



# MTI Matching Fund Policy

## Cash Match

Definition: A match in funding that results in the applicant disbursing dollars toward the completion of the proposed project. Cash match is weighted higher than other match in the application review process.

### Examples of what is eligible for cash match:

- Actual dollars paid to consultants hired by applicant to complete the project
- Actual dollars paid to employee(s) of applicant to cover hours that employee(s) worked on project
- Actual dollars paid for project materials, related project travel expenses, and intellectual property costs
- Actual dollars paid for the purchase or rental of project related equipment
- Funding from a Federal SBIR/STTR Phase I or Phase II award, as long as the dollars received from the grant are going toward activities or the purchase of the equipment relevant to the technology being developed and are included as part of the proposed project
- Third-party investment in company from sources other than an SBIR/STTR Phase I or Phase II award

### Examples of what is NOT eligible for cash match:

- Funding from a Federal SBIR/STTR Phase I or Phase II award or funding from any other third-party investment that is NOT going toward funding activities or purchasing equipment relevant to the technology being developed by the proposed project
- Actual dollars from any other MTI or State of Maine funding program

## Other Match in Services or Equipment

Definition: A match in funding where the applicant contributes or receives services or equipment that helps to complete the proposed project without compensation.

### Examples of what is eligible for other match:

- Hours put in by sole proprietor or equity owner that does NOT currently receive payroll or salary (i.e., sweat equity), using MTI's approved pro-bono hourly rates not to exceed \$50 for principals or executive level management and not to exceed \$30 for all other individuals participating in the project
- Hours put into the project by consultants that receive NO dollar payment for work (i.e., working pro bono); the maximum hourly pro-bono rate for a consultant is \$50
- Hours that equipment owned either by the applicant or an outside third party is used for activities necessary to complete the project where no payment is made for its use and is instead assigned a fair market value which requires justification for an hourly rate

### Examples of what is NOT eligible for other match:

- The difference between personnel or a consultant's market rate and the reduced rate being charged to applicant
- The difference between a third-party manufacturer's market rate to rent use of equipment and what being charged to applicant

MTI RETAINS SOLE DISCRETION TO DETERMINE MATCH  
ACCEPTABILITY AND ADEQUACY AS PROPOSED IN THE APPLICATION



# A Guide to MTI's Matching/Co-Investment Funding Requirements

Core to the Maine Technology Institute's (MTI's) mission of diversifying and growing Maine's economy by *encouraging, promoting, stimulating and supporting innovation and its transformation into new products, services, and companies, leading to the creation and retention of quality jobs in Maine*, MTI requires that awardees provide a minimum ratio of 1:1 match to cost-share expenses relating directly to the proposed project. This guide brings some additional clarity to MTI's Matching Fund Policy (see page 1).

## Why is matching co-investment important?

MTI measures capital raised or leveraged—both concurrently and following on—to MTI's investment. This is a critical and important performance indicator that MTI uses to quantify its impact return. Like most risk-oriented ventures, investing is a team effort and collaboration is critical between investors and those receiving the investment. The term “skin in the game” is often attributed to Warren Buffet in relation to investing. It is an analogy that reflects a measure of commitment to, and risk-sharing with, the investors from which the company or organization is seeking capital. Not only does requiring matching funds demonstrate “skin in the game” it also brings additional capital in alongside MTI's funds to accelerate the achievement of goals. This investment may consist of direct cash or direct effort contributions.

## Types of matching funds

### Cash as eligible matching funds

Cash is the most clear-cut form of matching co-investment.

**Cash in hand:** In a case where an applicant can demonstrate it has sufficient cash in hand, and dedicated to co-invest alongside MTI's award, the exercise of corroborating the match is straightforward. In these instances, financial statements from banks should suffice.

**Future cashflow as matching funds:** In cases where the applicant does not have all the matching funds in hand at the time of the MTI investment, they may ask MTI to consider future cashflows as a source of match for future disbursements of MTI funds. When the applicant proposes using future cashflows as matching funds, additional due diligence will be needed to assess the likelihood that the matching cash will materialize. This future cashflow method is typically used only in cases where the applicant is a going concern that's already generating revenues.

### Personnel salaries as cash matching funds

If an organization is committing specific employees to achievement of the goals of MTI's investment, the wages paid to the employee(s) for the portion of their time committed *is eligible* as co-invested matching funds.

Note: To tabulate the cash value of employee time that will be applied toward satisfying the 1:1 cash matching funds requirement, MTI will typically provide a budget template that can be used to breakout the employee time and wage details.

In the cases where an applicant uses employee wages as cash match, it will require the applicant to estimate number of employee hours and hourly wage that will be dedicated to the achievement of the goals associated with MTI's investment.

### Calculating the match value of employee time

#### Employees paid hourly wage

Wage per hour of employee X paid project hours  
Calculate by multiplying the actual hourly rate of the employee by the number of hours dedicated to the project.

#### Salaried employees

Annual rate of basic pay / 2,080 hours  
Hourly rates of basic pay are computed by dividing an employee's annual rate of basic pay by 2,080 hours. Rates must be rounded to the nearest cent, counting one-half cent and over as the next higher cent (e.g., round \$18.845 to \$18.85).



### **“Other” match as cash matching funds equivalent**

MTI’s Matching Fund Policy recognizes that in early-stage companies, those legally allowed to work without monetary compensation (e.g. founders) may make non-monetary investments in the venture by working without taking a salary, wage, or cash draws from the organization for a period of time. This is sometimes referred to as “sweat equity. During this stage of the organization, founders and owners are working for future reward by taking a near-term, and hopefully short-term, risk by foregoing any monetary compensation or draws from the venture.

When equity owners and founders are contributing sweat equity, they may assign a monetary value to the time they commit to achieving the goals of the MTI project. For each specific MTI-funding request, any budget line item for a particular employee/owner can claim their time *only* as cash match or other match, *not a combination of both*.

MTI characterizes this uncompensated time as ‘other’ match. Other match should be limited to a small percentage of the matching funds total. Additionally, “sweat equity” match will typically only be considered as eligible match from early-stage companies.

### **Timing of Matching Funds**

Funds that were expended *prior to the date of application submission may not be counted* as matching funding applied to an MTI applicant’s match.

Note: Applicants may request MTI to consider equipment purchased prior to the application submission date, and essential to the achievement of funding goals, to be considered as cash match. See MTI’s Matching Fund Policy for additional detail.

### **Matching requirements by program**

#### **Grants, Loans & Innovation Ecosystem Investments**

For every dollar invested by MTI, the applicant must match this funding with a minimum ratio of 1:1 cash or qualified “other” match.

#### **MTI SBIR Application and E-Residence Contracted Services**

No matching funds are required when MTI deploys its Technical Assistance Program Experts or its E-Resident team members.

#### **Equity**

MTI invests on the same terms of other investors in a given capital round. MTI enters all equity or near-equity investment with co-investors that are cumulatively contributing an amount greater than the MTI investment. Other match is typically not considered in equity investments.