



CONTENTS

Department contact2

 Omar Mencin, Director of investments, Information Technology2

 Rick Genzer, Director of investments, Information Technology.....2

Overview.....2

BEN FRANKLIN INVESTMENT REQUIREMENTS2

 Location2

 Additional sources of capital (Match).....2

 Stage of commercialization2

Application Process3

 Phase 1: Executive Summary and Initial Feedback.....3

 Phase 2: Completing THE Application.....3

 Detailed investor deck3

 Phase 3: Submitting the application4

 Phase 4: Formal investment REVIEW.....5

 Initial Review Committee presentation6

 Due Diligence6

 Final Review Committee presentation6

 Approval of funds7

Typical IT deal terms7

 Other key features of the deal.....7

 Funding Timing8

 Warrant8

 Board Observation Rights.....8

 Lien or Negative Pledge9

 Ben Franklin Reporting9

Post-Funding Support9

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EXECUTIVE SUMMARY SUBMISSIONS

hello.IT@sep.benfranklin.org

OVERVIEW

This document is intended to help guide you through applying for venture funding from Ben Franklin and what to expect in our process for IT Sector Investments.

Ben Franklin Invests in companies who are beyond the idea stage. The size of an initial investment ranges from \$50,000-\$500,000. We can invest up to \$1,000,000 over the lifetime of any one company.

BEN FRANKLIN INVESTMENT REQUIREMENTS

LOCATION

Companies must have a meaningful presence, generally being the Company's Headquarters, in either Bucks, Chester, Delaware, Montgomery or Philadelphia Counties. An applicant does not need to yet be located in one of these counties but the requirement must be satisfied prior to receiving investment.

A Ben Franklin funded Company must stay in Pennsylvania for at least five years or repay the loan. If the investment is in equity, the Company must make Ben Franklin whole.

ADDITIONAL SOURCES OF CAPITAL (MATCH)

Between the time of submitting its application for investment and when the Ben Franklin funds are disbursed, Information Technology Companies must be able to demonstrate \$1:\$1 in cash match. Please note that often, Ben Franklin may ask the Company to provide a higher ratio of match, depending on how much capital we determine the Company will need to reach its next meaningful funding milestone. This money does not necessarily need to have been committed and/or received before applying but it should be finalized around the time that Ben Franklin's Board approves the investment. Ideally, match should be in the form of grants, investment or loans; but revenues could qualify in some situations.

STAGE OF COMMERCIALIZATION



Ben Franklin
Technology Partners
Southeastern Pennsylvania

Building 100 Innovation Center
4801 S. Broad Street, Suite 200
The Navy Yard
Philadelphia, PA 19112

Ben Franklin invests in all stages of companies; however, we generally invest in companies that are beyond the “idea-stage.” Competitive companies will have a working prototype, pilots or beta testers, and other forms of market traction.

APPLICATION PROCESS

PHASE 1: EXECUTIVE SUMMARY AND INITIAL FEEDBACK

To start the investment review process, please submit your executive summary to hello.IT@sep.benfranklin.org. If you require assistance writing an executive summary, you will find our suggested template [\[here\]](#).

Companies have the option to arrange a time for an in-person meeting with a member of the Investment Group to discuss the investment opportunity. While not required, we find these in-person meetings to be very productive, especially if you have a demo. Should your schedule not allow the scheduling of such a meeting you can expect a call from us after submitting your executive summary.

Here is what you can expect from us during our in-person meeting or call:

- Feedback on how competitive we believe your company is for our investment, whether now or in the future, and for how much money;
- How much in matching funds we might expect from you;
- Milestones to be addressed before applying;
- Resources within Ben Franklin or through our vast network that might be of assistance to you;
- General business guidance based on our 30+ years of experience in helping early stage companies grow and succeed;
- Set clear expectations on the timing of our review, including key presentation dates, and when you would likely receive an investment decision from us.

PHASE 2: COMPLETING THE APPLICATION

If, after our conversation, you have decided to apply, you can download the IT Application from our website and begin completing your application. The IT Application can be found [HERE](#).

The application will consist of:

- Executive Summary in BFTP Format
- Company Overview Template
- Summary Financials Using BFTP Template
- Formal Application (AKA Detailed Investor Deck)*
- Legal Documents
- Financials
- Project Milestones

*DETAILED INVESTOR DECK

The detailed investor deck will include topics typically found in a business plan. You do not need to follow the order we described as long as the material is covered. The questions are prompts but we understand that all may not be relevant for your particular situation. Please construct a deck that can be understood fully by someone

reading the deck. **Also, please include a slide with the primary contact's e-mail address and phone number.**

Often, applicants include a few slide notes within their presentation to better cover areas they usually speak to.

Topics that will be in your deck include:

- Use of funds
- Market and the unmet need
- Competitive analysis
- Marketing/distribution or business development strategy
- Product development status
- Technical analysis
- Business model
- Product development status
- Key team members and resumes
- Financials—current and projected
- Intellectual property
- Capitalization table

The application will also require you to **submit** the following documents:

- Resumes and/or LinkedIn profiles of key management and, if relevant, board members and key advisors
- Intellectual property materials and/or links, if relevant
- Financial statements and projections, ideally as multiple worksheets within one Excel workbook.
 - Income statement (P&L) and cash flow statements (printer friendly versions, please)
 - By month for the last calendar year and current year (with quarterly summations)
 - Projected by month for the remainder of this year and for next year (with quarterly summations)
 - Projected by quarter for the year after
 - Balance Sheet
 - End of last and current years
 - Current and projected salaries for key management and employees
 - Key assumptions for projections.
 - Current cap table
 - Detailed projected use of funds in our format (included in the Application Package)

PHASE 3: SUBMITTING THE APPLICATION

You are expected to email your materials by the due date to your contact within IT. You are also expected to send a check for our mandatory application fee of \$500.00 to the following address:

Ben Franklin Technology Partners
 Building 100 Innovation Center
 4801 S Broad St, Suite 200
 The Navy Yard
 Philadelphia, PA 19112

You must submit this fee before your pitch session or you may not be permitted to present which could cause a 3-month delay in your application process.



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The IT sector is currently accepting rolling applications. While this means that we can accept applications at any time for review, there are certain presentation meeting dates scheduled in advance that could impact the length of time it may take to get an investment application approved. Therefore, it is highly recommended that you stay in close contact with the Investment Director and/or the Portfolio Associate to understand the suggested review cycle for your application.

PHASE 4: FORMAL INVESTMENT REVIEW

While we do occasionally have the ability to accelerate the review process, particularly for those undergoing a formal review process by other institutional investors and/or Angel groups, applicants can typically expect a 6-16 week process after we have received your application fee, though it could be shorter or longer. The typical successful applicant will present to one or two Review Committees dependent on a wide variety of factors, including stage of product development and/or commercialization, investment amount requested, level of co-investment, experience of co-investment partners, accessibility of existing Due Diligence materials, etc. and will undergo an independent formal due diligence review.

After the Company's presentation to the Final Review committee, a Ben Franklin Investment Director, with additional input from select Senior Managers and staff, will determine which companies to recommend for investment to our Investment Committee and then to our Board or Executive Committee approximately 3 weeks later. Companies at that time may be approved for investment with or without conditions. Please note that while this is the typical path for a successfully funded applicant, the Company could be informed at any step in the process that it may not be moving forward for investment consideration at that time. In such cases an explanation will be provided to the Company, including information that could strengthen a future application. Oftentimes applicants incorporating this feedback in their resubmission are later successful in receiving Ben Franklin investment.

If the Board or Executive Committee approves the investment, the Director will issue a term sheet to the Company with the goal to have final mutually agreed upon deal documents within 2-4 weeks, assuming there are no outstanding conditions of investment to be completed by the Company. Disbursement of funds may occur in one lump sum, in two or more defined tranches or at intervals depending on the completion of milestones.

Rolling Review Cycles	
<p>IT ERC Review 1 Meeting Tuesday, January 15, 2019</p> <p>Investment Committee Call Wednesday, February 6, 2019</p> <p>Executive Committee Meeting Wednesday, February 13, 2019</p>	<p>IT ERC Review 1 Meeting Tuesday, July 16, 2019</p> <p>Investment Committee Call Wednesday, August 7, 2019</p> <p>Executive Committee Meeting Wednesday, August 14, 2019</p>
<p>IT ERC Review 2 Conference Calls Tuesday, February 26, 2019</p> <p>Investment Committee Call Wednesday March 20, 2019</p> <p>Board Meeting Wednesday, March 27, 2019</p>	<p>IT ERC Review 2 Conference Calls Tuesday, August 27, 2019</p> <p>Investment Committee Call Wednesday, September 18, 2019</p> <p>Board Meeting Wednesday, September 25, 2019</p>

<p>IT ERC Review 1 Meeting Tuesday, April 9, 2019</p> <p>Investment Committee Call Wednesday, May 1, 2019</p> <p>Executive Committee Meeting Wednesday, May 8, 2019</p>	<p>IT ERC Review 1 Meeting Tuesday, October 8, 2019</p> <p>Investment Committee Call Wednesday, October 30, 2019</p> <p>Executive Committee Meeting Wednesday, November 6, 2019</p>
<p>IT ERC Review 2 Conference Calls Tuesday, May 21, 2019</p> <p>Investment Committee Call Wednesday, June 12, 2019</p> <p>Board Meeting Wednesday, June 19, 2019</p>	<p>IT ERC Review 2 Conference Calls Tuesday, November 19, 2019</p> <p>Investment Committee Call Wednesday, December 11, 2019</p> <p>Board Meeting Wednesday, December 18, 2019</p>

Below is a little more detail on the above process.

INITIAL REVIEW COMMITTEE PRESENTATION

After you have submitted your application, selected companies will be invited to give a 12 minute presentation to our External Review Committee, immediately followed by a substantive Q&A session, focusing primarily on commercialization issues, and if necessary, a smaller breakout session focusing primarily on the technology. This committee includes a group of volunteer technology experts, Venture and Angel investors, successful entrepreneurs and experienced service providers who assist us in identifying the Company's strengths and weaknesses. We use their input to determine whether, upon completing additional Due Diligence, we could potentially choose to fund the Company at this time.

DUE DILIGENCE

If the general consensus is that it would be valuable to learn more about a Company before making our investment decision, the Company will begin a 3-4 week Due Diligence phase. At this time, generally an independent consultant will be assigned to complete a reasonably comprehensive Due Diligence report. The consultant may want to speak to management team members, board members, advisors, investors, customers, prospects, industry experts, etc. in order to verify the Company's claims, validate market and investor interest, research and evaluate potential investment risks, review corporate documents, agreements and contracts, analyze projections, etc. Consultants take the utmost care to protect the Company's relationship with each of these entities. Frequently, because the consultant is seen as independent, the source may communicate different (and valuable) information than anticipated by the entrepreneur. The Company will then have the opportunity to read and respond in writing to the report with clarifications, corrections, and/or updates. The Company may share this report with other investors, if they choose.

If after Due Diligence, the Company is still viewed as a potential investment candidate, you will be asked to make a presentation to a second External Review Committee, also populated with volunteer technology experts, investors, entrepreneurs and service providers. This will primarily be a conference call regarding the Due Diligence report. The reviewers will then offer input on whether to invest, and if we choose to do so, with what conditions, if any, and/or under what deal structure.

APPROVAL OF FUNDS

After the Review Committee meeting, staff will determine which company or companies to recommend for funding, for how much money and with what conditions, if any, first to our Investment Committee and then, if approved, either to our full Board of Directors or to our Executive Committee. During this 2-3 weeks period, staff may ask Companies for final commercialization, funding and Use of Funds updates and/or negotiate the deal terms to be recommended. Assuming the recommendation has been approved; we will present the Company a term sheet and enter into final negotiations.

TYPICAL IT DEAL TERMS:

Unless a Venture Capitalist is co-investing with us, we typically will initially invest in convertible debt. Frequently, we are able to invest under similar terms and documents as the other co-investors.

If it isn't feasible to use co-investor documents or we are leading the round, the convertible debt will also include a detachable warrant. Companies accepting a Ben Franklin investment will commit to maintaining a significant company presence in Pennsylvania for five years or will be required to at least make Ben Franklin whole.

Convertible debt with certain features often allows for great flexibility and alignment of interests with equity investors who may want to come in as investors once certain risks are eliminated.

Our terms include seniority and a requirement to subordinate other investor debt. This is to keep funds in the company and encourage equity-based investing where possible. When using our deal documents, we typically take a lien. We require no personal guarantee from founders, major shareholders or board members. We have a 1% closing fee.

OTHER KEY FEATURES OF THE DEAL:

A Convertible Note:

- Allows prepayment or accelerated payment without penalty or premium until the Company has received a funding or acquisition term sheet.
- Converts at Ben Franklin's option at a qualified, arm's length, future financing of the Company by investors.
- Converts at a discount of (typically) 20% off the price per share of that qualified financing that occurs later.

- If Ben Franklin decides to convert, there will be a maximum valuation (Cap), even if the next round's valuation is higher.

Principal and unpaid interest are due as a balloon at the end of (typically) 5 years. Again, the structure is to keep funds in the Company. Exits, conversions to equity or "being taken out" (such as by new investors) will often happen well ahead of that long time horizon maturity date.

Interest on the Convertible Note is 8%

- Begins accruing upon cash disbursements.
- Simple interest, non-compounding.
- Payment begins first quarter following the end of the project period.
- Payments to Ben Franklin on interest only. However, importantly: Company makes interest payments at the lesser of 3% of company revenues or the interest due at that quarter. If the Company does not make its quarterly interest payment, interest rolls over to the next quarter (non-compounding). This is to be cash-conserving.
- Principal and unpaid interest are due as a balloon at the end of (typically) 5 years. Again, the structure is to keep funds in the Company. Exits, conversions to equity or "being taken out" (such as by new investors) will often happen well ahead of that long time horizon maturity date.

FUNDING TIMING

We primarily distribute all funds upon closing. We reserve the right to tranche our investment on a schedule that makes sense for the investment opportunity. When we are using a co-investor's funding documents, we may be able to invest along the co-investor's timing.

WARRANT

25 - 50 % coverage on the loan amount if the number of warrants is being determined in the future. The percentage may be lower if there has been a recent arm's-length equity valuation. This provides some upside if we are simply repaid in principal and interest (as repayment bears no premium and prepayment is at the Company's election). Warrant is almost always a cancellable warrant if loan itself has a discounted conversion price. There is, therefore, no "double dip" with these two instruments.

10-year "penny (strike price) warrants."

Unless there has been a recent arm's length equity valuation for which to determine the number of warrants at the current time, the number of warrants will be determined by the price at the next substantial enough equity financing by, e.g., an accredited angel group and/or reputable institutional investor, often subject to a predetermined maximum valuation. The price itself is not based on a penny.

Some warrants will also have buy-out features that allow a company to pay a fee that effectively cancels the warrant.

BOARD OBSERVATION RIGHTS

Ben Franklin has rights to a non-voting participating Board Observation Seat for the lifetime of the loan or until we no longer hold an equity stake equal to at least 2% of the Company. We require the same notification and materials as are provided any board members.

LIEN OR NEGATIVE PLEDGE

Ben Franklin will have right to prevent the transfer or acquisition of a company's technology and IP, without the prior written consent of Ben Franklin. We secure this right with a lien or negative pledge. The negative pledge requires others not take a lien on the technology. The goal is to be sure the technology stays in the Company where our investment is.

BEN FRANKLIN REPORTING

During the period that the Company has outstanding debt to Ben Franklin it will be obligated to provide the following reporting:

- Unaudited (audited upon request) financial statements within 30 or 45 days of each calendar quarter.
- Annual Economic Impact Survey for 5 years.
- Final report upon completion of funded project.

Disclaimer: The information above is provided for general guidance only. This is not an offer, commitment or term sheet. There may be variations in any actual offer as each company is different and co-investment terms, the size of the round and stage of company all influence actual terms for a given company.

POST-FUNDING SUPPORT

We will be there for you, throughout the process and once you are a Ben company, at Board or strategy meetings to assist you in a variety of ways. Some of the ways we have been able to help IT Portfolio Companies:

- Invitations to Success Team meetings
- Review new investment terms, provide input and suggestions, participate in negotiation calls and discussions
- Provide feedback on intellectual property strategy
- Advise on grant and funding opportunities when relevant
- Advise and provide feedback on governance/oversight, identify issues
- Assistance with Board and management selection as requested
- Review of budget/financial projections
- Assistance with investment pitches / presentation review
- Investor/customer/potential joint venture introductions
- General business advice/coaching
- Website/marketing material review
- Promotional and marketing opportunities
- Referrals to resources for infrastructure resources such as HIPAA compliant email, cloud back-up services, virtual office support, etc.
- We will also engage you to learn what else we can do to help you achieve success. At Ben Franklin, we are Partners with a Purpose!