



PRI Opportunity Overview

This document provides an outline of a program-related investment (PRI) that Venn Foundation (Venn) plans to make if it can attract sufficient donor support. Venn is considering this PRI primarily to advance its charitable purpose and not with the significant goal of producing income, although financial return hopefully will also result. This PRI is a high-risk, charitable investment for Venn Foundation.

Prospective Recipient: Authess, Inc.

Current Corporate Form: Delaware Business Corporation

Recipient Leader: Paul Crockett, Co-founder & CEO

Contemplated PRI Structure: \$150k-200k convertible note

Venture Overview

Authess is an innovative educational technology company that has developed a software platform that can deliver and score authentic assessments for a wide range of real-world skills and scenarios at scale. The company's proprietary machine learning models and data analytics observe the user (learner, candidate, and employee) as they work through a task, capturing not just their answers, but their behavior, process and problem-solving approach. Authess reports offer insight into the knowledge, skills and abilities proven more credible predictors of an individual's competence and future performance than conventional assessments and hiring methods.

Charitable Purpose Summary

The primary purpose of this PRI is to eliminate prejudice and discrimination by helping Authess pilot its authentic assessment platform and new SkillMetric product within a real company's formal employee recruitment and hiring process. Typically when recruiting and evaluating candidates, employers rely on resumes and formal credentials like college degrees as proxies for skills, which can limit the pool of qualified candidates and introduce bias into the process. By contrast, SkillMetric can quickly assess critical thinking and other key job skills that employers look for independent of the candidate's credentials or demographic background. This in turn can help reduce bias and increase representation and selection of high-potential candidates that might otherwise be overlooked.

Overview of Investment Terms

Below is an overview of the intended PRI terms, which are fully described in the formal term sheet signed by both parties. Please note that Venn does not sell securities to investors but rather provides a unique charitable investment opportunity to its donors, who make recommendations. Donors themselves will not profit from supporting this PRI. Venn will allocate any financial return that may result (minus applicable fees) back into each participating donor's Venn Account for donors to recommend redeployment of those funds as new PRIs or as grants to other nonprofits.

1. \$150k-\$200k convertible note
2. Accrues simple interest at 3% annually before conversion
3. Trigger Scenarios
 - a. Maturity: Optional conversion to common shares in 3 years at a \$8M pre-money valuation.
 - b. Qualified Financing: Automatic conversion to equity at a sliding discount (0%-10% based on timing) to the stock price negotiated in qualified financing that yields at least \$750,000 in new proceeds. Valuation cap of \$11M.
 - c. Change of Control before Qualified Financing: No conversion. Venn will receive 1.45 times the principal and accrued interest then outstanding.
4. Other Terms
 - a. No prepayment without approval of Venn Foundation
 - b. No dividends to shareholders until conversion or until loan and accrued interest are repaid in full.
 - c. Authess will need to meet certain "conditions of syndication" and "conditions of closing."
 - d. Basic annual impact report regarding the companies and candidates using SkillMetric and its effect on increasing representation and selection of candidates from underrepresented backgrounds.

Modest Admin Fee - Only if PRI Succeeds

Donor-advised fund sponsors usually charge donors an annual administrative fee of around 1% calculated and paid monthly on the entire account balance. However, Venn only charges donors a fee if and when the PRIs they support are successful, allowing donors to reuse their charitable dollars. While the PRI is structured as debt, donors pay an annual 1% fee only if and when the PRI returns cash to their accounts. If the PRI is converted to equity and provides a return, Venn allocates 20% of the carry (i.e. gains above return of capital) to its own operations. All other PRI returns go back to donor accounts pro-rata based on their initial participation where donors can recommend redeployment as new PRIs or grants to nonprofits.

Requests for Shared Due Diligence

Venn Foundation conducts its own due diligence on every PRI opportunity before making it available for donor support so that every PRI it makes is done legally, responsibly, and with reasonable terms and conditions that will, in Venn's own judgement, increase the likelihood of success for the PRI and its primarily charitable purpose.

That said, prospective donors should not rely on Venn Foundation's internal due diligence as an endorsement that any particular PRI opportunity is appropriate for their own support or as an indication that any given PRI will ultimately succeed. Donors are responsible for independently evaluating the merits of each PRI opportunity and ultimately for making the decision to recommend that their donations be used by Venn to support a particular PRI opportunity.

As a matter of policy, Venn does not directly share its own internal detailed due diligence materials and findings with prospective donors for three main reasons.

1. Diverse Standards

Venn operates in a unique investment context in which charitable impact is a primary consideration and financial expectations are purposefully below-market. In this context, donors can have very different standards for charitable impact, for assessing risk, and for determining what makes a PRI opportunity attractive or not. What each donor expects of and concludes from a due diligence process can vary greatly.

2. Sensitive Information

Due diligence often involves reviewing sensitive and protected information. It is more appropriate that the PRI recipient retain control over which parties are seeing what information than for Venn to play this role.

3. Role Definition

Venn sees its role as making a wide variety of PRI opportunities available and known to prospective donors. Venn's role is not to persuade donors to support any one PRI opportunity over another. That role is more appropriately and effectively played by PRI recipients and by other donors who are supporting the PRI.

Venn appreciates that donors may want more information about a particular PRI and PRI recipient than is provided here before making a donation or distribution recommendation. Just as is the case when donors recommend traditional grants to nonprofit organizations from a donor-advised fund, Venn encourages donors to speak directly to the PRI recipient and to other donors already supporting the PRI to further evaluate the PRI opportunity themselves before making a donation or distribution recommendation decision.

Recipient Contact

Interested donors may reach out to Paul Crockett, CEO, at paul@authess.com.

Next Steps

If you would like to support Venn Foundation in making this PRI, please complete the accompanying "Pledge Form" and email it to Jeff Ochs, CEO of Venn Foundation, at jeff.ochs@vennfoundation.org. Once the PRI minimum is raised and the company meets any other conditions of syndication, we will contact anchor donors and ask them to fulfill their pledges within two weeks.