Letter from
the NJBIN President

Dear NJBIN Community:

Welcome to the fall/spring issue of our newsletter!

As this newsletter went to print, the war in Iraq officially ended. Soon, 1 million veterans will be rejoining the workforce. I was saddened by the dire predictions of the difficulties veterans will face as they settle back into civilian life, but I was heartened by the stories in this issue about two NJBIN companies that are poised to grow and make a positive impact on the veteran community.

Each of our 12 incubators has its own mission and focuses on different types of communities. Some focus on the life sciences community, others nurture the alternative energy community or the specialty food production community. Some incubators focus on economic development in communities that are defined by geographic boundaries, such as Camden Community. Although each focus is slightly different, we all share the same fundamental mission to create high-quality jobs and economic development in New Jersey.

I hope that you will enjoy our stories and share our appreciation of the different types of communities that we serve.

Most Sincerely,
Suzanne Zammit
President, NJBIN

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BagUps: Creating Employment Opportunity for Disabled Vets

In 1990, Jack Licata’s fiancé was in a car accident that left her with a head injury and disabled.

In the 10 years during her rehabilitation, he spent thousands of hours at her side in hospitals assisting her with cognitive and physical therapy. He also got to know many of the other patients. “These were people just like you and me who, through no fault of their own, were disabled,” said Licata. “There were people who got hurt in the service, were in a car accident, or had a stroke. I decided that, if there ever was a way I could make a difference for that community, I would.”

Now, with the company ReCircle Brands, Licata is achieving his goal. He has developed the company’s first patented product, BagUps, and is focusing on growing his business.

Licata’s inspiration for the product came while he was working as a nuclear missile launch officer in the air...
What are Angel Investors Investing In?

About 50 entrepreneurs in the Camden/Philadelphia region attended a recent event that featured angel investors who answered the question that is on so many minds: what are angel investors investing in? The event was co-hosted by the Angel Venture Fair and the New Jersey Business Incubation Network and was held at the Rutgers Business Incubator in Camden.

The panel of four investors included Loren Danzis, a founder of Delaware Crossing Investor Group; Katherine O’Neill, executive director of the JumpStart New Jersey Angel Network; Gloria Rabinowitz, managing director of Golden Seeds; and Ellen Weber, executive director of Robin Hood Ventures. Marc Kramer, executive director of the Angel Venture Fair, moderated the panel. Suzanne Zammit, president of the New Jersey Business Incubation Network and manager of the Rutgers Business Incubator, provided welcoming remarks.

Attendees gained valuable insights into the basics of finding an angel investor, particularly in the current economic climate. The panel answered questions on various topics. Excerpts follow.

What is the rate of return that you’re looking for?

Danzis: We’re looking to invest in strong companies and strong deal terms—meaning a 5-10 potential exit multiple. We consider the valuation of the company when we invest, the amount of capital necessary for the company to execute on the opportunity, the potential dilution that may occur as a result of future rounds of investment, and whether any buyers exist for the company.

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Growing Jobs: Assisting Entrepreneurs Leads to Solid Job Growth

There is ample evidence that the formation and growth of new businesses in the U.S. has a substantial impact on job creation. Since researchers began reporting on this in the late 1970s, the findings have been refined, showing that new firms—not necessarily small firms—are the dominant source of net job growth (see pg. 30 of “Incubating Success,” by David A. Lewis, Elsie Harper-Anderson, and Lawrence A. Molnar, at http://j.mp/sv5Rmr).

The truth of this statement is demonstrated time and time again by companies residing in NJBIN incubators. Jobs creation begins with the fierce commitment and ambitious visions of incubator company founders like Jose "Joe" Rodriguez, founder of M.E.R.I.T. Investigative Services, Inc. located in the Enterprise Development Center at NJIT.

Prior to tapping into the resources of the business incubator, Rodriguez benefitted from several government programs. Rodriguez sought out the assistance of the Small Business Administration and learned about the 8A program, a set aside for minority businesses. He also applied for and received service-disabled status. In addition, his business was located in a Newark Hub Zone.

“I refer to this as a trifecta,” said Rodriguez. “Once I received the designations the hiring agency would get credit for all three. I didn’t even have to bid on the set asides. I was able to get a name for my company.”

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Jose L. Rodriguez, president & CEO, M.E.R.I.T.
Incubator Spotlights

Rutgers Camden Incubator

Incubator Contact: Suzanne Zammit

Focus: Economic development and high tech job creation in the City of Camden.

Impact on jobs creation: The incubator is nurturing 27 companies that employ 210 people.

Client Testimonial: “The Rutgers Camden Incubator was exactly what we needed: a Class A office space with room to grow, with all the business support services at an affordable price,” said Ben Parvey, CEO of Blue Sky Power LLC (http://www.blueskypowerllc.com). “The building was also appealing to us as a clean energy company because it has LEED Gold certification, which is productive for public relations and marketing. And we were accessible to many of the major transportation routes in New Jersey and Pennsylvania, including I295, I95, and the New Jersey Turnpike. We were also minutes from the Philadelphia Amtrak station for regular trips to DC and New York City. Camden really is central to the region.”

Graduate Success Story: Apex IT Group (apexitgroup.com), a unique Pro Active Managed IT Services Provider which offers today’s technology driven companies a new way to manage their technology, is one of the fastest-growing companies in New Jersey. They have contributed significantly to job creation in Camden County.

Rutgers Food Innovation Center

Incubator Contact: Margaret Brennan-Tonetta, Ph.D.

Focus: Sustainable economic growth and prosperity for the food and agricultural industries in the mid-Atlantic region.

Impact on jobs creation: The incubator is currently nurturing 14 companies that employ approximately 20 people. In addition, the Food Innovation Center has created 15 additional part-time jobs within the center.

Client Testimonial: “The Food Innovation Center's expertise in food science and production methods was critical to our business taking the next step towards the commercialization of our product," said Patrick Leger, co-owner of First Field (http://first-field.com), a manufacturer of gourmet ketchup. "We continue to work with them to improve our production process and to also develop new products we can bring to market."

Graduate Success Story: Schär USA (Shar.com), a $200M gluten-free Italian food company, recently graduated and moved into a 50,000 sq. ft. $15M facility in South Jersey, creating 50 new jobs.
BagUps

(continued from front page)

force. Once a month he had “office duty,” and this included emptying the garbage can at the end of the day. “I hated it!” he said. Convinced that there was a better way, he did some research at fast food restaurants and then came up with the concept for BagUps.

“The product answers the question, ‘where is the next garbage bag?’ after I empty the garbage,” he said. “Usually it’s somewhere like under the sink or in a cabinet in the very back storage room. BagUps puts bags where they belong, right there in the bottom of the can.”

BagUps saves lots of time: it takes 3 seconds to change a bag using BagUps, as opposed to a minute and a half using other trash bags. This can mean significant savings for large institutions using this product. According to a study done by a hospital that used BagUps, the product saves one man-hour per employee per day. “This can amount to hundreds of thousands of dollars per year,” said Licata.

Another advantage of the product is that the bags and cardboard are biodegradable. In addition, it is made entirely in the United States, and currently exclusively in New Jersey. Lastly, in keeping with Licata’s goal to help the disabled community, the assembly of BagUps lends itself to work that can be completed by residents of the Veterans Administration and other occupational centers. “The work gives disabled workers an opportunity for a life and some self-worth,” said Licata.

Licata is still working on locating some of these communities in New Jersey; he will soon be employing Veterans from the Wounded Warrior program here. His business model includes plans to go national in concert with the VA hospital, which would add significantly to his current customer base of seven VA Hospitals throughout New Jersey, New York, Long Island and the upstate Hudson Valley. The product would be produced in occupational centers located near the VA hospitals. “Our business strategy is to have the product 100 percent made in America by veterans and people with disabilities, even though we could make more money by outsourcing the production overseas.”

For every 1000 BagUps that the company produces they create a job for one person a week. At this early startup stage of the business, the assembly of the bags would run for a few weeks at a time, providing employment for 10-15 people.

BAGUPS has been shown on QVC and the Shopping Channel. The product has also been shown as one of the top five green products of the year on MSNBC. The product is being distributed through US Foods, one of the largest distributors in the USA. “Currently we’re in a few boutique stores, but only need one good contract with a large distributor or government agency such as the VA, then we’ll be able to ramp up within a few days and provide a few hundred jobs,” said Licata.

Licata believes that by focusing on hiring veterans, his company could also put a dent in the number of homeless veterans. The VA estimates that 107,000 veterans are homeless on any given night and that, over the course of a year, approximately twice that many experience homelessness. “If the VA bought my system, the government would save on the efficiencies of the product, while at the same time I could employ a huge percentage of homeless veterans to assemble the product for them,” he said.

Licata is looking to expand his product line by developing additional biodegradable products “not built to last.” He envisions a line of biodegradable tablecloths, drop cloths, and other products, which would all create United States-based jobs for the disabled and homeless veterans.

“My company can make a huge difference for veterans and disabled people right in our backyard, we think it’s a win-win-win: people will like it as soon as they try it,” he said.

ReCircle Brands is located at the NJ Meadowlands Commission Business Accelerator, a member of the New Jersey Business Incubator Network.

Free read-only access to the Frost & Sullivan Database (Frost.com) is available through the NJ State Library at JerseyClicks.org. You can request full reports by contacting East Brunswick Public Library’s Business Resource Center at eref@ebpl.org.
Growing Jobs

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The assistance was the boost that Rodriguez, a committed entrepreneur who worked 70-80 hours a week and networked extensively, needed.

When the American Recovery and Reinvestment Act (ARRA) came about, Rodriguez was ready. “That’s when we really hit our mark,” he said. “We were the first company in New Jersey to get a contract.” In all, he won six contracts through ARRA.

Since 2009, when he moved into the Enterprise Development Center at NJIT, Rodriguez is also partaking of the benefits derived from being located in a business incubator. “Being in the incubator has helped a lot,” he said. “Being here provides a localized area. I can get to downtown New York a lot quicker, we have parking, a conference room, and the atmosphere here is conducive to an office. The services are great, and the people are awesome.”

He has also benefitted from the internal connections he has made at the incubator. Several incubator companies have worked as subcontractors for him, including Schmitt and Associates, a software solution provider; BanDeMar Networks LLC, a company specializing in advanced video solutions for e-learning markets; and Reva Construction Inc., a general contracting and construction company.

True to the research, Rodriguez’s company is adding jobs. He started out with three employees and now has 43. If a proposal for work with the U.S. Army Reserves goes forward, he’ll be hiring another 30 to 50 individuals. But the job creation goes beyond the number employed by his own business. “It’s also the subcontractors,” he said. “They are able to keep working and hire people to work for them. Right now that easily adds up to between one- and two-hundred people currently employed by our projects.”

If he is able to land the contract with the U.S. Army Reserve, the new employees will be contractor maintenance personnel, who will inventory HVAC information for the federal government. The information will be recorded on the new “Multiple Equipment Record Information Tracking (M.E.R.I.T.)” system that Rodriguez’s company has developed.

Rodriguez makes every attempt to fill open positions with veterans. “They’re very near and dear to my heart,” he said. “I try to find them, work with them, train them, help them survive and make a decent living. Currently we’re networking with as many veterans organizations as we can.”

Confirmed entrepreneurs often have multiple entrepreneurial ideas, and Rodriguez is no exception. In addition to his contracting business and M.E.R.I.T., Rodriguez is involved with City-Hydroponics, a company started by his wife, Sandra Rodriguez. Sandra Rodriguez established the company to provide a viable solution to the pressing dilemma of food shortages and high prices for mediocre quality produce here at home and around the world.

City-Hydroponics will offer a prototype wherein a 40,000 square foot facility will be enough space to produce as much food as a 5 acre farm, year-round. The prototype will be part of a much bigger project named “The Oasis Project,” which will include a training and employment center, where they will train people—both entrepreneurs and workers—that will be needed in the urban farming industry. But first, they need to refine their system of vertical hydroponics, a process that is well underway at the Enterprise Development Center.

Currently, they are looking for veterans who can work on this new project and the City-Hydroponics prototype. “We need to feed the world, and it doesn’t take a rocket scientist to put this together, it just takes commitment and people who are willing to learn a new industry. And that’s why we want to bring veterans on board,” said Rodriguez.

Rodriguez looks around his office and takes a deep breath of satisfaction. “I never thought I’d get this far,” he said. But with the support of federal and state programs and the nurturing environment of the business incubator, Rodriguez is poised for the type of success that can provide the key to long-term economic development for our state and our nation.
Incubator News

NJMC Business Accelerator

SpeechTrans Inc. claimed the top prize last week at the Venture Association New Jersey Entrepreneurs Expo & Elevator Pitch Olympics. The early-stage company, whose advanced translator applications allow people to carry out real-time conversations in more than 20 languages using their smart phones and iPads, earned a perfect score from a panel of investors and finished first out of 28 participants.

Enterprise Development Center

WattLots LLC (http://www.wattlots.com/), a solar parking lot systems firm, won a "Cool Product" award in the New Jersey Technology Council's mid-Atlantic Innovation Competition. The company, which competed in the electronics/advanced materials category, presented its advanced Solar Arbor Systems.

Own It Ventures and New Jersey Monthly magazine honored three women business owners located at the EDC: Marjorie Perry, president of MZM Construction (www.mzmcc.com), Linda Sharkus, Ph.D., president of AcquiSci Inc. (www.acquisci.com), and Peggy McHale, principal at Consultants 2 Go (www.consultants2go.com). They were among the top 25 leading women entrepreneurs and business owners in New Jersey recognized. Read the press release at http://j.mp/unCawy.

Rutgers Food Innovation Center

A grant from the USDA is funding the Rutgers Food Innovation Center in a project to develop value-added products for New Jersey school menus using local agriculture. Here is a link to a recent article about the project that appeared in The Daily Journal, Vineland. Read the article at: http://www.thedailyjournal.com/article/20111001/NEWS01/110010317

Angel Investors

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O'Neill: The only time an angel investor or a VC makes money is when a company gets sold. So if you’re looking for angel or VC money, it’s not a lifestyle business. It’s got to be something that will be sold. Ninety-nine percent of the exits are from mergers or acquisitions.

What is the structure of the company once you get involved. Is it common stock?

O'Neill: It varies. Angels can invest early on or later as opportunistic investments. What you really want from your investor is someone who can open new doors and move you forward. Normally we take 20 to 30 percent of the company in an early-stage investment. What that board member will bring is moving the company forward. And what angels are looking at nationally these days is making sure that from the day people are invested, they’re looking at the exit, that they have milestones that drive them in that direction, even though it may be five years away.

What about the chemistry?

Danzis: The best chemistry is created when you have investors who speak the company’s language – who are fluent in the industry and can see the inherent opportunities the company has to offer. Lately we’ve seen a number of very impressive companies, but because we don’t have anyone in our network well versed in the particular industry, it’s a challenge to develop that chemistry. Companies would be better positioned if they approached an angel investor group with whom they have already identified a connection—someone with good insight into the industry.

Weber: We actually publish the bios of our members on our website, so you can go in and see if there are people you can connect with who will add value to your business.

Rabinowitz: We also have a larger network so if we don’t have direct expertise, groups in different areas do. We reach out, we do our own due diligence.
O’Neill: We don’t publish our members’ bios. We have some members that are public, our chairman is public, but our members don’t want to get pounded. If we don’t have someone who knows that space, we’re not going to invest. And that’s what we look for when we do our screening. We all talk to each other. Sometimes we refer to other investment groups. There is too little early-stage capital for all the companies who need it, so we all try to help each other.

How is the information that companies bring to you protected?

Danzis: All of our members sign a confidentiality agreement. While we generally try to dissuade companies from providing us with confidential information, we also understand that a company’s greatest assets are generally its intellectual property, and keeping that secure is a simple matter of trust and character in the angel investor community.

Weber: Your biggest protection is our reputation. If the word got out that we did something that was not honorable, no one would ever come to us for capital again.

How much dilution do you expect and where do you say, “Sorry, you need too much capital after me”?

O’Neill: Jumpstart invests in health care in the IT, diagnostics and medical device space. We stay away entirely from drug development, because the amount of money required for that is way too dilutive. You do not want to see yourself washed out of an investment. Of course if the valuation is going up you’re fine.

How much do companies have to raise in the family and friends round for investors to feel comfortable?

Rabinowitz: There’s no fixed number, it’s skin in the game. …We are behind you, we want you to be successful, you’re putting your ideas and personal capital in. If you have not put any capital in, and you are not at a point with friends and family, if your mother or father, or your husband or wife haven’t put anything in, or you haven’t put anything in, we say, “well wait a minute, it’s just not a proposal that we would be interested in.”

Weber: Friends and family money is the entrepreneur’s least expensive money, so the more they can raise that way the better. We don’t expect any specific amount. We do expect the entrepreneur to have “skin in the game” by investing. The level depends on the age and experience of the entrepreneurs. We have invested in some very young entrepreneurs who don’t have a lot of money, so we don’t expect them to put in much, but we also expect them to take a very modest salary – enough to pay the basics. For more experienced entrepreneurs, we expect them to put in substantial money. One of the worst presentations was from someone who cashed out very nicely, and we said great, how much are you putting in, and the guy had the nerve to say, “I’m not putting anything in, I have a family to protect.” … We’re investing our own money, and you’ve invested your sweat equity and some of your own money. We want you to be invested too.

What about Angel Soft (now Gust)?

Weber: We find it incredibly helpful. It is a wonderful mechanism to get the information that we need and then to share deals. For example, we’re doing a deal right now with a group from Pittsburgh, and how we would have shared that information without this type of platform, I don’t know. We’re all putting our information in in one place where we can all look at it, and share commentary.

How often do you do deals with companies that just went in over your website?

Rabinowitz: Just because you have not met anyone at Golden Seeds and because you submitted over the website, does not mean that we wouldn’t consider it. But it’s always good for you to make as many contacts as you can.

Attendees had ample opportunity to make the recommended contacts, both by asking direct questions during the panel discussion and afterwards in one-on-one conversations.
New Jersey:
The Right State for Entrepreneurs and Business Venture Development

Are you a visionary entrepreneur with an awe-inspiring business plan? Do you have the technical know-how to be competitive? If yes, an incubator in our network could be the next home for your business. To find out more, send an email inquiry through the “contact us” form on our website (www.njbin.org/), or call NJBIN president Suzanne Zammit, at suzannez@camden.rutgers.edu or 856-479-9044.

Burlington County College High Technology and Life Science Incubators assist entrepreneurs with commercially attractive technology and science ideas to start and grow their companies.
Contact: Ketan N. Gandhi
856-222-9311 x2801
Website: http://www.bcc.edu/pages/131.asp

The Business Development Incubator at New Jersey City University is an integral part of the Smart Growth Redevelopment Plan for Jersey City-Westside.
Contact: Joseph Tetteh
201-200-2313
Website: http://bit.ly/NJBIN_BDI

The Incubator Inc./The BOSS (Business One Stop Service) offers centralized business resources including access to various private/public business development organizations.
Contact: Jeffery Dunn
908-757-5155
Website: http://thebusinessonestopservice.com/incubator.html

The Commercialization Center for Innovative Technologies assists start-ups to become successful companies that will strengthen the economy by commercializing technologies and creating jobs.
Contact: Donald Shatinsky
732-729-0022
Website: http://www.njeda.com/

The Enterprise Development Center at NJIT is NJ’s oldest and largest incubator for technology and life-science companies, having graduated over 79 successful businesses since its start-up in 1988.
Contact: Jerry Creighton, Sr.
973-643-4063
Website: http://www.njit-edc.org/

The New Jersey Meadowlands Commission Business Accelerator provides a unique opportunity for entrepreneurial companies focused on alternative energy and green technologies and services.
Contact: Michel M. Bitritto, PhD
201-438-1245
Website: http://www.njmcaccelerator.com/

The Rutgers-Camden Business Incubator encourages businesses to locate in Camden and assists them with low-cost technical support and mentoring for successful startup.
Contact: Suzanne Zammit
856-479-9044
Website: www.rutgersbiz.com

The Picatinny Innovation Center works with the US Army development organizations to bring products to market based on DOD technologies, while making new “high tech” products available to the ARM.
Contact: Mark Merclean
973-442-6400
Website: www.picinnovation.org

The Rutgers Food Innovation Center provides business and technology expertise to food and agribusinesses in NJ and utilizes its outreach capacity to reach the food industry throughout the nation.
Contact: Margaret Brennan, Ph. D.
856-459-1900
Website: http://www.foodinnovation.rutgers.edu

The Rutgers EcoComplex is the university’s Environmental Research and Extension Center dedicated to moving science from the lab to real-world applications in our state’s businesses and industries and to promoting NJ as a center for innovation on alternative energy and environmental technologies and enterprises.
Contact: Serpil Guran, Ph.D
609-499-3600 x225
Website: ecocomplex.rutgers.edu

The Sustainable Business Incubator is a program of the Institute for Sustainable Enterprise at the Morristown EcoCenter.
Contact: Jonathan Cloud
908-306-9075
Website: http://sustainablebusinessincubator.com

The National Business Incubation Association (NBIA) is the world’s leading organization advancing business incubation and entrepreneurship. Each year, it provides thousands of professionals with information, education, advocacy and networking resources to bring excellence to the process of assisting early-stage companies. An elected, voting board of directors representing the world’s leading incubators governs the association.

The New Jersey Business Incubation Network (NJBIN) is a collaborative statewide community of business experts, resources and facilities dedicated to enhancing the commercial success of early-stage entrepreneurial companies, growing higher paying jobs in New Jersey and supporting the Economic Growth Strategy for the State.

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