

EDISON INNOVATION FUND

Financial Resources and Incentives To Help
New Jersey's Most Promising Technology Companies



Chromis Fiberoptics, Inc. • Signum Biosciences • RELDATA, Inc.

IntegriChain, Inc. • Merck & Co., Inc. • GlobalPrint Systems, Inc.

The company we keep,
keeps getting better.

Amicus Therapeutics • Celgene Corporation • Agilence, Inc.

Archive Systems, Inc. • Nistica, Inc. • ECI Technology, Inc.





ABOUT THE EDISON INNOVATION FUND

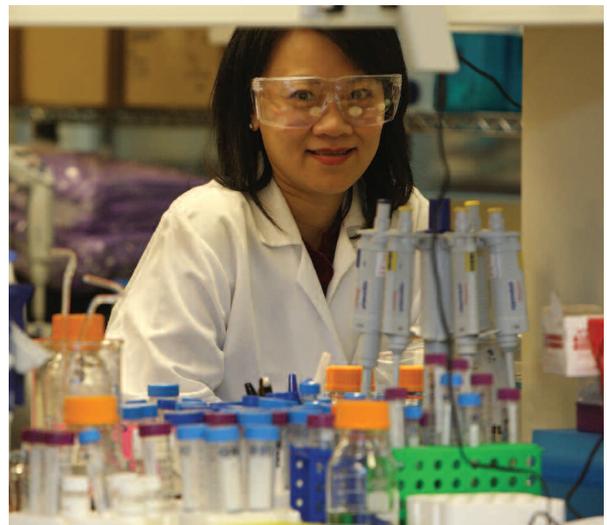
The Edison Innovation Fund is a group of financial incentive vehicles brought together for the purpose of providing financial resources to New Jersey’s early-stage life sciences or technology companies that have the potential for commercial success.

More specifically, the Edison Innovation Fund focuses on helping New Jersey companies that are developing renewable energy solutions, medical devices, healthcare, information technology, nanotechnology and communications.

The Edison Innovation Fund is an integrated state resource that provides qualified New Jersey companies with real estate development services and technical assistance, such as assembling land and structuring finance, to help create, sustain and grow business.

Since the launch of the Edison Innovation Fund in October 2006, New Jersey has delivered over \$330 million in financing assistance, business incentives and tax credits to early-stage technology and life sciences businesses.

This funding isn’t just there for the taking. It is reserved for the “best and the brightest” in New Jersey, so there is a rigorous vetting process. But if your research is solid and demonstrates promise and your business model is strong, we encourage you to contact one of our team members to discuss which financing vehicles are right for your business.





How to Use This Guide

The Edison Innovation Fund is made up of several financial incentive vehicles. As such, not every one is right for every business. To help you discover which are right for your business, we've simplified the research process with this guide. Start with the chart on the next page to determine the funding vehicles for which you may be eligible. Then, on the pages that follow the chart, you will learn more about the specific vehicles and options available.

Flip Down Guide



DETAILS ABOUT

THE INDIVIDUAL FINANCING OPPORTUNITIES AVAILABLE THROUGH THE EDISON INNOVATION FUND

Edison Innovation Research and Development Fund

The Edison Innovation Research and Development (R&D) Fund provides early-stage financing and commercialization support to New Jersey life sciences or technology companies. This fund through the New Jersey Commission on Science and Technology (NJCST) provides companies the capital needed to advance to the point where they are eligible for lower-risk state financing and loans. It also includes a supplemental financing for non-project specific costs, such as rent and utilities.

Companies that are awarded the Edison Innovation R&D Fund can receive:

- Up to \$500,000 in early commercialization grant funding support for a research and development project.
- Up to 20% of the approved grant, not to exceed \$100,000, in equity-like financing for non-R&D related costs such as rent and utilities. Terms for this supplemental financing are standard for all customers and are non-negotiable.

Applications for the Edison Innovation R&D Fund go through a competitive review process, which occurs twice per year.

The Edison Innovation R&D Fund Wraparound

Companies that have already been selected to receive the Edison Innovation R&D Fund and are working on applied research projects can qualify to receive additional financial

support through the Edison Innovation R&D Fund Wraparound. A loan of up to \$100,000 with a low fixed interest rate (with a 10-year subordinated convertible note) can be used for business expenses such as salaries, expansion, utilities, or any other expenses not related to research and development. This way, there is capital on hand to pay the necessary bills on the way to profitability.

Edison Innovation Commercialization Fund

Created to help New Jersey life sciences or technology companies that have not already achieved “proof of concept” to take the next critical steps on the path toward commercialization, the Edison Innovation Commercialization Fund offers:

- Up to \$200,000 in the form of a five-year subordinated, convertible note.
- Below-market, fixed interest rate, in the range of 4 – 10%.
- Interest and/or principal may be deferred up to 5 years.
- Financing “staged in”, meaning it is provided periodically, based upon business and technology-based milestones specific to each company.
- Financing includes a negative pledge on the intellectual property, with a “springing lien” in the event of a default.
- Financing structure includes warrants; no personal guarantees required.

Applications for the Edison Innovation Commercialization Fund go through a rigorous review process to ensure that only the MOST promising companies qualify for its benefits.

Convertible Note

A way of borrowing capital wherein the amount borrowed can be converted into stock or equity at a later date. This option usually results in a lower cost of funding. The note will convert at the option of the EDA at the valuation set by the market.

Negative Pledge

Prohibits a borrower from providing a security interest or pledging any rights to their intellectual property.

Springing Lien

A property lien to secure the payment of a debt or performance of some other obligation that is activated only if the business in question defaults on its obligations.



Edison Innovation Growth Fund

The Edison Innovation Growth Fund was created to help New Jersey life sciences or technology companies that have already achieved “proof of concept” and successful, referencable, independent beta results to continue toward commercialization/market success. Companies must, however, have both technical and experienced business owners.

Companies awarded the Edison Innovation Growth Fund can receive financing ranging from \$200,000 to \$1 million, with a 1:1 “fresh” cash match required.

Applications for the Edison Innovation Growth Fund go through a rigorous review process to ensure that only the MOST promising companies qualify for its benefits.

Beta

In the technology industry, this is a second-phase test of new software, equipment or application in a live operating environment conducted by testers other than its developers (often potential customers). This process helps to pinpoint flaws prior to full-scale market introduction.

Cash Match

Financing—generally equity financing—from a third party, at a minimum financing without current interest payment and which also has a subordinate collateral position. The match funding must have been committed prior to application date and deposited into the company’s bank account. A “fresh” cash match refers to equity or deeply subordinated debt contributed within the 90 days prior to application date.

Edison Innovation Technology Fellowship Program

The Technology Fellowship Program makes it possible for small New Jersey technology companies to have access to new talent and expertise by paying the salary for recent doctoral graduates of New Jersey universities while they work for those companies.

The Technology Fellowship Program provides doctoral graduates with valuable entrepreneur experience and helps create more high-quality high-tech jobs in New Jersey.

The award amount is \$65,000 salary for the first year and \$75,000 for the second year of which the company is required to supply \$25,000, with an additional \$10,000 each year to be spent on career development expenses for the postdoctoral fellow.



Edison Renewable Technologies Fund

The Edison Renewable Technologies Fund supports “proof of concept” research and development activities, as well as ancillary activities necessary to commercialize the identified technology. Grants from \$100,000 to \$500,000 are awarded twice a year from NJCST to companies partnering with a New Jersey research university, another company or institution. Companies that are awarded the Edison Renewable Technologies Fund can apply for up to 20% of the approved grant, not to exceed \$100,000, from the New Jersey Economic Development Authority (EDA) in equity-like financing for non-R&D related costs.



Edison Innovation Clean Energy Manufacturing Fund

The Clean Energy Manufacturing Fund (CEMF) was created to support the development and commercialization of Class I renewable energy and energy efficiency technologies in New Jersey. Clean technology manufacturers may benefit from up to \$3.3 million in grants and interest-free loans under two separate program components: “Project Assessment and Design” and “Project Construction and Operation”.

The “Project Assessment and Design” component provides up to \$300,000, not to exceed 10% of total CEMF project funds requested, to assist with the manufacturing site identification and procurement, design, and permits. Twenty percent of the grant is available up front as seed funds.

The “Project Construction and Operation” component provides up to \$3 million as a zero-interest 10 year loan to support site improvements, equipment purchases, and facility construction and completion. One-third of the loan, up to \$1 million, may convert to a performance grant if business and technology-based milestones specific to each company are met during the first three years when no repayments are required.

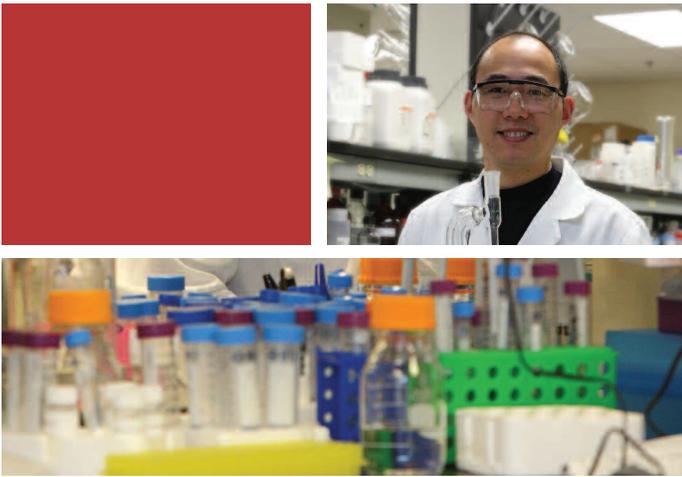
Digital Media Tax Credit Program

Companies involved with the production of digital media content may be eligible for a corporation business tax credit of 20 percent under the Digital Media Tax Credit Program. Eligible expenses under the program include, but are not limited to, wages and salaries of individuals involved in digital media content production, as well as costs of computer hardware and software, data processing, visualization technologies, sounds synchronization, editing, and the rental of facilities and equipment. Qualified companies must have at least \$2 million in expenditures in New Jersey. Funding for the Digital Media Tax Credit Program is limited, and applicants are approved on a first come, first served basis.

SBIR Bridge Grant Program

The Small Business Innovation Research (SBIR) Bridge Grant Program was created to help small New Jersey technology companies survive the funding gap that often occurs between completion of the Phase I grant and the initiation of a Phase II award. NJCST provides Bridge Grants as high as \$50,000 to businesses that have applied for Phase II funding and have been identified as potential Phase II SBIR/STTR (Small Business Technology Transfer) Program awardees. As a result, these small New Jersey companies have a better chance at success and continued growth.





New Jersey Business Advocacy Team

This group provides specialized financial and technical support services designed to meet the unique needs of businesses considering expansion in or relocation to New Jersey. The New Jersey Business Advocacy Services Team provides services for project coordination, site selection services and regulatory assistance.

This full-service approach produces considerable financing advantages, helping to pave the way for companies seeking to expand or relocate to New Jersey.



Incubator Seed Fund Program

This program was created specifically for technology-based incubator clients that reside in one of the NJCST supported incubator networks. It was designed specifically to accelerate the business development process and produce significant value for the companies receiving the awards.

The Incubator Seed Fund provides competitive funding to assist emerging businesses achieve a critical milestone in their commercialization path. The direct financial support from the NJCST will complement the mentoring and business support provided by incubator managers as they assist these emerging companies in commercializing their technologies.

Projects eligible for funding include: sales or distribution strategies; prototyping; patent applications, searches and strategies; product development; and manufacturing and customer trials. Awards range from \$20,000 to \$50,000.

Customized Training Grants

Funding is available for employers wishing to invest in their New Jersey-based workers to create a more competitive global company. This grant program is made possible under the New Jersey Workforce Development Partnership, and is administered by the Office of Grants Operations (Customized Training Unit).

Training can be conducted on-site by qualified instructors for industry-specific skills sets or in a classroom setting at one of New Jersey's two-year or four-year colleges and universities, vocational-technical schools, or other qualified training providers.

Grants can be for up to \$200 per instructional hour, with the average cost of instruction per trainee not exceeding \$1,500. In addition, there must be an employer match of at least 50% toward total program costs.



Technology Business Tax Certificate Transfer Program

This innovative program allows businesses to turn state tax losses into cash that will help them grow. Qualified technology or biotechnology businesses in New Jersey with 224 or fewer employees can sell unused net operating losses and research and development tax credits to unrelated profitable New Jersey corporations for at least 75% of their value. The proceeds can then be used to finance growth and operations either as working capital or to fund research.

There is an annual \$60 million allocation that is prorated among qualified candidates and applications for Tax Incentives must be received by June 30 of each year.

Tax-Exempt Bonds

For manufacturers that are about to use their net income to service debt, the EDA may provide traditional financing options, including the issuance of tax-exempt bonds to help reduce borrowing costs.

The EDA issues bonds for manufacturers at low interest rates to finance projects such as real estate acquisitions, machinery, and equipment, and for building construction and renovations. Manufacturers can borrow from approximately \$500,000 to \$10 million. Terms range up to 10 years for equipment and up to 20 years for real estate.





Loans and Guarantees

As companies mature, the EDA will partner with other lenders to provide loans and guarantees to sustain business growth. This way, growing technology businesses can be supported through direct loans and through guarantees of loans provided by banks and other lenders.

Loans

An arrangement in which a lender gives money to a borrower, with the agreement that the amount will be repaid at a later date, usually with interest.

Guarantees

The assumption of responsibility for payment of a loan provided by a bank or other lender.

International Trade

Whether you're a New Jersey technology or life sciences company looking to do business globally or an international company interested in establishing a business in the state, there are a number of resources that are available to assist you. The EDA can help your company access export and import consulting, identify buyers and new international markets for your products or services, find partners for joint ventures and strategic alliances, and take advantage of financing opportunities and site selection services for companies seeking a presence in the state.

Business Employment Incentive Program Grants (BEIP)

Companies seeking to relocate to, or expand in, New Jersey may be eligible for grants based on the number of new jobs created. By adding at least 10 qualified jobs within two years, eligible technology and life sciences companies can be reimbursed for up to 80% of gross withholding tax paid by new employees. Companies must demonstrate that the BEIP grant is a material factor in the decision to relocate to or expand in New Jersey, along with passing a financial feasibility requirement.



EDISON INNOVATION ZONES

GREAT PLACES FOR YOUR LIFE SCIENCES OR TECHNOLOGY COMPANY TO THRIVE

Edison Innovation Zones are areas of New Jersey selected so that academic and research institutions can be located in close proximity and work together to develop and market new products or services and continue to build these three key technology clusters in the state.

Comprised of **Newark**, **Camden**, and the **Greater New Brunswick** area, the zones offer convenient access to some of the best researchers, technology companies, and service providers in New Jersey. And because they provide special benefits and financial incentives for resident businesses, these Innovations Zones are also proving to be powerful economic engines for the local economies.



ENHANCED FINANCIAL BENEFITS

Technology and life sciences companies relocating within Innovation Zones are eligible for enhanced financial incentives, including:

- **Additional funds through the Technology Business Tax Certificate Transfer Program.** In fact, of the \$60 million allocated to the program annually, \$10 million will be set aside for additional funding under the program to approved projects in the Innovation Zones.
- **A higher grant amount under the BEIP.** Businesses located in an Innovation Zone receive a boost to the scoring formula under the BEIP. That means more cash for your business.
- **Reduced interest rates and matching funding** for the Edison Innovation Commercialization Fund and the Edison Innovation Growth Fund.

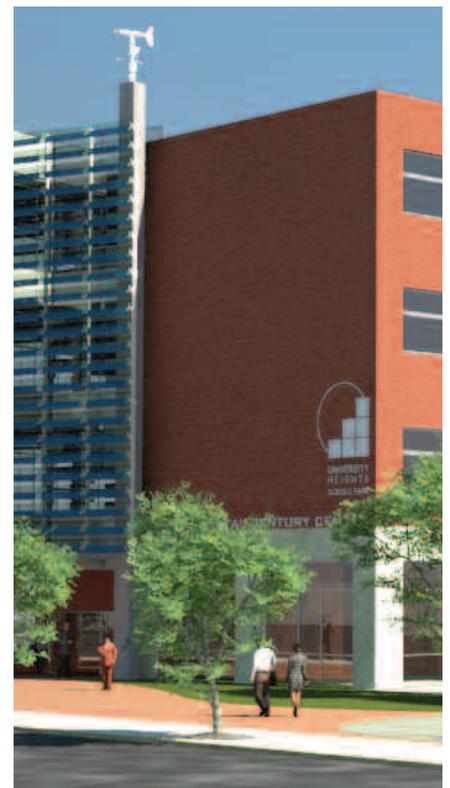
TECHNOLOGY CENTERS

WORLD-CLASS FACILITIES TO HOUSE YOUR BUSINESS

Another wonderfully appealing feature of the Innovation Zones is that two offer state-of-the-art technology centers complete with laboratory, office and production facilities for emerging technology and life sciences companies in New Jersey. These are existing facilities into which your business can move and be up and running in no time.

- **The Waterfront Technology Center at Camden**, designed exclusively to accommodate early-stage companies in the high-tech and living sciences fields. With 100,000 square feet of Class A office and technology space, the location is ideal for both established businesses and startups in the biosciences, microelectronics, advanced materials, information technology and other high-tech fields. The five-story, contemporary glass and metal building offers affordable production, laboratory and office space that can be customized in flexible unit sizes and configurations to handle individual operating requirements and special needs of tenants.
- **The Technology Centre of New Jersey in North Brunswick**, which offers modern laboratory, office and production facilities for emerging technology companies in New Jersey. It includes the *Commercialization Center for Innovative Technologies*, a 50,000-square-foot structure with 10 lab units, business accelerator office space and flexible conference facilities. This is considered one of the most significant life sciences and technology post-incubator facilities in the nation.

If you're thinking about moving your technology or life sciences business into, or relocating within New Jersey, you might want to consider locations within these Innovation Zones, as you enjoy many special benefits, such as additional funding and higher grant amounts.



SUCCESS STORIES

PRODUCED WITH THE HELP OF THE EDISON INNOVATION FUND



“For us, but even more broadly for New Jersey and the bioscience industry, this has been a huge boost in a time of tight resources to be able to bring in additional money to try to cement New Jersey’s position in developing talent for bioscience industry.”

DR. DAVID FINEGOLD

Dean, Rutgers School of Management and Labor Relations

Rutgers received an Innovation Partnership Institute Project grant from the Commission on Higher Education. The grant served as the catalyst for the \$5.1 million WIRED grant for the Central NJ region, and a more recent \$300,000 grant from the Alfred P. Sloan Foundation to support the development of 10 new professional science masters degrees.

“The New Jersey Department of Labor and Workforce Development has given us a tremendous opportunity to improve the skills of our people and save jobs for the Rahway site. I have seen the benefits of the events performed on the site, in the factory, in multiple mechanical shops and our receiving dock areas. We believe the Department of Labor grant is helping us save good, high-paying jobs in the state.”

JOHN J. HIGGINS

Executive Director, Global Site Services, Merck & Co., Inc.

Merck received a \$526,000 Bio Grant from the Department of Labor. The grant helped Merck train its employees at its Rahway site.



“Their participation in our loan has helped us acquire a new, larger, state-of-the-art facility sooner than we would have been able to otherwise, and has allowed us to free up capital for growth.”

KETAN MEHTA

Tris Pharma, Inc.

Tris Pharma, Inc., a pharmaceutical manufacturing company, received funding from the EDA in 2002 to relocate and expand in South Brunswick. It also received tax-exempt bond financing from the EDA along with a loan guarantee to purchase new equipment and make leasehold improvements.

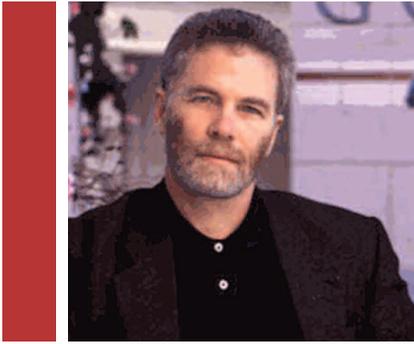
“Our recent move from a 5,000-square-foot space to 15,000 square feet was a direct result of the Edison investment, and it will allow us to keep our momentum going. We have nearly doubled our staff, the majority of which are highly skilled engineers, and we plan to continue this trend in the future. And while the money is great, the leverage, the connections and the network that come with the financing have been even more critical to our success.”

ASHISH VENGSARKAR

CEO, Nistica, Inc.

Nistica, Inc. used its \$1 million Edison Innovation Fund investment from the EDA for product development funds and working capital. The Bridgewater-based global supplier of agile optical modules is only the second company to have a portion of its debt position converted to equity by the EDA.





“The support from the state has been extremely valuable. The CST award cemented and expanded our research relationship with Princeton University and led to very substantial progress towards characterizing a novel class of botanical molecules with significant therapeutic potential for Parkinson’s and Alzheimer’s. The million dollar loan from the EDA was critical too. It was instrumental in enabling us to move aggressively towards commercialization of a new class of anti-inflammatory we have discovered that is much gentler and safer than steroids. The initial application for Arazine®, our lead in this area, is in skincare, and we’re now in advanced licensing discussions with several major skin care companies. As part of this effort, we also have now initiated a pre-clinical program for related therapeutics in Atopic Dermatitis and Asthma, so we anticipate this becoming quite a big story.”

DR. GREGORY STOCK
CEO and President, Signum Biosciences

Since receiving an Edison Innovation R&D Fund award from CST, potential investors have demonstrated strong interest in Signum. CST’s \$500,000 investment has generated \$520,000 in matching funds and helped stimulate \$1.8 million in private financing. Signum also received a \$1 million Edison Innovation Fund Investment from the EDA that led to an additional \$2.2 million in equity financing.

"The support that Agilence has received from the EDA has proven to be a crucial component to our success. Agilence delivers a unique and patented solution for the retail loss prevention space and customers typically enjoy a 50% reduction in cashier shrink. This funding from the EDA has enabled us to further extend our leadership through additional product development initiatives and to accelerate our growth through investments in sales and marketing efforts."

RUSS HAWKINS
CEO, Agilence Inc.

The EDA provided Agilence Inc. with \$1 million from the Edison Innovation Fund and a Camden Economic Recovery Board incentive to help accelerate the growth of the company. Agilence is a provider of retail loss prevention solutions and is located in the EDA’s Waterfront Technology Center at Camden.



Is The Edison Innovation Fund Right for You?

If your life sciences or technology company’s track record is on the road to success, the resources available through the Edison Innovation Fund may provide the financial support that you've been seeking. Call today to learn how the Edison Innovation Fund can help your technology business reach its full potential.



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