



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT C-5

Applicant Name:	43 North LLC ("43North")	REDC Region:	Western New York
Project Type:	Innovation/Entrepreneur Development	County:	Erie & Niagara
Industry:	Innovation/Entrepreneur Development	Locality:	City of Buffalo
Amount Requested:	\$6,000,000	Start Date:	January 1, 2016
		Finish Date:	December 31, 2017 (including incubator support)

RECOMMENDED OFFER

Recommended Total Award:	Up to \$ 6,000,000 (for 2016 competition)
Total Project Cost:	Approximately \$ 8,200,000 (for 2016 competition)
% of Project Cost Recommended:	Up to 73 %

PROJECT BUDGET (Proposed by Applicant)

Use of funds	Amount	Source of Funds	Amount
Salaries & Wages	\$670,000	WNY EDF (for 2016 competition)	
Rent/Lease	\$60,000	Up to	\$6,000,000
Self- Sustainability		Committed:	
Strategic Investments	\$1,200,000	Various Sponsors	\$200,000
Marketing, Finals Weeks, Travel, Professional Services, Operating Cost of Incubator	\$1,270,000	Potential: ESDC	\$1,000,000
Awards to Winners (for the 2016 competition)	\$5,000,00	Various Sponsors (for the 2016 competition) Approx.	\$1,000,000
Total:	\$8,200,000	Total:	\$8,200,000

REGIONAL IMPACT MEASUREMENTS

Job Commitments:	The Funding Track under which the application was submitted does not require job-related commitments. Nevertheless, supporting this project is expected to have the effect of preserving approximately 5 full time positions.
Average Salary of Jobs:	N/A
Indirect Jobs Created	TBD based on competition winners establishing a long



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	term presence (greater than one year) in the Buffalo-Niagara region.		
Other Impact	Enhanced venture capital investment in the region.		
PROJECT DESCRIPTION (Adapted from Application)			
<p>43North LLC would continue to operate the world’s richest business idea competition in 2016 by offering up to \$5M in awards to multiple business winners. The program would include global outreach through social media, in-person roadshows, and use of traditional media to promote 43North and business investment in the Buffalo-Niagara region. In addition, 43 North will incubate the winners from the 2014, 2015 & 2016 competition winners in their Buffalo space and in collaboration with other local entrepreneur support services from organizations like Buffalo Niagara Partnership, Buffalo Niagara Enterprise, Leadership Buffalo, University at Buffalo, and others.</p> <p>43North will also host a global audience during “43North Week” for the 2015 competition, which is held each year when the winners of the business idea competition are selected.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
ESD: (2006-2015)	\$ 1,000,000	NYPA :	\$
IDA:	\$	Other:	\$
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT	STATUS	
WNY Fund Proceeds	\$11,418,000 of 43North for 2014 & 2015	Awarded and partially disbursed	



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BASIS FOR RECOMMENDATION

Continuing the business plan competition for the third year aligns with the entrepreneurial strategy of the Western New York Regional Economic Development Council and Governor Cuomo's Buffalo Billion Investment Development Plan. 43North is a catalyst for entrepreneurship and business investment in Western New York, attracting entrepreneurs and venture capital investment to Buffalo from around the world as well as enhancing Buffalo's image as an attractive place for start-up businesses to be located.

The first year (2014) of the Launch NY/43North business competition succeeded in achieving significant positive media impact for Buffalo locally and nationally, with over 301 articles written, including in Forbes, Business Insider, and Fortune Magazine. In addition, 43North attracted over 2,600 qualified applicants to the competition from every U.S. state and 96 countries, demonstrating that Buffalo can be an attractive location for start-up businesses. The competition successfully held a "43North Week" event to showcase the finalists and awarded 11 winners. Over 30 start-ups also participated in the Bright Buffalo start up forum.

The second year (2015) of the business plan competition harnessed momentum from the first year of the competition. The 2015 roadshow took the team to 19 North American cities, with additional representation in India which culminated in over 3,000 qualified applicants from 50 states, nine Canadian provinces, and 117 countries. 110 of those applicants are moving on as semifinalists. Over the next several weeks, each semifinalist team will take part in a live video pitch with a team of volunteer judges. The 2015 finals will take place October 29th. There have been 20 million social media impressions and 200+ media hits including New York Times, the Globe & Mail, Huffington Post and the Buffalo News.

The continuation of this program has the potential to result in over 30 direct new starts ups in Buffalo, plus other "trailing" semi-finalists who choose to start their business in Buffalo and venture capitalists choosing to invest in Buffalo because of the pool of growing start-ups. This in turn can catalyze direct and indirect job growth and aligns with the WNYREDC to support entrepreneur development.

The Buffalo Niagara community has demonstrated tremendous support for this program by providing in-kind marketing and event support services from the Buffalo Niagara Enterprise. In addition many area business and economic development partners (including Insyte, UB STOR and



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CEL and Launch NY) provided and offered on-going mentoring support services to semi-finalists and competition winners. Other area organizations including the Buffalo Niagara Partnership and Leadership Buffalo have come together to develop programs to provide personal and business support to the competition winners. Going forward, 43 North will continue to seek collaborative support from area mentors, economic development partners and funders to provide optimal support to competition winners helping enhance their growth in Buffalo.

DISBURSEMENT TERMS

It is anticipated that Fund Benefits would be used to reimburse the applicant for (1) working capital including, but not limited to, personnel, marketing, incubator services and overhead (approx. \$1,000,000), and (2) prizes for winners of the 2016 competition (up to \$5,000,000).

It is anticipated that Fund Benefits would be disbursed as follows, subject to final terms and conditions provided for in the Fund Benefits Agreement (“FBA”) between the New York Power Authority (“NYPA”) and the applicant:

1. Operating Expenses Funding

- a. Initial advance of up to \$500,000 for operating expense disbursed at a time or times yet to be determined after execution of an FBA between NYPA and 43North.
- b. All subsequent advances and/or disbursements for operating expenses made contingent upon 43North (i) raising and receiving funds from other sources (e.g., sponsorships and donors) in amounts to be determined by NYPA, and (ii) achieving other milestones to be determined by NYPA.

2. Award Funding

- a. Up to \$5,000,000 may be disbursed upon awarding of \$5,000,000 in prizes pursuant to business plan idea winners in 2016 competition, provided that the total amount of Fund Benefits for operating expenses and award funding may not exceed \$6,000,000.
- b. A portion of the total award shall be subject to recapture if 43North fails to meet reporting and other requirements provided for in the FBA.

3. Miscellaneous

It is anticipated that the FBA would include the following terms and conditions among others:

- a. Pre-approval by NYPA of: 43North’s marketing plan and budgets.
- b. Pre-approval by NYPA of the process for selecting finalists and winners, the final



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number of awards and the final amount of individual awards.

- c. Pre-approval by NYPA of competition criteria.
- d. Annual written reports to NYPA which address the following information at a minimum:

- Number, name and amount of prizes awarded to each of company.
- Marketing impact – positive media hits about 43 North and WNY
- Status of all prior 43 North winners, including location, number of jobs and other funds raised each year following award by 43 North.
- Other funds (including sources and amounts) raised to support 43 North.

- e. Additional reports to address specific issues as NYPA may require.
- f. 43North shall require winners to agree to certain conditions to be determined by NYPA.
- g. 43North shall provide updates and solicit input from NYPA, and its designees, on no less than a quarterly basis.
- h. Pre-approval by NYPA of certain of 43North's expenditures.

The competition will be held in 2016 with a total of up to \$5,000,000 in prizes awarded. All winners would be offered incubator space and support services and be required to locate their business in Western New York for at least one year following completion of the competition.