 | sogalventures.com | hello@sogalventures.com |
| Twenty65 Fund | Los Angeles | Invests in socially responsible businesses run by women and POC | ✓ | \$10M | Abyah Wynn | 2018 | twenty65fund.com | twenty65fund.com/contact |
| Valmo Ventures | Weston, MA | Specializes in investments in companies and projects poised to benefit from notable demographic or societal shifts; interest in trend identification, global wealth management, media, corporate advisory | ✓ | undisclosed | Valerie Mosley, Miaz Karim | 2012 | valmoventures.com | info@valmoventures.com |
| Village Capital | Washington DC | Interested in agriculture, education, energy, financial inclusion, health; priorities underrepresented founders in underrepresented places | ✓ | \$20M | Victoria Fram, Ross Baird | 2014 | vicap.com | info@vicap.com |
| WE Venture | New York City | Invests in companies that are founded, owned, or led by women and/or minority and have a location in NYC, are technology-enabled, and are early stage (seed stage to Series A) | ✓ | \$30M | Alicia Glen | 2019 | we.nyc/we-fund/we-venture | wenyc@sbtc.nyc.gov |

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Michele N. Sickerka, Esq.
President and CEO

TO: Chairwoman Sumter and Members of the Assembly Community
Development & Affairs Committee

Chrissy Butcas
Chief Government
Affairs Officer

FROM: Christopher Emigholz, Vice President Government Affairs

Raymond Cantor
Vice President
Government Affairs

DATE: March 5, 2020

Christopher Emigholz
Vice President
Government Affairs

RE: Supporting Minority - Owned Businesses

Nicole Sandelier
Director Economic
Policy Research

Good morning! My name is Christopher Emigholz, and I am the Vice President of Government Affairs for the New Jersey Business & Industry Association (NJBIA) covering economic development, tax and budget issues. On behalf of our member companies that provide more than 1 million jobs in our State and make NJBIA the largest statewide business association in the nation, thank you for the opportunity to speak with you today regarding the current state of minority-owned businesses in New Jersey and how we can better support their growth and success.

Improving support for minority-owned businesses or minority business enterprises (MBE) as they are often designated is critical to addressing the wealth gap that stubbornly exists in our state and nation, but helping minority-owned businesses also helps the whole economy. There is evidence that minority-owned businesses are growing faster than other businesses, but it is concerning that they may be closing at higher rates as well. There is some good news for these companies in New Jersey compared to our neighbors. According to data from the US Census Bureau and the US Small Business Administration (SBA), the number of minority-owned businesses in New Jersey increased by 28 percent (or 66,252) from 2012 to 2016. This increase is larger both in actual number and in percentage increase than both New York and Pennsylvania. How do we maintain and enhance New Jersey's position as a leader in this important area? NJBIA has five strategies that may help.

- 1) **Get more data**. We have some data on MBEs, but the data is not frequently updated, making it challenging to fully understand the scope and progression of MBEs. More data is always helpful and would allow better insight on state statistics, especially in this area. More information and transparency on these companies and their interactions with government is needed to better understand their challenges. For example, S-300, sponsored by Senators Pennacchio and Kean, is posted for a vote in the Senate State Government Committee as we are speaking. It would require Treasury to issue an annual report on public contracts issued to women- and minority-owned businesses, and it would help us all see if there are troubling trends or if things are moving in the right direction.
- 2) **Workforce development** is essential to better supporting MBEs. From preschool through vocational-technical high schools through higher education through on-the-job training, New Jersey needs to do a better job lifting up the skill levels of the current and future workforce. A lot of education reforms and workforce development efforts naturally and rightfully are focused on traditionally under-served populations, and that needs to continue. The achievement gap in education leads to the wealth gap in the

economy. Higher standards, greater accountability and more school choice, especially as it relates to vocational schools and STEM offerings, are needed to help students of color. Additionally, workforce development efforts need to include financial literacy. NJBIA partners with Junior Achievement, which does great work in K-12 financial literacy in many cities around our State. Financial empowerment for those out of school is also important, such as in A-3062, sponsored by Assemblywoman Pintor Marin and Assemblyman Moen. The bill, posted this morning in the Assembly Financial Institutions Committee, will create financial empowerment programs in four New Jersey cities.

- 3) Tax incentives and financial support are an important part of supporting minority-owned businesses, because these tend to focus on cities where MBEs have a larger presence. The urgent need to reauthorize New Jersey's tax incentive programs is an important step. From the Governor's proposal to the Legislature's various plans, all correctly include emphasis on urban economic development just as the recently expired program focused on and did wonders for Camden. Additionally, it will be important to properly utilize the federal Opportunity Zones to drive investment into our State's urban centers. It is also encouraging to see our EDA look into the idea of a diversity seed fund to support minority-owned startups, as it recently announced.
- 4) NJBIA recently launched our own Diversity and Inclusion Council to support businesses that embrace diversity as an essential part of doing business. It is important to create an environment where people of color can thrive as entrepreneurs, and, if successful, will then inherently better support diversity in their own businesses. NJBIA looks forward to supporting businesses that believe in diversity and to promote best practices that create a more inclusive and respectful workforce.
- 5) NJBIA believes that the general difficulty of operating a business here in New Jersey is an issue that disproportionately harms MBEs. If the cost of doing business is too expensive for any New Jersey company because of taxes and labor costs, then a company from an area that has often struggled finding access to capital could struggle even more. If over-regulation is an impediment to all companies in our State, then a company that does not have as much experience in navigating that red tape, may be additionally challenged. If the headache of figuring out government procurement is a burden to business, then it may be a greater issue for a minority-owned business trying to land a government contract for the first time. If we make our great and diverse State better for all businesses, NJBIA believes we will lift up minority-owned businesses to an even greater extent.

NJBIA looks forward to working with this committee and our Legislature on this issue, and we would be happy to take any questions!



“Equitable Participation in New Jersey’s Economy”
John E. Harmon, Sr., IOM
Founder, President & CEO, AACCNJ
March 5, 2020
Assembly Community Development and Affairs Committee
Testimony

Thank you, for your invitation to allow me to provide testimony today. I am John E. Harmon, Sr., Founder and President and CEO of the African American Chamber of Commerce of New Jersey (AACCNJ). Unfortunately, I could not be present today due to a previously scheduled trip to Kansas City, Missouri to attend a conference on Diversity & Inclusion. However, I have asked Michael Egenton, Executive Vice President of the New Jersey State Chamber of Commerce to share with you my comments. I am also a Board Member of the New Jersey State Chamber of Commerce.

The following is a gathering of my thoughts based on my experiences as a Chamber Executive for 23 years in New Jersey; from the regional, and national best practices as well as comments from members of the AACCNJ and black businesses, more broadly, about their experiences while pursuing primary positions or equitable contract awards on professional services, construction and general goods and services that are procured by the State of New Jersey.

First, I would like to state that my organization sincerely appreciates the relationship that we have with the State’s Legislators and The Murphy Administration. Specifically, we have been afforded access to the leadership of the various Departments and Agencies to discuss policies, process, best practices and strategies to improve the competitiveness of our state. Accordingly, we are making progress and remain optimistic about the future given our partnership. However, given the systemic economic disparities that have hindered blacks from a more equitable assimilation into New Jersey’s mainstream, although, I am not present today, I welcome the opportunity for a future exchange of ideas or methods as to how we can move most expeditiously to attain parity for black businesses in public contracting.

The irony is, notwithstanding, the capacity and requisite experience of black businesses; these firms have communicated to me that New Jersey has been a continuous outlier when it comes to fairness and equitable participation in public contracts. For example, beginning with the implementation of Executive Order #1, by former Governor James McGreevey, wherein he established Project Labor Agreements on all Public Contracts. This executive order was later amended to exempt public contracts of less than \$5 million from Project Labor Agreements. In my opinion, the Project Labor Agreements have afforded Trade Unions a unique contracting preference while blacks and others have to wait for the commissioning of disparity studies to justify the implementation of procurement goals that could incentivize increased access public contracting opportunities. These best practices have long been adopted by the State of New York and the City of Philadelphia as a standard business practice. Moreover, I would submit to you



that the aforementioned policy has contributed to a public contracting culture within New Jersey that has not been fair or equitable to black businesses. In my opinion, the preference that has been extended to the trades in Public Contracting undermines our adopted system of capitalism and free enterprise in this country. Moreover, the trades in New Jersey, speak about inclusion, however, they have a systematic culture with inherent barriers that make it extremely difficult for blacks and others to participate equitably, which is just wrong given that these opportunities are underwritten with taxpayer dollars. There needs to be a serious engagement with the responsible parties to begin the process of mitigating this unequitable practice in our state.

According to the New Jersey Department of Labor's statistics, blacks have the highest level of poverty, and low median and household income levels than others within the state. Also, the net worth of blacks is less than \$6,000 vs. \$275,000 for whites. In addition, 93 percent of black owned businesses have only 1 employee; because without opportunities it is very difficult to grow and sustain your business enterprise. The most effective strategy to mitigate these numbers is to increase contracting awards to black businesses thus enabling them to hire more black employees and sub-consultants/contractors.

Based on the aforementioned, I would like to propose the following policy changes and recommendations, in our state, for consideration:

- Amend the 60 year old requirement in New Jersey which states that you must be a Registered Municipal Accountant to perform audits for municipalities. Currently only 2-3 individuals pass the annual exam thus providing a monopolistic opportunity for a few firms while imposing a barrier for a number of qualified CPA firms that have offices within communities where these professional services opportunities occur.
- Could the previous Disparity Study that was commissioned by The Port Authority of New York and New Jersey and Essex County and others be amended to support the state's efforts to establish women and minority procurement goals as a means to expedite the process? This is a critically important measure that would incentivize inclusion in public contracting.
- Provide the Chief Diversity Officer with an adequate budget such that there will be adequate resources for staff and infrastructure to implement and execute an effective operation. (You can measure what is important) Based on what I know about the current operation, the resources are not in alignment with the mission.
- Raise the Project Labor Agreement Threshold from \$5 to \$20 million - this would immediately increase public contracting opportunities for Blacks. (Executive Order similar to former Governor McGreevey)
- Implement a process to ensure that RFP's on all public contracts are reviewed to ensure that they are inclusive and do not contain inherent barriers that are not commensurate with the scope of work.



- Review of the State Vendor Contract which provides opportunities for K-12, higher education and municipalities, the program grossly lacks diversity and inclusion of black businesses.
 - Increase the spend level of goods and services which do not require a formal bid from \$40,000 to \$250,000 for State Agencies and Departments.
 - Support the current Bill sponsored by Senator Joe Pinocchio (S-300) that requires all state agencies and educational institutions to report contract spending with minorities and women. This lends the question, how can you manage what you do not measure?
 - New Jersey should have a system of reporting public contracting expenditures in real time, not after the project has been completed and the consultant or contracting firms has spend taxpayer dollars and left town, without this system in place, we are not upholding our fiduciary obligation.
- Lastly:
- Black financial services firms, notwithstanding experience and capacity, are not granted equitable participation in New Jersey's fund management and bond underwriting opportunities.
 - Black financial services firms have not been afforded primary or lead roles in Bond Underwriting and Fund management opportunities that are commensurate with their experience or capacity in New Jersey while consistently being awarded these types of opportunities in other states.

The unfortunate situation as it relates to the participation of firms who manage state funds is that some of the financial services institutions, that were responsible for contributing to massive foreclosures in New Jersey, are receiving significant economic benefits from the taxpayers, some of which, they have harmed severely.

Thank you for allowing me to participate in today's conversation.

Respectfully Submitted
John E. Harmon, Sr., IOM
Founder, President, & CEO,
African American Chamber of Commerce of NJ
3/5/20