



MEMORANDUM

TO: Members of the Authority

FROM: Timothy J. Lizura
President/Chief Operating Officer

DATE: October 12, 2017

RE: 2017 NJ Founders & Funders All-Stars Program Award

Summary

The members of the Board are requested to approve an award of up to \$50,000 for a selected registered, presenting company of the 2017 NJ Founders & Funders All-Stars program. The award is structured as a forgivable loan with warrants to support an early-stage New Jersey technology or biotechnology company.

Background

NJ Founders & Funders is a community resource program organized by the NJEDA on a semi-annual basis (Spring and Fall) to facilitate collaborative discussions between product-focused, emerging NJ Technology & Life Science (“TLS”) companies and sophisticated angel & institutional investors.

Since inception in June 2014, more than 200 companies and 75 investors have participated in the program. Structured as a half-day event, featuring up to twelve 10-minute one-on-one introductory sessions between each attending company and investors, the event has facilitated more than 1,200 formal meetings and countless other informal conversations. Following from the success of this program to date, NJ Founders & Funders All-Stars is being organized to recognize the connections made through this program, resulting in investment, insight and inspiration to help fuel New Jersey’s Technology & Life Science ecosystem.

For the first-time, all 200+ past NJ Founders & Funders attendee companies are being offered the opportunity to re-connect with investors in this single forum. Each past event has seen an over-subscribed level of demand by the entrepreneurial community. As a result, NJ Founders & Funders guidelines prohibit a single company from attending more than one regular event. The NJ Founders & Funders All-Stars event offers the opportunity for all previously attending companies to update investors with their progress and showcase their cumulative innovation with the community.

As with the regularly-recurring NJ Founders & Funders events, this event will feature organized

one-on-one introductions between NJ-based companies and investors. In addition, we are proud to feature a special New Jersey Entrepreneur panel sharing their insights on fundraising, maximizing the relationship with investors and the path to exit. Returning companies may send up to two representatives to attend the event. There will be ample networking among entrepreneurs, investors and, for the first time, admission to other private sector community members who support this sector of the market.

All companies previously participating at a regular NJ Founders & Funders event are invited to attend NJ Founders & Funders All-Stars and/or to separately register to participate in the one-on-one investor meetings. A subset of 20 companies will be selected from the pool of returning company registrants in advance of the event, by an independent outside panel, to participate in the one-on-one sessions. The panel is comprised of the Authority's existing Technology Advisory Board (TAB). The event will be capped-off with lightning presentations by five investor favorite companies selected from those 20 participating in the one-on-one meetings. The winner of the five presenting companies will be determined by crowd participation, subject to NJEDA's authority to review and make any determination based on non-delegable requirements. The selected winner will receive a proposed award of up to \$50K in the form of a forgivable loan, conditioned upon receipt of a minimum 1:1 matching of outside, third party investor equity.

Loan Award

The proposed NJ Founders & Funders All-Stars Loan will provide one-time funding (under the requirements and structure, herein) to support the growth of a technology or life science company and encourage further investment in the State, while recognizing the achievements of an early-stage NJ entrepreneurial business. Investment made from this award will align with the EDA's ongoing strategy of supporting New Jersey's entrepreneurial ecosystem in the industries of technology and life sciences. The object company must meet the guidelines specified below.

Consistent with other already existing NJEDA TLS loan programs (Edison Loan Program, NJ CoVest program) the Company must secure matching funds from a qualified, unrelated third party which the EDA will match on a 1:1 basis. The NJ Founders & Funders All-Stars loan commitment will be offered to the selected company contingent on verified receipt of outside equity within 12 months after the December 6, 2017 event date.

Proposed 2017 NJ Founders & Funders All-Stars Award guidelines:

- Award (Forgivable Loan) of up to \$50,000 will be offered based on match funding amount and program selection process. Forgivable Loan will have a 0% interest rate accompanied by 50% warrant coverage, with a warrant strike price aligning with the investor match. Forgivable Loan will have a 5-year principal moratorium followed by a 2-year amortization if the loan forgiveness conditions are not met.
- Company eligibility and selection will be validated according to a prescribed multi-stage process, as follows:
 - The Company, which is registered to conduct business in New Jersey is:
 - Registered, attended and met with scheduled investors during 1-on-1 meeting sessions at a regular NJ Founders & Funders event between the period of June 2014 and April 2017;

- Registered to attend the 2017 NJ Founders & Funders All-Stars event seeking to participate in 1-on-1 meetings at the event;
- Submitted a 1-2-page executive summary for review and selection by an independent panel comprised of the NJEDA's Technology Advisory Board ("TAB");
- Is selected from a full compilation of the aforementioned executive summaries by TAB, as one of the 20 NJ entrepreneurial businesses to participate in the 1-on-1 investor meetings at the 2017 NJ Founders & Funders All-Stars event. Selection at this stage will be determined on the basis of several criteria as outlined for the selection panel and scored using a specified rubric. Important considerations will include:
 - Target market
 - Identification, definition and solution of problem/need
 - Team, board, advisors
 - Traction
 - Competitive advantage
 - NJ strategic value and job growth
- Attended 2017 NJ Founders & Funders All-Stars and actively participated at a majority of their scheduled 1-on-1 investor meetings;
- Is selected as one of five award finalists through an independent determination by investors participating in 1-on-1 sessions with the Company at NJ Founders & Funders All-Stars, leveraging the aforementioned criteria;
- Delivered a five-minute presentation of the business as a finalist at NJ Founders & Funders All-Stars, and subsequently is selected according to a full audience vote. The audience will be comprised of members of the NJ technology & life science community. Each audience member will have a single vote.
- Subsequently, received a qualified third-party equity investment to serve as matching funds from a party unrelated to the Company within 12 months of the December 6, 2017 event date.
- EDA funds matched to outside investments (in the form of equity) by a minimum ratio \$1 (EDA) to \$1 (Qualified Investment).
- The Company must have received funding prior to this proposed matching round which can include founders' contributions, friends and family, crowd sourcing, grants, or accelerator awards.

Company requirements:

- Product-based companies, in the technology and life sciences industries which meet the requirements described herein.
- Company must be registered to do business in New Jersey and be in good standing.
- Post award - Management prepared financials, payroll reporting and tax returns must be delivered to the Authority on an annual basis within 90 days of filing/completion.

Loan structure:

- The loan will have 0% interest and a principal payment moratorium for the first 5 years, followed by a 24-month amortization if the company does not meet each of the following conditions for loan forgiveness:
 - The company's management speaks at a future NJ Founders & Funders event.

- The company's management participates in a feature article issued by the NJEDA.
- The company grows at least five (5) W2 employees in 5 years (verified by NJ WR30) unless there is a merger or stock acquisition of the company resulting in an exit by existing investors.

Conditions of Default:

- The Company must remain headquartered in NJ for 7 years after receipt of funds except in the event of a merger or stock acquisition resulting in an exit by existing investors.
- Failure to maintain employment, including headquarters commitment to NJ will result in full repayment of the award.
- Non-compliance with required reporting as detailed above.

The Authority will have the right to demand full repayment of the loan in the event of a default.

The event and award determination are scheduled to occur December 6, 2017.

Recommendation

The Members are requested to approve the creation and implementation of the 2017 NJ Founders & Funders All-Stars Award from EDA funding resources as substantially described above.



Timothy J. Lizura
President/Chief Operating Officer

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