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keeps getting better.



## **Global Entrepreneurship Week Princeton University**

# **“Funding the Future: Securing Early Stage Capital”**

**November 18, 2008**

**Kathleen Coviello**  
Director, Technology and Life Sciences

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Development	Launch	Growth	Mature
<p>Edison R&amp;D Fund \$100 - \$500K (2:1 match) Edison R&amp;D Wraparound Fund \$100K</p>			
<p>Incubator Seed Fund \$20 - \$50K</p>			
<p>SBIR (\$50K) / STTR Grants, SBIR II, NIH – Federal Government Funding</p>			
<p style="text-align: center;">Angel Funding</p>			
<p>Under 3 years in business Undertaking R&amp;D Not yet produced prototype</p>	<p>“Bench” prototype success Not yet progressed to beta trials</p>	<p>“Proof-of-concept” completed Produce revenue, but show no profit</p>	<p>2-year, profitable history Marked year-over-year revenue growth</p>

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	<p>OmniCapital</p> <p>NextStageCapital</p> <p>NEWSPRING CAPITAL</p> <p>NJTC VENTURE FUND</p>		<p>Edison VENTURE FUND</p> <p>Quaker BioVentures</p>
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# Different Business Objectives Require Different Types of Capital:

## Fame/Fortune

*How committed are you to being  
an entrepreneur?*

## Ownership

*How much ownership do  
you need?*

## Governance

*Are you willing to share  
governance with outsiders?*

## Leadership

*What are your strengths/weaknesses  
as a business leader?*

## Transparency

*How much transparency are you willing  
to provide to investors?*

## Cash Flow

*When your business begins to throw off  
cash, what will you do with the cash?*

## Income

*How much salary do you require?*

Reference: Warren Haber, Manager Partner, Crossbar Capital (10/2/2008)

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# Government to the Rescue?

## Federal Government

- National Institute of Health  
*Grants, Cooperative Agreements, and Contracts for medical research and research-related activities*
- Small Business Innovation Research Program (SBIR)  
*Competitive, three-phase program that encourages R&D and High-Tech innovation.*
  - Phase I: Up to \$100,000
  - Phase II: Up to \$750,000 for as many as 2 years
  - Phase III: Innovation moves from the lab to the marketplace (no SBIR funds)

## State Government - New Jersey

- NJ Commission on Science & Technology  
*Grants, Fellowships, Incubator Support*
- NJ Economic Development Authority  
*Facilities, Tax Incentives, Subordinated Convertible Debt with Warrants*

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# Angels

## *Who Are They? Where are They?*

- Founders, Friends, Family and Fools
- Angels – All Different Kinds
  - **Passive**  
*Money Only*
  - **Value Added**  
*Operational and/or Entrepreneurial Experience*
  - **Ideal**  
*Money, Time and Talent*



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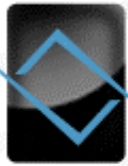


**PIF**

PRIVATE INVESTORS FORUM

info@privateinvestorsforum.com

**RobinHood**  
VENTURES



**IVY PLUS**

Alternative Investment Network



New York  
**ANGELS**

# Angel Groups

**LORE**  
ASSOCIATES

**JumpStart**

NJ Angel Network

 **Golden Seeds™**



Tri-State Private Investors Network

bringing ventures  
and investors together...



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# Archangels

## *The Hidden Financing Sources*



Service Providers  
*i.e. accountant, attorney*

Vendors

Employees/Advisors

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# Investment Structure

## *Different Groups- Different Security Structure*

### **Grants & Incentives**

*Free Money*

### **Senior Debt**

*Senior in the capital structure, often require cash flow and generally have interest payment required or accrued.*

### **Sub Debt**

*Lenders have subordinate status in relationship to the normal debt.*

### **Convertible Debt**

*Sits in between Debt and Preferred equity and is oftentimes convertible upon a specific event*

### **Preferred Equity**

*Sandwiched between Debt and Common Stock, oftentimes has a number of features and protections associated with institutional capital – general features include Board rights, anti-dilution provisions and information rights.*

### **Common Equity**

*Most junior capital which oftentimes is the first capital but lacks features of Preferred Equity - generally used for management and employees.*

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## Tools to Prepare for Funding Request

Do Your Homework!!!!

### Four Basic Documents Should be Prepared

- Executive Summary
  - No more than two pages
  - Be sure to include contact information – often missed – email, phone and address
  - Answer key questions: *What is unique about your business? Is there a market/customer pull? How and when will you make money? Successes to date?*
- Business Plan (*Dr. Cook's Presentation*)
- Pitch Deck
- Financial Model

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# Pitch Deck

<b>1. Vision</b> <i>What are you trying to do and why are you doing it?</i>	<b>6. Deals</b> <i>What are your major partnerships, relationships, etc.?</i>
<b>2. Market</b> <i>What is the market you are addressing and the estimated value of this market over the next five to ten years?</i>	<b>7. Differentiation</b> <i>How are you different from your three main competitors? Include a simple SWOT chart.</i>
<b>3. Team</b> <i>Who are the key three to five executives (vision, operations, tech, sales, marketing) and what are their specific qualifications?</i>	<b>8. Stats</b> <i>What are the basic stats of your company (last round and valuation – if any), employees, location?</i>
<b>4. Offering</b> <i>What is your exact offering? If possible, include a three to five minute demo.</i>	<b>9. Financials</b> <i>High level projected P&amp;L for next two years, plus historical.</i>
<b>5. Roadmap</b> <i>Where are you in your offering release cycle and with respect to getting traction?</i>	<b>10. Capital</b> <i>How much are you raising and what is its use?</i>

Reference: The Funded, “Mr. Smith” (posted 10/27/2008)

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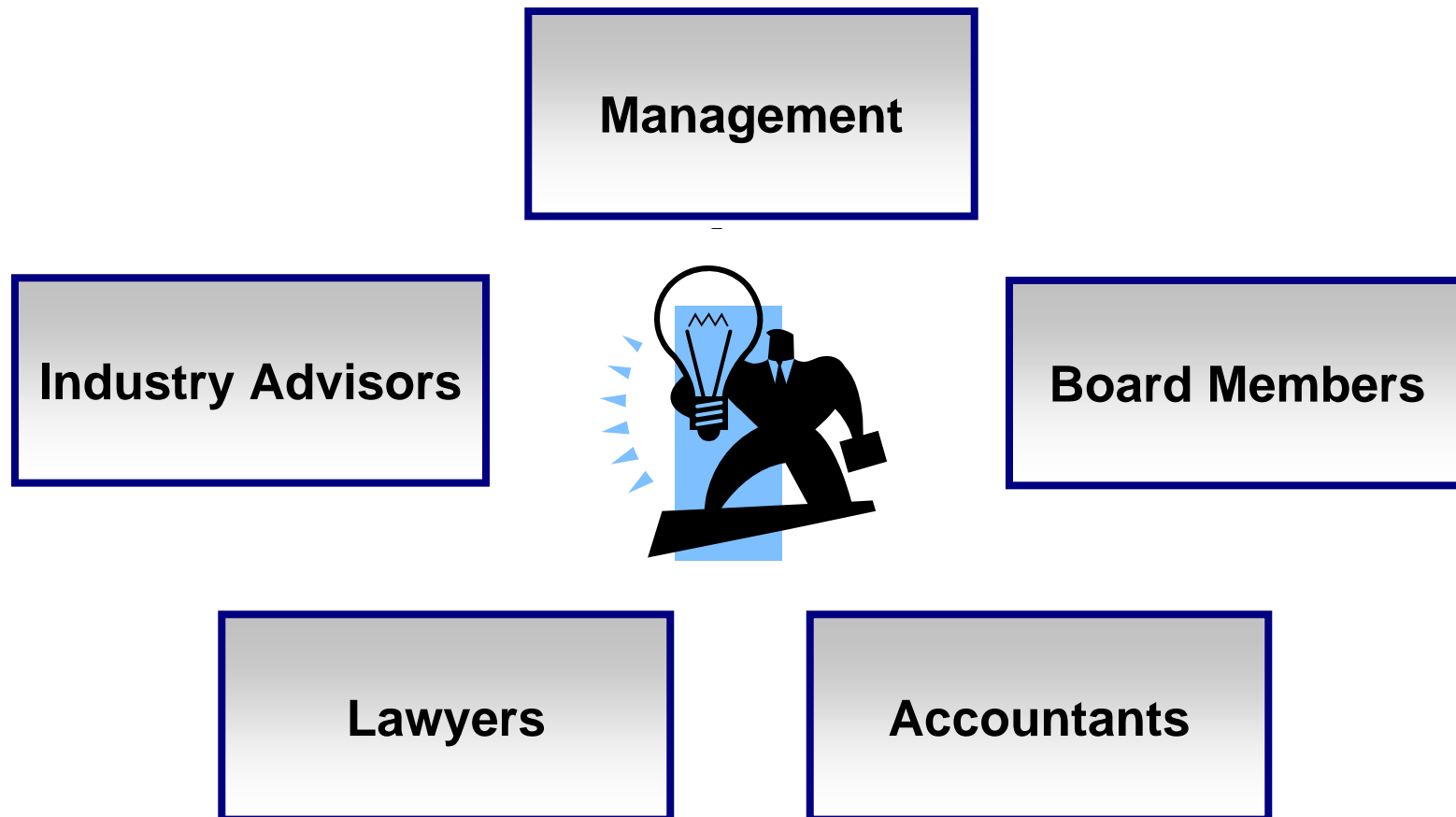
## Financial Model

- Should be built from the bottom up
- Include all assumptions
- Include historical year to date actuals and project forward
- Include Balance Sheet, Income Statement and Cash Flow
- Provide monthly financials for first two years at a minimum
- Be very clear on capital needs and time to break even
- Make assumptions and stick to them - don't make excuses
- Keep model current

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# Surround Yourself With Great Stakeholders



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## Investors Are *Always* Doing Due Diligence

- Six Degrees of Separation
- Elevator and Restaurant Meeting
- Are you following up?
- Have you done your homework?
  - *Know investors interest and terms*
  - *Is this the right match?*
  - *Is there a “matchmaker”?*



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# Q & A

**Kathleen Coviello**  
**Director, Technology & Life Sciences**  
**New Jersey Economic Development Authority**  
**609-777-4898**  
[www.njeda.com](http://www.njeda.com)

To learn about other opportunities for business growth throughout New Jersey,  
visit the state's business portal at

[www.NewJerseyBusiness.gov](http://www.NewJerseyBusiness.gov)



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