

I. Organization Background Information

Name of Organization:

Parallel18 Ventures (the investment fund of international startup accelerator Parallel18, a program of the Puerto Rico Science, Technology and Research Trust)

Mission Statement:

Please limit to 1000 characters. Please be aware that your content may be truncated if you are pasting from another source.

Parallel18 (P18 hereafter) is a non-profit technology accelerator that attracts, creates, and retains high impact globally focused startups that can scale from Puerto Rico to global markets. It is a program of the Puerto Rico Science, Technology and Research (Trust hereafter).

The Trust, created by law as of 2004, is a 501c3, private non-profit legal entity, with a mission to invest, facilitate and build capacity to continually advance Puerto Rico's economy and its citizens' well-being through innovation-driven enterprises, science and technology and its industrial base. By accomplishing its mission, the Trust aims to turn Puerto Rico into a globally recognized innovation hub that develops, attracts, and retains scientists, technology entrepreneurs, and enterprises to unlock world class creativity and competitiveness.

Overview of Organization:

Please limit to 2500 characters. Please be aware that your content may be truncated if you are pasting from another source.

Parallel18 Ventures (P18V hereafter) is an in-house follow-up investment fund designed to match capital that P18 entrepreneurs raise from private investors. The program focuses on companies with accelerating growth that establish operations in Puerto Rico and commit to hire at least 3 full-time employees in the island within 2 years. The main objectives of P18V are to: (1) foster retention of P18 attracted and developed entrepreneurial talent (2) incentivize investment of capital in P18 startups, particularly local capital, by sharing the risk (3) educate the local community about best practices related to investment in high-growth potential startups (4) generate direct and measurable economic impact by enabling the hiring of local talent, and (5) provide P18 the opportunity to participate from the accelerated growth of startups that it is already supporting, with the possibility of obtaining a financial return of investment.

P18V selects a target of 3 startups from each generation, focused on startups that have outstanding performance and accelerated growth during P18. Funds are invested on a matching basis with respect to funding from private investors secured by the companies for target investments ranging from \$25,000 to \$150,000. P18V seeks to retain startups graduated from Parallel18 that commit to develop their company in Puerto Rico, generating economic activity and employment as a consequence.

From the start of the program until October 2019, investments in 16 startups graduated from P18 have been made for a total of \$1,115,000. Additionally, P18 companies for the first 6 cohorts have raised a total of \$68,458,410, including \$11,866,800 raised from Puerto Rico based investors, an unprecedented amount for local startup investment that we intend to keep growing. We have also seen P18V alumni companies continue growing internationally and raising investment rounds of \$1,000,000 or more in Puerto Rico, which shows the increasing maturity of the entrepreneurship and investment ecosystem of the island.

With regards to deal flow for potential investment, P18V is in great position. During the first 3 years and 6 generations of the program, Parallel18 has received 2,940 applicant companies from over 70 countries, with 179 companies being admitted into the program, a very competitive acceptance rate of only 6%. Among these, 55 have Puerto Rican founders and 124 are foreign, a local representation of 31% from the overall companies that have participated.

Website:

<https://www.parallel18.com/>

II. Proposal Contacts - Please enter information for the Primary and Secondary Proposal Contacts

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III. Proposal Information

Proposal Title:

Establishment of Parallel18 Ventures as an Impact Venture Capital Investment Fund in Puerto Rico

Support Request (check all that apply):

Investment/Grant

Requested Dollar Amount:

\$1,000,000

Please list other Significant Partners in the Proposal:

*Community Development Venture Capital Alliance (CDVCA) - technical support for investment fund formation and operation, national network of community development organizations that operate investment funds with which we can exchange best practices

*Colmena66 - startup ecosystem resources integrator, also a program of the Puerto Rico Science, Technology and Research Trust

*Aurora Angel Network - first active individual angel investor network in Puerto Rico

*Grupo Guayacán - startup pipeline generator for P18, also an early stage investor with their IDEA seed fund

*Morro Ventures - first active Puerto Rico based venture capital firm that started to deploy a \$20M fund

*Other venture capital firms and individual angel investors in Puerto Rico, United States, and Latin America with which we have coinvested in the past or that can potentially coinvest in P18V portfolio companies

Proposal Description:

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Objective: To enhance Puerto Rico's economic development and bridge the gap for much needed startup access to capital through the growth of P18's investment infrastructure, specifically a formal P18V venture capital investment fund with a target size of at least \$20 million.

Methodology: P18 intends to transform P18V from an in-house matching co-investment fund that has exclusively invested from the Trust's own budget, to a formal investment fund that can accept capital from private investors as limited partners. We invite relevant financial institutions and capital providers to become funders that support P18V via CRA with \$1 million, accompanying the Trust (also contributing \$1 million) as anchor investors in this new fund. CRA funders would benefit by having the opportunity of potentially accomplishing a financial return of investment, while at the same time having significant impact in the recovery of the Puerto Rican economy post hurricane Maria and the economic development of the island.

Current Progress: The Trust received a technical assistance grant to secure certification as a Community Development Financial Institution (CDFI) for venture capital (will become the first with this focus in Puerto Rico), demonstrating our primary mission of community development by providing activities to support Puerto Rican underserved populations with access to capital. Additionally, P18 secured a grant from the Economic Development Administration (EDA) to build the investment community in Puerto Rico through investor education events for potential investors, grow the local and international network of investors relevant to P18 graduating companies, and formally establish the P18V investment fund. CRA funding support would be excellent timing, further boosting our momentum and greatly positioning the Trust to leverage support from our trusted partners and start fulfilling our mission of making capital available to high-impact fast growing startups scaling from Puerto Rico to the world.

Structure: \$2 million anchor investments by the Trust and CRA funders will be leveraged for recruitment of limited partners to capitalize the \$20M fund. To enhance ROI, \$5M will be used in \$250K average seed investments in 20 companies, with \$15M reserved for follow-on investments in the best performing companies from the portfolio over a 5-year period. Our unparalleled knowledge of the P18 supported entrepreneurs and our 5-month KPI tracking data boosts our chances of success.

Issues Addressed (check all that apply):

Asset Building / Financial Access, Capability and Empowerment, Community Development Finance, Disaster Relief, Small Business Development / Microlending, Stabilization and Sustainability, Workforce Development / Economic Development

If your project affects multiple states or counties, please use the CTRL key to multi-select.

Geographic Impact

State-wide

U.S. States & Territories:

Puerto Rico

Population Served:

Please limit to 500 characters. Please be aware that your content may be truncated if you are pasting from another source.

Aligned with CRA goals and CDFI certification, the Trust's primary mission is to use venture capital as a community development tool by providing funding and activities directed toward improving the social and economic opportunities for entrepreneurs from underserved populations in Puerto Rico that lack adequate access to capital to grow their companies to international markets from Puerto Rico. Less than 1% of all venture capital in the United States is deployed in Hispanics and Latinos.

Population Income by Area Median Income (AMI) and other identifiers (percentage of Free and Reduced Lunch for youth or designated "Disaster Area" or designated "Distressed or Underserved" served by proposal:

In 2017, median annual income in Puerto Rico was just \$19,343, well below the median annual income of \$60,336 across the United States, with 45% of the population living in poverty. The situation worsened after the devastating Hurricane Maria, estimated to have caused \$90 billion in economic damages across the whole island. Almost all of Puerto Rico's territory (97% of the island) is distressed economically and has been broadly designated as a Qualified Opportunity Zone to incentivize investment and economic recovery after the hurricane.

Anticipated Outcomes/Impact:

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The P18V fund will create a vehicle for CRA funding of venture capital for startups in Puerto Rico, providing important support to emerging underserved entrepreneurs from P18 and real economic impact post Hurricane Maria. Increasing access to investment funding by establishing a fund is typical for startup accelerators, and the next logical step to build on P18's grant funding of \$9.6 million in 179 companies (and \$3 million more in 80 new startups each year), world-class business acceleration training from over 200 mentors, and comprehensive support at the stage where startups need it the most. Establishment of the P18V impact investment venture capital fund will result in 2 new staff members hired by P18, with dozens more quality jobs created in Puerto Rico by the startups supported with our growth capital. Involvement by CRA funders will result in new opportunities for financial institutions to have significant community development impact, as well as potentially realizing a financial return on investment.

P18 will continue building the Puerto Rico innovation ecosystem and connecting the dots for the entrepreneurial life cycle, from innovation programs at local universities to the pre18 preaccelerator program to P18 international startup acceleration to the P18V venture capital fund to other sources of investment funding for startups. We will keep polishing our value proposition to attract startups that are a good fit with our program, including using Puerto Rico strategically as a platform to grow, and will continue onboarding relevant investors that believe in our impact mission and supporting our island. We plan to continue empowering Puerto Rican talent to engage in entrepreneurship as a valid option to grow as professionals and bringing new solutions to the market, thus achieving their full potential while bring new prosperity to the island. The ultimate goal is to continue positioning P18 and Puerto Rico as a hub for global collaboration and innovation.

Describe evaluation methods used to measure success:

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Metrics that will be used to evaluate success include:

- Amount of capital raised by fund
- Number of companies invested in
- Number of entrepreneurs supported
- Number of jobs created by supported companies
- Amount of revenue generated by supported companies
- Number of supported companies exporting to markets outside Puerto Rico
- Amount of capital raised by supported companies in subsequent rounds
- Number of liquidity events (such as exits, mergers, acquisitions, IPOs) by supported companies that bring return on investment
- Amount of return on investment

P18V can also take into consideration metrics important to CRA to ensure a productive and mutually beneficial partnership.

Project time frame - Is your request for an existing or new program?

Existing Program

IV. Submit Supporting Documentation - Please attach your most recent audited or reviewed financials in PDF format to this proposal application. Your proposal application will be considered incomplete until the appropriate financial documentation is provided. By submitting a proposal application you agree to share with the Federal Reserve information regarding connections that were made with funders regarding the proposal or other work your organization conducts that was identified by a funder that used the Investment Connection platform. After you submit a proposal application, we will follow up with you to see if Investment Connection was helpful with your informational and business needs.

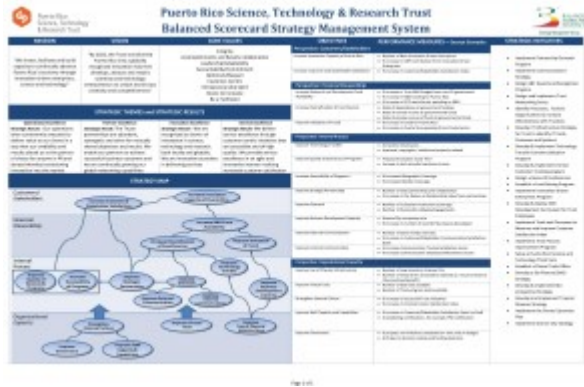
Upload your most recent audited or reviewed financials

(for internal uses only)

Puerto Rico Science Trust Audited Financials 2014-2018.pdf

V. Other Supporting Documentation - You may submit a photo (jpeg) and/or a video (mp3 or mp4) that helps describe your proposal. (information available to funders)

Upload a picture or video that helps describe your proposal or organization
(information available to funders)



Upload additional picture or video
(information available to funders)

Parallel18 Ventures in the News.pdf

Add any additional links to supporting documentation
(information available to funders)

VI. Disclaimer - The Federal Reserve Banks do not endorse or make any representations as to the propriety or suitability of organizations, investments or programs listed. Organizations should perform their own due diligence before engaging in any transactions with these entities to ensure that any such transactions meet the organization's objectives.