



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan, Chief Executive Officer

DATE: Thursday, December 19, 2024

SUBJECT: Request for Program Updates to the New Jersey Innovation Fellows and Approval for AI-dedicated Cohort Funding

SUMMARY

The Members are requested to approve:

1. The utilization of a \$2M appropriation from the FY 2025 Appropriations Act ("Appropriations Act") to create an artificial intelligence ("AI") dedicated cohort within the NJIF Program. The NJIF Program is an existing NJEDA program, established under section 65 through 68 of P.L.2021, c.160 (C.34:1B-370 through 34:1B-373), to support eligible teams of first-time entrepreneurs with mentorship, training, and income-replacement capital over a two-year period.
2. Utilization by the Authority of \$100,000 (5%) of the \$2M appropriation and \$50,000 from previously collected EDA program fees to cover administrative and mentorship Program expenses that are required to operate this AI-dedicated cohort.

BACKGROUND

The New Jersey Innovation Fund (NJIF) Program is strategically positioned within New Jersey's innovation ecosystem as a platform that supports entrepreneurial teams in launching and growing innovative businesses across the state. Established with an original \$10 million appropriation, the program is governed by Sections 65 through 68 of P.L.2021, c.160 (C.34:1B-370 through 34:1B-373) and administered by the New Jersey Economic Development Authority (NJEDA). Its primary goal is to provide income replacement grants to first-time entrepreneurs, facilitating economic growth and job creation in eligible municipalities. The program was approved by the NJEDA Board on November 16, 2022.

Entrepreneurial teams compete for access to up to \$400,000 in funding, with \$200,000 as a base award and up to an additional \$200,000 in additional bonuses. In addition to financial support, the program offers a 24-month mentorship program designed to help teams scale and succeed.

The global AI market is projected to contribute in excess of \$500B by the end of 2024 according to various media sources, driven by the rapid advancements in AI technologies, including machine learning, natural language processing, and computer vision. This global trend is mirrored by New Jersey's strategic focus on expanding its AI ecosystem, aimed at fostering innovation and inclusive economic development. In alignment with this vision, an additional \$2M in funding was allocated through the FY25 Appropriations Act to support the development of AI-focused startups in the state. This funding will extend the NJIF program to five application periods, increasing the total number of potential awards. The initiative seeks to stimulate sustainable economic growth and position New Jersey as a hub for innovation.

Value of the AI Cohort

1. Facilitating entry into the New Jersey Innovation Ecosystem: The Program offers a structured pathway for nascent AI entrepreneurs to develop their ideas, transform these ideas into viable businesses, and integrate the businesses into the broader innovation ecosystem.
2. Drive AI Utilization and Innovation Across Industries: The Program encourages the development of AI technologies that have applications across various industries, positioning New Jersey as a hub for AI innovation.
3. Further Collaboration with Academic Partners: As legislatively required by P.L.2024, ch.22, in consultation with Princeton University, NJIF will leverage the university's research capabilities, technical expertise, and industry connections to facilitate the mandated mentorship program. The collaboration reflects the Program's commitment to not only provide resources, but also ensure that these resources are accessible.

PROPOSED PROGRAM DESIGN AND STRUCTURE

The application period for the NJIF AI cohort will be preceded by a 14-day Q&A period, followed by a 30-day application period. The application period will be indicated by the opening of the application window, available on the NJEDA website. Applications deemed by staff to be complete will be reviewed through a competitive process prioritizing proposed AI innovations positioned to deliver clear, actionable outcomes. The Program will accept applications from teams of eligible first-time entrepreneurs meeting all previously approved NJIF requirements in addition to the eligibility criteria detailed below.

All original Program eligibility specifications, approved by the Board on November 16, 2022, remain the same, except for the additions noted in this memo.

ELIGIBILITY

Application submission must clearly demonstrate how the proposed business venture utilizes AI technologies to either create a novel product or solution, or that would result in potential measurable efficiency within one or more of New Jersey's targeted industries.

To be eligible for the NJIF AI-dedicated cohort, the proposed business must focus on using one or more of the following six AI technologies:

1. Learning and Adaptation: A proposed AI solution focused on machine learning, deep learning, or reinforcement learning that continuously learns from data to optimize processes over time. This could either improve operational efficiency by reducing downtime or waste (e.g., predictive maintenance in manufacturing) or create a novel product or service by adapting business operations in real-time to meet changing needs.
2. Autonomous Decision-Making: A proposed AI solution focused on autonomous systems capable of making decisions without human intervention. This could either increase efficiency by automating time-consuming tasks (e.g., autonomous vehicles in logistics or automated inventory management) or create new opportunities by introducing entirely autonomous operations that transform current business models.
3. Data-Driven Insights: A proposed AI solution focused on AI-driven analytics that extracts actionable insights from large datasets. This could either improve efficiency by optimizing processes like supply chain management or create a novel product or service by uncovering hidden trends or forecasting new market opportunities (e.g., dynamic pricing models, predictive analytics for customer behavior)
4. Natural Language Processing (NLP): A proposed AI solution focused on natural language understanding and generation, enabling machines to interact with humans through speech or text. This could either improve efficiency by automating customer service or internal communications through AI chatbots or create a novel product or service by developing new AI-powered customer interaction platforms or content creation tools.
5. Perception and Interaction: A proposed AI solution focused on computer vision or speech recognition that enables machines to perceive and interact with the physical or digital world. This could either increase operational efficiency by automating quality control or improving service delivery (e.g., defect detection in manufacturing, AI-powered virtual assistants), or create new opportunities in industries like healthcare or retail by enabling innovative customer interactions.
6. Generative AI: A proposed AI solution focused on creating new products, designs, or content using generative algorithms. This could either improve efficiency by enabling faster innovation cycles or create novel products or services, such as AI-driven product design, generative models for drug discovery, or AI-generated media content, which disrupt traditional market offerings.

A proposed AI solution that solely support or supplement business operations without directly contributing to improved efficiency or the creation of novel products/services within one or more of the targeted industries will not qualify. AI solutions that do not utilize the AI technologies listed directly above in a manner that would result in potential measurable efficiency, gains or aid the creation of novel products or services, will not qualify and will be deemed ineligible. Applicant submissions must demonstrate how their proposed AI solution seeks to provide either of the following innovation outcomes:

1. Improved Efficiency: The proposed AI solution is primarily focused on **optimizing processes, reducing waste**, or enhancing operational performance within one or more targeted industries. This could involve automating tasks, improving resource allocation, increasing productivity, or reducing costs.
2. Novel Product or Service: The proposed AI solution is primarily focused on enabling the development of a **completely novel product, service, or offering**. This could involve AI-

driven innovations, such as creating a **novel type of AI-powered product**, designing a **unique service model**, or introducing a **breakthrough technology** that solves an industry-specific problem.

APPLICATION PROCESS

The submission process for the NJIF program is designed to ensure a transparent and equitable evaluation of applications, with clear expectations for eligibility and completeness. The following changes are applicable to all future program cohorts, including the newly introduced AI cohort:

Teams interested in applying must follow these steps:

1. Online Application: Complete the official application form, providing detailed information about team composition, including roles, expertise, and confirmation of all eligibility criteria. Applicants must provide any and all required documentation, such as proof of eligibility, team member qualifications, or other materials specified in the application guidelines. Additionally, applicants must submit the following key documents to provide a comprehensive overview of their proposed business:
 - a. Well Written Business Plan: The Applicant must submit a well written business plan with a clear description of the proposed business and a well-defined strategy for innovation within the market, including anticipated challenges and solutions. (Maximum 3,000 words)
 - b. Pitch Deck: A high-level overview of the business, key strategies, financials, and team (limited to 15 slides)
 - c. Organizational Chart and Resumes: Applications must include an organizational chart and individual resumes of the entrepreneur leadership team detailing education, professional and volunteer experiences, and any relevant skills, training, or certificates, with clear visualization of the business structure and key team roles.
 - d. Personal Address Documentation: All applicants must provide documentation proving their personal address. This may include documents like utility bills, lease agreements, or government-issued identification showing their residence.
 - e. NJ Gross Income Tax Requirement: All applicants must submit documentation that demonstrates that they are subject to New Jersey's gross income tax withholding within the last 60 days of application. To fulfill this requirement, applicants must submit documentation demonstrating that they have paid New Jersey gross income taxes at the time of application or within 60 days of application.
2. Submission Deadline: All applications must be submitted through the designated online portal by the specified deadline. Late applications and failure to submit the application fee with an application will not be considered nor eligible for the cure period.
3. Review and Evaluation: Once submitted, applications will be reviewed to ensure application have all required supporting documentation. This includes proof of eligibility, team member qualifications and any other specified materials in the previously approved

program guidelines. Applications will be notified of their application status following staff review of all applications.

4. **Competitive Scoring:** An evaluation committee will review each eligible application, after receiving qualitative input from both the Authority and other New Jersey state departments, agencies, councils, offices, and boards or from other identified subject matter experts (“SMEs”).

Applicants will be notified in writing of any deficiencies identified within their application, in the cases where but not limited to, eligibility, supporting documentation, and attachments are unclear or insufficient. Applications will have five (5) business days from notification to cure any deficiencies identified in their submission. Applicants that fail to cure their deficiencies during the cure period will be declined.

COMPETITIVE SCORING

In accordance with the previously approved program structure, the grant awards \$200,000 as a base award and up to \$200,000 in potential bonus awards. Bonus awards include \$50,000 for any one entrepreneur residing in an Opportunity Zone within the State. An additional \$50,000 bonus is awarded for each applicant with a diversity self-certification or education bonus up to \$150,000. Approved teams may qualify for a potential award of up to \$400,000.

To align with the original board approved NJIF Program scoring rubric, and focus on AI utilization and innovation, applications to the NJIF AI-dedicated cohort will be evaluated using A) the original NJIF Program Board-approved scoring rubric and B) an additional AI Innovation Scoring Rubric.

The top four to five (4 – 5) applications with the highest total scores will be recommended to the Authority’s Board for the Program award and entry into the mentorship program. Four awards will be provided via the AI cohort with a fifth award available dependent upon the availability of funding remaining following award to the top four applications

A. Board Approved NJIF Rubric

1. Business Plan Score (0-5 points)
2. Operations Score (0-4 points)
3. Management Score (4-20 points)

B. AI Innovation Scoring Rubric

1. AI Innovation and Technological Advancement Score (1-3 points)
2. Feasibility and Implementation (1-3)
3. Code of Conduct (1-3 points)

The AI Innovation Scoring Rubric evaluates applicants on AI innovation and technological advancement, feasibility and implementation, and code of conduct, prioritizing AI solutions focused on driving actionable outcomes within their respective targeted industry. The maximum achievable score from the AI Innovation Scoring Rubric is nine (9) points. Applications must score above a 1 point in any area of the AI Innovation Scoring Rubric to be considered.

The total maximum score of the combined rubrics (A + B) is 38 points.

MENTORSHIP PROGRAM

The NJIF legislation requires all members of the entrepreneur teams to participate in a mentorship program. The NJIF AI-dedicated cohort mentorship program will be facilitated through Princeton University who will provide a robust 24-month mentorship program to the selected cohort companies.

Princeton University's reputation within the academic and research fields encompass artificial intelligence results from a widely recognized strong academic focus on computer science, machine learning research, and teaching dating back to 1938. Princeton University has launched a myriad of AI initiatives in areas such as: large language models (Princeton Language and Intelligence), precision health (Princeton Precision Health), community outreach and workforce development (AI4ALL), policy (Center for Information Technology Policy; School of Public and International Affairs), and engineering (School of Engineering and Applied Science).

Key Program resources to be provided by Princeton University:

- Mentorship: Mentors offering a wide range of expertise in machine learning, data science, robotics, and AI ethics.
- Workshops and Seminars: Workshops covering essential topics in AI technology and the commercialization of technologies; Providing strategies for commercializing AI innovations, including market analysis, product positioning, and go-to-market planning.
- Networking and Collaboration Facilitation: Collaboration opportunities between the AI-dedicated cohort participants will be actively facilitated, leveraging Princeton University's academic and industry partnerships and networks.

As specified in the Appropriations Act, Princeton University has been identified as the designated provider of mentorship for the NJIF AI cohort, leveraging its unique expertise and resources in AI research and innovation to guide and support the cohort. To facilitate the timely and effective engagement of the Princeton University mentorship program, a procurement waiver will be executed by NJEDA management in accordance with the Authority's procurement guidelines, given the specific nature of the AI mentorship procurement and Princeton University's unique capacity and expertise in the academic and research areas that encompass AI technology.

A procurement waiver has been prepared and will follow the appropriate approval process to ensure alignment with the Authority's goals and regulatory standards.

RECOMMENDATION

The Members are requested to approve:

1. The utilization of a \$2M appropriation from the FY 2025 state legislative budget to create an AI-dedicated cohort within the NJIF Program. The NJIF Program is an existing NJEDA program to support eligible teams of first-time entrepreneurs with mentorship, training, and income- replacement capital over a two-year period.

2. Utilization by the Authority of \$100,000 (5%) of the \$2M appropriation and \$50,000 from previously collected EDA program fees to cover administrative and mentorship Program expenses that are required to operate this AI-dedicated cohort.

Tim Sullivan
Chief Executive Officer

Prepared by:

Michelle Martinez– Product Officer, Venture Programs

Attachments:

APPENDIX A – NJIF AI-dedicated Cohort Scoring Rubric

APPENDIX B – Original NJIF Board Approved Competitive Scoring Rubric (approved 11/16/2022)

APPENDIX C – NJIF Program Specifications (Updated)



MEMORANDUM

TO: Members of the Authority

FROM: Tim Sullivan
Chief Executive Officer

DATE: November 16, 2022

SUBJECT: New Jersey Innovation Fellows Program

Request:

The Members are asked to approve:

1. The creation of the New Jersey Innovation Fellows Program ("*NJIF*," "*Innovation Fellows*," "*Fellows*", "*The Fellowship*") in accordance with Sections 65 through 68 of P.L.2021, c.160 (C.34:1B-370 through 34:1B-373)).
2. The Utilization of the \$10 million appropriation in accordance with Sections 65 through 68 of P.L.2021, c.160 (C.34:1B-370 through 34:1B-373)) to capitalize the New Jersey Innovation Fellows Program.
3. The Utilization of 5% (or \$500,000) of the \$10 million appropriation to be used by the Authority to cover administrative and mentorship program costs that are needed to administer the New Jersey Innovation Fellows Program.
4. Delegation of authority to the Chief Executive Officer to determine the program application periods, which will be offered twice per 12-month period, approximately 6 months apart.

Background:

There is a high correlation between socioeconomic background and entrepreneurship¹. The chances for entrepreneurship increase when would-be entrepreneurs have access to capital that supports them to take calculated, business risks. About 80% of startup businesses are self-funded, and only about 24% of startups have been able to raise supportive capital from family and friends.² These earliest capital sources are crucial

¹ Groth, Aimee. "Entrepreneurs don't have a special gene for risk—they come from families with money." Quartz, Ubase, 17 July 2015, <https://qz.com/455109/entrepreneurs-dont-have-a-special-gene-for-risk-they-come-from-families-with-money/>.

² Okyle, Carly. "The Year in Startup Funding (Infographic)." Entrepreneur, Entrepreneur Media Inc., 3 January, 2015, <https://www.entrepreneur.com/article/241331>

to a healthy innovation and start-up economy, especially when considering that only about 6% of all startups³ receive any funding from Angels or institutional Venture Capital.

Due, in part, to these capital constraints, entrepreneurship lacks diversity. One study found that “84% of the incorporated self-employed are white, compared to 71% of the whole prime working-age population. They are also 72% male.”⁴

The Innovation Fellows program will support would-be entrepreneurs, particularly diverse entrepreneurs, with “income replacement” grants. This resource creates an opportunity to pursue a unique startup business venture with the security of initial income replacement funding in the two-year ideation and formation period of their business. Per program policy and in accordance with the legislation, approved teams will be qualified to receive \$200,000 as a base award, and up to \$200,000 in bonuses (resulting in a total \$400,000 award) – \$50,000 if any one team Entrepreneur resides in an Opportunity Zone within the State; and \$50,000 for each Entrepreneur leader on the Fellows team with a diversity self-certification or education bonus up to a three entrepreneurs for a maximum award potential of \$400,000. Furthermore, award disbursements are subject to teams meeting and maintaining compliance milestones. With satisfactory compliance milestones, funding will be disbursed over eight quarters.

The qualified team’s business venture must operate within the State’s “targeted industries,” (as outlined in the program spec sheet, Appendix B) and be based, as evidenced by the address of the business’ main office(s) or headquarters (which may be home based), in an eligible municipality, in pursuit of Governor Murphy’s Economic Development Strategic Plan and identified by statute to build a stronger and fairer New Jersey. “Eligible municipality” means a city of the first class, a municipality with a private research university, a municipality that is qualified to receive assistance under P.L.1978, c.14 (C.52:27D-178 et seq.), a municipality under the supervision of the Local Finance Board pursuant to the provisions of the "Local Government Supervision Act (1947)," P.L.1947, c.151 (C.52:27BB-1 et seq.), a municipality identified by the Director of the Division of Local Government Services in the Department of Community Affairs to be facing serious fiscal distress, a SDA municipality, or a municipality in which a major rail station is located. Appendix A is a list of Innovation Fellows’ Eligible Municipalities.

VALUE OF THE NJ INNOVATION FELLOWS PROGRAM

It is expected that this program will deliver the following benefits the State of New Jersey:

- Grow New Jersey’s Entrepreneur base and its Innovation Economy
- Support development of programmatic resources to bridge market gaps for underserved/under-resourced entrepreneurs.
- Drive the formation and growth of promising new ventures
- Help New Jersey achieve Governor Murphy’s goal to become the most diverse state of innovation in the country

Program Details:

³ Luni Librd, Michael. “Why Some Startups Get Funded and Thousands of Others Don’t.” Unreasonable, ..., ..., <https://unreasonablegroup.com/articles/why-some-startups-get-funded-thousands-others-dont/>

⁴ Weissmann, Jordan. “Entrepreneurship: The Ultimate White Privilege?” The Atlantic, Atlantic Media Group, 16 August 2013, <https://www.theatlantic.com/business/archive/2013/08/entrepreneurship-the-ultimate-white-privilege/278727/>

Governor Murphy’s Economic Development Strategic Plan, “The State of Innovation: Building a Stronger and Fairer Economy in New Jersey Economy” lists “creating the most diverse innovation ecosystem in the nation and doubling venture capital investment in the state” as its third goal. Similarly, the New Jersey legislature made findings and declarations relative to entrepreneurs that directed EDA “to invest in diverse talent critical to New Jersey having a vibrant ecosystem” through the New Jersey Innovation Fellows Program (N.J.S.A. 34:1B-371). In providing an increased amount of income replacement funding to diverse entrepreneurs, NJIF targets diverse entrepreneurs who are without the capital access that supports entrepreneurial risks. With the \$10 million appropriation, the program will function as a pilot program and is anticipated to support approximately 160 entrepreneurs in approximately 32 New Jersey based startup businesses.

PROPOSED PROGRAM DESIGN AND STRUCTURE

The following section delves into program design and structure to draw out elements from the legislation to form the program parameters in further detail. This section highlights selected definitions from the legislation and provides explanatory narrative and clarifying policy. The following bolded terms are provided as clarification to the statute.

Eligibility:

The New Jersey Innovation Fellows program will support teams of at least three entrepreneurs, of which half must be **first-time entrepreneurs**, with mentorship, training, and income-replacement capital over a two-year period. Staff proposes to define a first-time entrepreneur as an entrepreneur who has never been listed as a founder, co-founder, or owner of a business entity which operated in a targeted industry in the State of New Jersey, or has not received third-party, institutional, funding for past entrepreneurial opportunities as early as the ideation phase. Entrepreneurs who have received State and/or federal funding for past entrepreneurial opportunities with entities which did not operate in a targeted industry in the State of New Jersey are eligible for the grant’s consideration.

Legislation requires all grant recipients to pay gross income tax at the time of application, or demonstrate gross income tax paid within 60 days prior to application. “**Income-replacement**” capital is purposed to replace a stream of income an entrepreneur might forego to launch an early-stage business.

This support is expected to attract innovative ideas and entrepreneurs – who would otherwise remain unable to pursue the launch of new businesses due to socio-economic needs for income or, in the case of a recent graduate, who would choose to accept employment in lieu of entrepreneurship due to socio-economic constraints. A recent graduate, herein defined, is a student who completed their course leading to a degree or certification at a New Jersey County college, an independent New Jersey institution of higher education, a public research university, or a state college within the 6 months prior to the application date.

The NJIF legislation requires all members of the approved entrepreneur team (each an “entrepreneur fellow”) to participate in a mentorship program. The authority will seek to execute a Memorandum of Understanding (MOU) with third-party partners, NJIT’s *New Jersey Innovation Institute (NJII)* and Rowan University’s *Center of Innovation and Entrepreneurship (RCIE)* to provide this mentorship. This memorandum serves to notify the Board of the plan to pursue such an engagement, which, pursuant to Authority policy regarding MOU scope and cost, may be executed by the CEO.

NJIT and Rowan's respective entrepreneurship and innovation centers have the capacity and expertise to execute the mentorship mandate for innovation fellows. Additionally, as the organizations are associated with State Universities, the need to pursue external procurement processes is mitigated, given the expertise exists within State resources. Both institutions have eagerly engaged to support this novel program. Part of the administrative expense provided from the program appropriation will pay for the cost of the mentorship program, estimated at a total cost of \$200,000.

These partners will build and administer a mentorship program that will provide technical training through a general-operations curriculum, as well as access to unique subject matter experts that may offer mentorship to fellow teams. NJIT and Rowan will partner and collaborate in the design and administration of the program based on their resources, technical acumen and deep networks of academic and professional advisors.

Entrepreneur fellows will be required to participate in the mentorship programs facilitated by NJIT or Rowan's RCIE as a condition of their grant award, which will incorporate virtual and in-person meetings. They must also maintain satisfactory attendance throughout the duration of the mentorship program – which will last the two-year duration of the fellowship program.

The initial general-operations curriculum will train the entrepreneurs in the following subject matters:

- Managerial Finance, Accounting, & Financial Statements preparations
- Human Resources development & management
- Marketing & Customer Development
- Product design, development & management
- Capital sourcing & raise
- Vision Mapping
- Buyer Personas
- Business Model Design
- Contracts & Business structures (Legal studies)

While entrepreneurs today have wide access to these fundamentals, the unique access to advisors within the targeted sectors will effectively prepare the entrepreneurs with the technical skills to develop their ideas into functioning businesses. The organizations selected will provide technical training and advisor coverage across the state, with NJIT covering entrepreneur fellows if the northern proximity in the State is most accessible to them, while RCIE will cover entrepreneur fellows, if the Southern New Jersey location is more accessible to them. Entrepreneur fellows will be free to select either coverage, but must remain with selected coverage for the first year of the mentorship program

Staff requests using 5% from the \$10 million appropriation to partially cover EDA administrative expenses, as well as the payment for the mentorship programs. Approximately, \$200,000 of the expense will pay for the mentorship programs, while the balance will fund EDA administrative expense. Each partner's current work and experience demonstrates its capacity and ability to deliver a robust and effective mentorship platform for NJIF fellows. As an example, RCIE's "Accelerate South Jersey" programming incorporates an integrated, multifaced platform that NJIF can leverage. It involves six core elements:

- Training Programs
- One-on-One Consulting
- Mentoring
- Community Connect
- Microcredit

- Research and Tracking

The program, offered in partnership with the McKenna Center for Human Development and Global Business at the University of Notre Dame, vies to foster the creation of new, profitable ventures by those facing economic and/or other disadvantages.

Similarly, NJII, founded in 2014, “helps turn [entrepreneurs’] ideas into workable solutions by combining the vast resources of NJIT, strong and far-reaching industry and government relationships, with proven methods for building industry centric ecosystems. It has six concentration sectors: biopharma, data and advanced technology, defense and homeland security, entrepreneurship, healthcare delivery and human capital.”

Its *Entrepreneur In Residence (EIR)* program, which the exhibited curriculum is adapted from, shares similar goals with the NJIF program and is structured to:

- Build pathways into growth entrepreneurship for those without the socioeconomic means to begin entrepreneurship
- Create a stable program for underrepresented entrepreneurs including women, veterans, LGBTQ, and BIPOC.
- Create access to university owned intellectual property for enterprise creation.
- Engage the Newark and Essex County communities in the entrepreneurial ecosystem.

The Fellowship, with its \$10mm legislative appropriation, will support between 20 and 30 new entrepreneur teams selected through a competitive grant application process. Throughout the program’s two-year period, NJEDA anticipates at least 4 application periods (average 2 annually) until funds are exhausted. Fellows teams will attend seasonal training cohorts according to a prescribed curriculum per calendar year, with each cohort consisting of five (5) to eight (8) teams.

Legislated Funding and Bonus:

Under the proposed program structure, the Fellowship grant awards \$200,000 per team of no less than three (3), first-time entrepreneurs as a base award. Teams may access an additional \$50,000 award on top of the \$200,000 base award if one Entrepreneur verifies residency in a designated Opportunity Zone in New Jersey. Teams may be awarded an additional \$50,000 in legislated bonus for each Entrepreneur leader who self-certifies as a “diverse entrepreneur” (as defined in section 2 of P.L.1997, c.349 (C.54:10A-5.29) OR is a “graduate of a New Jersey college or university” (including 2yr, and 4yr schools) in the State, as evidenced by corresponding degree or certification documents. Qualifying teams may receive additional bonuses of up to \$150,000 in aggregate for certifying team members, resulting in a total \$400,000 award. The award will be apportioned according to the Team’s own compensation plans that will not be reasonably denied by NJEDA as part of the application.

The statute uses “**diverse entrepreneur**” as defined in the Angel Investor Tax Credit program: “a New Jersey based business that meets the criteria for a minority business or female business” for certification by the State. Although the statutory definition refers to a definition of “minority business” and “female business” in N.J.S.A. 52:32-19, which in turn require certain ownership percentages by the minority persons or women, the program statute only requires one member of the team to qualify as a “**diverse entrepreneur**.” Additionally, program applicants will consist of teams of entrepreneurs, not fully formed

businesses. Thus, the Authority will accept an individual entrepreneur's minority self-certification, if the individual identifies as one of the ethnic and racial categories recognized for minority-owned businesses for the purposes of State certification or identifies as a woman. The ethnic and racial categories in the State business certification statute are "Black, Hispanic, Portuguese, Asian-American, American Indian or Alaskan natives."

Assuming the program application is open twice annually, every six months, the eight (8) eligible applications with the highest combined scores in each application period will be recommended to the Authority's board for the award of \$200,000 or up to \$400,000 each based on eligibility. The aggregate awards spread across 4 cohorts would exhaust the total \$10,000,000 appropriation (with the approved 5% administrative fee). Based on research into comparable programs, staff expects 75 - 100 applications per application period.

Given the limited individual award amounts to be disbursed to each recipient, it is important for entrepreneurs to understand each entrepreneurial team member's potential gross pay. To that end, the program web page will include the following table to help convey possible gross earnings for each entrepreneur, subject to the number of entrepreneurs per team, award amount, and FT work hours during the program's 2-year duration. As this chart is described in terms of gross pay, the calculation simply divides the total grant award by the number of team members and a set amount of hours per week for a full calendar year. Recipients will be solely responsible for determining all legal implications of receiving the grants, including tax implications.

Gross Even pay: \$200,000									
Entrepreneurs' Pay									
	3	4	5	6	7	8	9	10	
	\$33,333.33	\$25,000.00	\$20,000.00	\$16,666.67	\$14,285.71	\$12,500.00	\$11,111.11	\$10,000.00	
35 Hrs/Week	\$18.32	\$13.74	\$10.99	\$9.16	\$7.85	\$6.87	\$6.11	\$5.49	
40 Hrs/Week	\$16.03	\$12.02	\$9.62	\$8.01	\$6.87	\$6.01	\$5.34	\$4.81	

Gross Even pay: \$400,000									
Entrepreneurs' Pay									
	3	4	5	6	7	8	9	10	
	\$66,666.67	\$50,000.00	\$40,000.00	\$33,333.33	\$28,571.43	\$25,000.00	\$22,222.22	\$20,000.00	
35 Hrs/Week	\$36.63	\$27.47	\$21.98	\$18.32	\$15.70	\$13.74	\$12.21	\$10.99	
40 Hrs/Week	\$32.05	\$24.04	\$19.23	\$16.03	\$13.74	\$12.02	\$10.68	\$9.62	

Application Process:

There will be a total of four (4) distinct application periods over the course of the Fellowship's two-year tenure, or until funds are exhausted. The application period will be preceded by a 30-day open Q&A period, followed by the, approximately, 60-day application period. The application period will be marked by the opening of the application window, available on the NJEDA website, and the active receipt of completed applications. Delegated Authority granted to the CEO of the Authority will provide staff sufficient flexibility to most optimally schedule and manage these application windows considering the required review timelines and coordinate with the mentorship program administrators.

There will be two application periods within a calendar year, open approximately six months apart. Each period, which includes application submissions, evaluation processes, board approval, and governor's

veto period will take approximately 120 days leading to grant execution with approved NJIF program applicants. The application evaluation is based on criteria, identified in Appendix C, relying on the required accompanying business plan that will be provided by applicants. Authority staff will review applicant responses and supporting documentation to ensure application questions are answered accurately, and requested documents are submitted. Members of the Authority's staff will ensure qualified applicants meet all minimum requirements for program participation by reviewing a minimum requirement checklist and supporting documentation. The Qualifying Questionnaire will be made publicly available to allow potential applicants to self-assess alignment with program requirements and likelihood of qualification. These lists are provided in Appendix C.

Competitive Review

The Authority will form an evaluation committee comprised of the Authority staff and the Diversity Finance Advisory Board (DFAB) to be created. This volunteer body will be assembled by NJEDA, comprised of a diverse panel of experts with experience in finance and operations. The body members will be selected by the CEO of the Authority. It will function as a sounding board and ad hoc resource to support the NJEDA's efforts to develop the diverse innovation ecosystem in the State. Following receipt of application, Authority staff will conduct a completeness review to ensure all required documents are included. If required materials are missing, applications will be automatically declined. Applicants may provide clarifying information. Declined applicants may appeal the decision and may also reapply to subsequent cohorts. Approved applicants who receive grant funding from the program are ineligible for considerations in subsequent cohorts and awards of the program.

All complete applications will be evaluated and scored independently (for eligibility measures) and competitively (considered against other applications received during a distinct application period in aggregate). Those 20 with the highest scores will be shared to the NJEDA's Diversity Finance Advisory Board for final scoring. The Fellowship's evaluation committee will evaluate assigned applications on the bases of an applicant's idea, operations, and management acuties, as represented on the applicant's business plan, with a maximum of 28 points possible. Following review by evaluation committee, the top 20 scores will be submitted to DFAB members for additional ranking. The DFAB scoring criteria is included in Appendix E. The top 8 ranked applications will be submitted to the Board of the Authority for approval as fellows. All approved fellows will be notified of award and "to be formed" or unregistered businesses will be required to form and register as a New Jersey business within 30 days of notification. Unregistered applicants who fail to register the complete team as a new business and provide state registration documents, as evidenced by its subsequent tax clearance certificate, within the allotted time will be declined.

The business plan will be evaluated based on the identified problem, the total addressable market, competitive landscape, DEI considerations, go-to-market plan, and the proposed solution's value proposition, all of which considers the credibility and experience of the team to execute on their plan submitted. Also important in the business plan's evaluation is the operational structure where the plan's finance & accounting management plans, as well as, needed resources and delineated roles are considered and evaluated. Delineated roles are a critical part of the plan's evaluation. An entrepreneur's experience and abilities should align with their respective roles in the proposed venture. The Management evaluations will consider the team's years of professional experiences, including their respective experiences in the addressable industry and relevant experiences in sales, product development and finance. The full, detailed rubric is attached in Appendix E. The eight (8) applications with the highest combined scores (competitive evaluation) will be recommended to the Authority's board for the award.

Grant Disbursement and Compliance:

Awarded grants will be disbursed equally over the course of eight (8) quarters following board approval. The first disbursement will be issued upon the effective date of the grant agreement. Subsequent disbursements will be made quarterly upon the NJEDA's receipt, and satisfactory review, of required compliance documents that will confirm regular attendance and engagement of mentorship curriculum sessions, NJ-income tax payment, proof the business remains located in an eligible municipality as demonstrated by the business' registered address (Note: P.O. Boxes will not be acceptable business address), and certification of continued full-time status on the team's approved business venture, by documentation enumerated in Appendix C.

The term of the grant is to be 24 months from the effective date of the grant agreement. If awarded applicants fail to be comply with the terms of the grant agreement, the Authority may choose to terminate the grant agreement, nullifying committed future disbursements as part of the agreement or may trigger a clawback of disbursed grant funding of an amount up to the total previously disbursed. This clause may be triggered over the two-year duration of the program by activities that:

- Reduces the total number of the venture's entrepreneur leadership (i.e. , the minimum three entrepreneurs that will manage the new start-up venture)to less than three (3). This may be cured within 3 months of notification of default, so long as, the newly comprised team scores at least 90% of the board approved score for the original team of entrepreneurs.
- Reduces the entrepreneur leadership's weekly, hourly commitment to less than 35 hours, which may be cured following resumption of the minimum time commitment.
- Increases the entrepreneur leadership's weekly, hourly commitment to an outside venture to more than 20 hours per week (as may be evidenced by each entrepreneur leader's certification, which may be cured following the individual's recertification).
- Results in failure by the entrepreneur leadership to meet their respective mentorship requirements, which may be cured following resumption of mentorship.
- Results in the failure of payment of gross income tax to New Jersey by any of the entrepreneur recipients, which may be cured with resumption of gross income tax payments.
- Fails to maintain the business' primary operations in an eligible municipality, which may be cured following return to an eligible municipality within 30 days.
- Failure to utilize the grant funds for the intended purpose of advancing the business and income for the time investment of the entrepreneurs
- Failure of at least one Entrepreneur to maintain residency in an Opportunity Zone may result in the reduction or clawback of the \$50,000 bonus if not cured within 30 days of notice from the Authority.

Compliance will require the quarterly submission of the following, due 45 days following the end of each quarter.

- Certified organizational chart demonstrating at least three entrepreneurs are managing the business
- Quarterly management prepared financial statements

- Annual accountant prepared financial statements
- Verification of gross income tax withholding filed (for example, NJ WR-30)
- Individual NJ income tax payment as evidenced by tax filings that demonstrate reasonably equitable pay to the entrepreneurship team
- Mentorship attendance record for the entrepreneur leadership team, evidenced by signed program instructor/advisor form(s)
- Current Business' operating address

Following recognition by EDA of failure to perform may be cured within an additional 30 days. Non-compliance may result in termination of agreement at EDA's discretion as described above.

Delegated Authority:

The Members are requested to approve delegated authority to the Chief Executive Officer to determine timing to open and close the program application periods, which will be offered twice per 12-month period, approximately 6 months apart. Delegation will offer flexibility to ensure operational optimization and programmatic alignment with selected mentorship partners

Entities whose applications are denied will have the right to appeal. Appeals must be filed within the timeframe set in the declination letter. The Director of Legal Affairs will designate Hearing Officers who will review the applications, the appeals, and any other relevant documents or information. The Hearing Officer will recommend an administrative decision. Delegated authority is requested to accept final administrative decisions prepared by a Hearing Officer for appeals based on solely non-discretionary reasons.

Fees:

The authority will access an aggregate 5% fee (2% per year over two years) on the full appropriated amount of the program (i.e., \$500,000 in total or \$250,000 per year) to account for the Authority's administrative costs and additional out-of-pocket costs associated with engaging with the university mentorship partners and developing the mandated mentorship program. Additionally, EDA will charge \$250 per application. Assuming 50-70 applications are submitted per application period (4 application periods), this would generate \$50,000 - \$70,000 in fees. A \$250 fee differs from the standard \$1000 application fee. The program is built to support the formation of businesses by teams entrepreneurs without the typical financial wherewithal associated with the foundation of early-stage enterprises. A \$1,000 application fee may represent a hardship to individual applicants that must be un-employed and recent graduates at the time of application. Additionally, the businesses are not expected to generate revenue sufficiently near to the time of application.

The general operations curriculum and customized mentor & advisor modules (i.e., "mentorship program"), to be administered by NJIT's NJII and Rowan University's RCIE, has a combined estimated program budget of \$200,000 over the life of the program.

Recommendation:

The Members are requested to approve: (1) the creation of the New Jersey Innovation Fellows Program a program to support a team of at least three first-time entrepreneurs with mentorship, training, and income-replacement capital over a two-year period; (2) Utilization of the \$10 million appropriation in accordance with Sections 65 through 68 of P.L.2021, c.160 (C.34:1B-370 through 34:1B-373)) to capitalize the New Jersey Innovation Fellows Program; (3) The Utilization of 5% (or \$500,000) of the \$10 million appropriation to be used by the Authority to cover administrative and mentorship program costs that are needed to administer the New Jersey Innovation Fellows Program;.; (4) Delegation of authority to the Chief Executive Officer to determine the program application periods, which will be offered twice per 12-month period, approximately 6 months apart.



Tim Sullivan, CEO

Prepared by:

Emmanuel Esochaghi – Diversity Entrepreneurship & Finance Officer
Tim Rollender – Director, Venture Programs

Attachments:

Appendix A – Eligible Municipalities List

Appendix B – Proposed Product Specifications: New Jersey Innovation Fellows Program.

Appendix C – NJIF Qualifying Questionnaire

Appendix E – NJIF Grading Criteria and Matrix