

NJ CoVest Fund

The NJ CoVest Fund provides seed funding to New Jersey technology and life sciences companies to further commercialize their technology and scale revenues. Investments made through the NJ CoVest Fund align with the EDA's ongoing strategy of supporting New Jersey's entrepreneurial ecosystem.

Dollar Amount & Uses:

\$100,000 - \$250,000 in the form of Convertible Notes with Warrants.

Benefits:

The NJ CoVest Fund provides growth capital to support early-stage companies from product development towards successful, scalable commercialization. This funding is available at the critical stage between product development and commercial operation expansion, where limited funds are available and a funding gap exists.

Investments through the NJ CoVest Fund will help stimulate business growth, additional capital investment, and creation of high-skilled jobs in New Jersey.

Program Details:

- Investment in the form of Convertible Notes with Warrants.
- Individual Note amounts between \$100,000 - \$250,000 based on match funding and EDA analysis of company financing and operations, management team and experience, the product and target market, as well as investor type and involvement.
- Protected intellectual property required as a negative pledge and springing lien in event of default.
- Note matched \$1 (EDA) to \$2 (Qualified Outside Investment).
- Note can represent no more than 33% of current financing round.
- Minimum round size of \$300,000 (including NJ CoVest Fund investment).
- Company must have raised some financing previously.
- Maximum EDA debt exposure of \$1.75 million (NJ CoVest Fund and Edison Innovation Fund).
- No restriction on participation in EDA incentive programs.
- Company must present and receive positive review from EDA's Technology Advisory Board (TAB).

continued

For more information visit www.NJEDA.com
Application & Links:
Required Documentation
Frequently Asked Questions
Sample Application Application

Financing Instrument:

- Convertible Promissory Note - 10-year maturity - 3% interest rate - 50% warrant coverage.
- Convertible - the EDA will have the right to convert its debt to equity in a future financing round raising \$1,000,000 or more under the same terms as any other investor in the round.
- Repayment – 10-year maturity. No payments for first seven-years. If the Note has not converted to equity by beginning of year 8/ month 85, repayment of principal plus interest payments for the remaining three-years to full amortization.
- Interest – 3% interest rate accrues and capitalized annually.
- Warrant – the EDA will receive warrants in consideration for the financing. The warrants will have a 10-year life and be on the EDA's standard warrant form. The amount of warrant coverage is 50% of the EDA's Note amount. The strike price on the warrants is the same per share price of the match funding or will be penny warrants if no strike price is set at matched financing event.
- The Note will require a negative pledge on the company's technology/intellectual property and a lien will spring on this technology/intellectual property in the event of default.

Eligibility Requirements:

Company

- Early Stage in technology or life sciences industries.
- Structured as a C-Corporation or a LLC with Unit Structure.
- Maintains a Board of Directors/Advisors.
- Located in physical commercial office, co-working or incubator space in New Jersey.
- 50 percent of full time employees spending at least 80% of their time in New Jersey.
- A minimum of 2 full time founders that have made some financial investment in the company.
- Company must be registered to do business in New Jersey and in good standing.

Business Model

- Product-based.
- Capital efficient and scalable - revenue growth will significantly outpace the expense growth and funding requirements.
- Large, identifiable target market.
- Owner of proprietary intellectual property protected by either copyright with the US Library of Congress or nonprovisional patents in process or approved and recognized by the USPTO.
- Some sales revenue from, at minimum, three commercial customers. Research, grants, consulting, or other any other method that could be considered service based revenue excluded.

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Outside Investment

- Matching funds from a minimum of two investors.
- Investor must be an investment entity (Venture Capital Fund, Angel Fund, Family Office, Investment Partnership, or LLC) or an individual member of an organized investment group. Funds raised from employees or family members will not be considered.
- Can be in form of convertible debt or equity financing.
- Investor funds to be matched by the NJ CoVest note must have been received by the Company within 90 days prior to application submission.

Commitment to New Jersey

- Company agrees to remain headquartered with 50% of full time employees in NJ for five years after conversion or repayment of the Note or be subject to investment claw back penalty.

Fees:

Application Fee: \$500

Division of Taxation Tax Clearance Certificate required. Certificates may be requested through the [State of New Jersey's Premier Business Services \(PBS\) portal online](#).

- Under the Tax & Revenue Center, select Tax Services, then select Business Incentive Tax Clearance.
- If the applicant's account is in compliance with its tax obligations and no liabilities exist, the Business Incentive Tax Clearance can be printed directly through PBS.