



Development Loan

Application Instructions

MTI Contacts:

Joe Migliaccio, Director of Business Development

Phone: (207) 582-4790 ext. 204 | email: jmigliaccio@mainetechnology.org

April Finkenhoefer, Lending and Grant Associate

Phone: (207) 582-4790 ext. 214 | email: afinkenhoefer@mainetechnology.org

GENERAL SUBMISSION AND FORMATTING REQUIREMENTS

In the following pages you will find complete directions for the submittal of a Development Loan application, as well as, the eligibility requirements. For your convenience, we have broken the process down into the following four stages:

- Stage 1: Concept Review / Letter of Interest
- Stage 2: Application Submission
- Stage 3: Application Review
- Stage 4: Post-Review Activity

MTI strongly encourages applicants to work closely with MTI staff throughout the application stages. The entire application process, from the submittal of a complete application to confirmation of MTI's funding decision, typically takes about 2 to 3 months.

Applicants must satisfy all requirements of both the Letter of Interest and draft application packages. MTI staff shall evaluate draft application packages for completeness, readiness and overall quality, and make any recommendations to improve the application, and notify the applicant when MTI staff determines that the application is "ready to submit." Final application packages must be submitted through MTI's Online Application Portal. Incomplete applications will not be reviewed.

Applicants seeking follow-on Development Loan funding must demonstrate the progress achieved during the initial project. Previous performance on MTI-funded projects will be considered. All applicants, companies, and/or institutions must be in good standing and current on all MTI projects and reporting requirements at the time of application submission, unless otherwise approved by MTI.

General Formatting Requirements:

- Single-sided pages with a minimum of 0.5" margins and 12-point font
- Draft application documents may be submitted as Word, Excel, and/or PDF files
- The final application must be uploaded via MTI's Online Application Portal as one complete PDF

ELIGIBILITY REQUIREMENTS FOR A DEVELOPMENT LOAN

Eligible Organizations

- Start-Up/Early Stage: up to \$250,000, unless exception requested and approved.
- Established public/private company: up to \$500,000
- Public or private research/academic institutions: up to \$100,000. MTI encourages all Maine-based research/academic institutions and faculty to actively investigate commercial applications for discoveries and technology derived from their research. MTI's core mission supports and funds investigation of how these discoveries can be exploited and accelerated into new products and processes with commercial application. To ensure fit with MTI's mission and funding programs, the faculty of research institutions submitting the application should involve their institution's technology transfer office in the concept review meeting.

Eligible Activities

Eligible activities and stages of research and development include:

- Proof of Concept
- Prototype Development
- Alpha Tests
- Product Development Iterations
- Beta Tests /Marketability Tests
- Design for Manufacturing
- Scale-up of Manufacturing with limited production

For further explanation of the terms above, please speak with an MTI staff member.

Matching Funds

Each loan requires a minimum of a 1:1 match consisting of actual cash, salaries, staff time, or equipment directly attributable to the proposed project. Sources of all matching funds should be identified, satisfactory to MTI staff, prior to submitting a final application package.

Registration as a Maine-based organization

Applicant organizations must meet one of the following criteria to be eligible for a Development Loan:

- A company with a significant base of operations located in Maine and registered to do business in the state of Maine.
- A company with no current Maine operations but demonstrating a clear plan to locate or base significant operations in Maine, register to do business in Maine, and implement such plans prior to execution of the Development Loan Agreement.
- A public or private research/academic institution with significant base of operations in Maine and registered to do business in the state of Maine requesting funds to develop, transfer and advance technologies into the commercial market.

Provide Economic Benefit to Maine

Projects funded by MTI must show a high potential for significant economic benefit to Maine. The project's deliverables should include some of the following benefits:

- Creation or retention of jobs
- Increased competitiveness
- Increased sales and revenue
- Patents, trademarks and/or licenses
- Additional outside investment into company
- Additional company investments
- Infrastructure investments by the company
- Increase Maine's capacity for R&D
- Firm survival and growth

Fit Within the Seven Targeted Technology Sectors

Projects funded by MTI must fall within one of Maine's targeted technology sectors:

- Advanced Technologies for Forestry & Agriculture
- Composite Materials Technology
- Environmental Technology
- Information Technology
- Aquaculture and Marine Technology
- Biotechnology
- Precision Manufacturing Technology

MTI DEVELOPMENT LOAN PROCESS

STAGE 1: LETTER OF INTEREST

Step 1 – Concept Review

Prior to submitting a formal Letter of Interest package, all prospective applicants are **required** to meet (in person or by conference call) with MTI staff to obtain feedback on the details of their project, and determine eligibility for Development Loan funding.

MTI experience demonstrates that this meeting often saves an applicant a great deal of time and resources, and strengthens applications.

Step 2 – Submit a Letter of Interest Package

The Letter of Interest (LOI) package should be sent via email to afinkenhoefer@mainetechnology.org and must include the following items to be accepted as complete (details follow):

- Acknowledgement Letter
- Registration Form
- Confidential Executive Summary (up to two pages)
- History of past MTI funding (up to two pages)

Acknowledgement Letter

Use the template included in the LOI file from the MTI website. Print the Acknowledgement Letter and certify with your original signature.

Registration Form

This form requires the selection of a technology sector most closely related to your project. MTI reserves the right to change the selected technology sector if the **project** is more closely related to another sector. MTI will notify applicants of any sector changes.

MTI requests that all applicants confirm, via the Acknowledgement Letter, that MTI should treat all application materials as “confidential information” under MTI laws (5 MRSA section 15302-A(2)(C)). This assures that MTI will treat the applications, reports, and other information submitted to MTI, with the exception of selected text from the Registration Form and information contained in the “Non-confidential Project Summary,” as confidential information under the MTI law. MTI Board of Directors (BOD), Technology Board members, peer reviewers, other consultants, and staff are required to sign and adhere to confidentiality and conflict of interest policies, available on the MTI website.

Applicants should note the names of MTI Staff, Directors, Technology Board members or consultants from whom to withhold the application, due to conflicts of interest. All Technology Board and BOD members are listed on the MTI website.

Once the Registration Form is complete, print the form and certify with your original signature.

Please note that “Public Information” submitted on the Registration Form portion of the Letter of Interest package may be shared with media, MTI partner organizations, or the public on request.

Confidential Executive Summary

To quickly engage the readers, it is essential that this section be well-written. Be sure to provide the following information in your summary:

- What is the opportunity?
- Why is this important in the market?
- What is your unique differentiator?
- How will the opportunity be achieved?

The Executive Summary should close with a value proposition for the product/service/process commercialized by this proposal, following this general example:

“[Company] sells [product] to [target customers]. The problem our customer has is [problem], and we address this problem by [solution]. We are different from current solutions because [differentiators].”

History of previous MTI funding

Please submit the following information for your previously funded MTI projects:

- Project ID number and Title
- Relationship of previous loan(s)/grant(s) to this Development Loan application
- History of previously funded project(s), including description of scope of work proposed and accomplished
- Explanation on whether previously funded project(s) was or was not a success
- Subsequent efforts leading toward commercialization of the previously funded technology

In addition, applicants may consider including details on any relevant state, federal or other funding received in the last five years or which is currently pending.

STAGE 2: APPLICATION SUBMISSION

Step 1: Submit a draft application

After submittal of the LOI package and confirmation that MTI staff have determined that the LOI package was complete, prospective applicants should confer with MTI staff for any additional guidance and then submit via email a formal draft application. Draft applications must adhere to the format presented below. Incomplete draft applications will not be accepted for review.

The Development Loan Application Checklist is available on the MTI website, identifies all required application components and suggests page limit guidelines. Email your draft application materials to afinkenhoefer@mainetechnology.org.

MTI will review the draft application for completeness, readiness and overall quality, and recommend any measures to improve the application. The applicant then revises the draft application as needed, and submits same to the MTI staff. If MTI staff determines that the final draft application as submitted by prospective applicant is “ready to submit,” MTI shall provide prospective applicants with instructions on submittal of the final application to the *MTI Online Application Portal* and assign a Development Loan application number.

Step 2: Submit a Final Application Package

The final application must be uploaded as one complete PDF file via the *MTI Online Application Portal*. MTI will provide prospective applicants the link to the portal. The invitation link remains valid for five business days.

Final application packages must adhere to all requirements of the Development Loan Application Instructions. Incomplete applications will not be accepted for review.

Upon submission of a final application, MTI will provide the applicant confirmation of receipt of their application, along with their unique ID number and an estimated timeline for the application review process.

STAGE 3: APPLICATION REVIEW

The Development Loan review process follows a step-by-step approach that evaluates applications using standardized review criteria.

Step 1: Technical and Financial Evaluations

MTI has contracted with the American Association for the Advancement of Science (AAAS) who will select up to three qualified technical experts, based on the request from the Maine Technology Institute, from within the appropriate fields. Each expert will perform a scientific and technical evaluation and provide a brief summary statement for each application, indicating its strengths and weaknesses. Each expert will participate in a conference call with MTI staff to discuss these results. An independent financial review will be conducted as well.

Applicants will receive feedback from both reviews and have the opportunity to respond, in writing, prior to the next step of the review process.

Step 2: Sector-Specific Technology Board Review

Volunteer technical/business advisors on MTI's Technology Boards evaluate applications using set evaluation criteria to determine which projects best meet MTI's objectives, which can be found on the MTI website. This evaluation will include a discussion of the application, outside reviewer feedback and the applicant's response to that feedback. The Technology Board, or a Technology Board Sub-Committee of no fewer than three members, will make a funding recommendation on each application to the BOD. Applicants may be required to interview with the Technology Board reviewers. The BOD considers only applications recommended for funding by the Technology Board or Technology Board Sub-Committee, and receives a notification of recommendations not to fund. If the Technology Board recommends that an application not be funded, the applicant will be notified promptly.

Step 3: Recommendations and Development Loan Decisions

The BOD will consider the Technology Board recommendation and will make the final decision on whether to grant funding for a project. The BOD will consider the highest quality applications recommended for funding across all sectors and make its funding decisions based on the reviews and recommendations of the peer reviewers and the Technology Boards. The BOD retains full authority and discretion to make a funding decision other than that recommended by the Technology Board.

All applicants will be notified in writing of the outcome of their application. MTI staff will be available for conversations by phone or in person to discuss the outcome of the review process with individual applicants.

STAGE 4: POST-AWARD ACTIVITY

Signing Development Loan Agreement

If an application is approved for funding, the Agreement must be signed by the applicant within 60 days of approval notification. If additional time is needed, applicants may request one 30-day extension for signing. The current Development Loan Agreement(s) are available on the MTI website.

Unfunded Applications

For applicants that are not approved for funding, MTI staff will provide feedback summarizing the evaluations of the application review process, identifying the key factors to be addressed before another Development Loan application may be submitted.

Directions for Writing a Development Loan Application

Use the **Development Loan Application Outline** from the LOI package to organize a draft application. The sections below describe the content expected in each component of the application package. The application checklist identifies all items required for an application package. Incomplete applications will not be accepted for review.

Introduction

Registration Form: Cover page of application package; may be updated from original submission

Non-Confidential Project Summary (≤100 words): The *non-confidential* summary should describe the benefit and feasibility of the project as well as clearly specify the project's goals. This may be included in a press release if the project is funded and could be provided to members of the public or MTI partner organizations if requested.

The summary should address the following:

- What is your product or technology?
- In which targeted sector does your technology best fit?
- What is the current stage of development?
- What is the Scope of Work outlined in the application?
- How will Maine benefit from the successful completion of your project?

History of previous MTI funding: from LOI package; may be updated from initial submission.

Part 1: Business Plan (up to 18 pages)

Executive Summary: from LOI package; may be updated from initial submission

Company Overview: The following information is generally provided in a company overview:

- Company history
- Accomplishments to date
- Summary of short and long term goals/purpose
- Legal form of ownership

Products and/or Services: This section should provide an overview of the company's current products/services and an in-depth description of the proposed products and/or services expected to be developed using the project technology, including:

- Product attributes – features/benefits
- Describe what is needed to complete development
- Intellectual property (IP) to be developed by the company and ownership/rights to any existing IP needed for successful product development

Market and Marketing Strategy: This section should provide an overview of the company’s current market for products/services and an in-depth description of the proposed market for products and/or services expected to be developed using the project technology, including:

- General market/industry/addressable market size
- Customer motivations/typical customer
- Revenue Plan
- Market penetration
- Pricing strategy
- Distribution and sales strategy
- Overcoming strengths and weaknesses of competition

Commercialization Strategy: An identified path to commercialization that provides economic benefit to Maine is a key component of the application. Be sure to address the following points in this section:

- Identify how this loan will lead toward commercialization or augment the next stages of securing financing.
- Define the additional funding required to reach commercialization. Address the following points:
 - Plans to secure additional matching funds for proposed project, if not already committed
 - Explanation of further funding required, if any, subsequent to project completion and expected sources of this funding
 - Explanation of whether the project will involve new capital coming into the Maine economy including sales revenue, grants and contracts from federal or other external sources, debt or equity investment from outside of Maine
- Describe the infrastructure needed to commercialize the technology (i.e., necessary equipment and facilities).

Operational/Production Plan: Explain the daily operation of the business, its location, equipment, people, processes, and environment.

Management & Organization: This section provides the background of the organizational structure, the persons responsible for executing the proposed project plan (including both company personnel and external contractors), and evidence these individuals have the relevant expertise to accomplish both business and technical objectives, including applicable management experience and/or skill gaps within the company and plans to fill these gaps (include in Development Plan objectives as needed).

Part 2: Financial Statements and Projections

Historical Financials (for existing organizations or businesses only):

- Income Statement (P&L) and Balance Sheet for the previous two years of operation
- Current Year-to-Date Income Statement and Balance Sheet

Debt and/or Capitalization Schedule: If the applying entity has debt, list all existing debt obligations with the following detail in a “Debt Schedule”: lender name, current balance, monthly payment, and loan collateral. If the applying entity has equity investors or shareholders, please provide a separate “Capitalization Table” listing owners, ownership percentages, and type of shares.

Sources and Uses of Project Funds: Provide a detailed total project financing/funding sources and an itemized description of work and relative costs.

Projected Financials: Include four years of projections (including the project duration) and include an income statement and balance sheet with detailed supporting assumptions.

NOTE: Public and private research/academic institutions should provide a signed letter from your organization's finance manager stating the financial resources, personnel and equipment available and dedicated to the project during the loan period as detailed in the application. Historical financial information and Form G (credit authorization) are not required; full financial statements are not required for established Maine universities, colleges and research institutions. However, financial projections for the proposed project technology are required to demonstrate economic feasibility of the project, economic impact to the State of Maine, and likelihood of repayment of the Development Loan. MTI reserves the right to request full financial submissions to ensure financial stability and resources are available and committed to carry through the project.

Part 3: Business Plan Appendices (up to eight pages)

May include, but not limited to, any or all of the following:

- Product brochures/advertisements/photos
- Articles from press or trade journals
- Letters of support from customers
- Industry/market research studies

Part 4: Resumes for Key project personnel

Include resumes for KEY members of the management team (do not include academic CVs).

Part 5: Technology Project Plan (up to 15 pages)

The Technology: Define the proposed technology, the operational system, and the infrastructure in which the technology needs to function – along with other critical elements needed to bring the innovation to the marketplace. To be accepted as complete for review, this section must provide enough detail to clearly understand the technology and the project:

- Clearly define the specific technical problem or opportunity to be addressed through the development of the proposed technology (i.e., product, process or service)
- Describe the proposed technology and why it is unique and innovative
- State the specific technical objectives of the project, including:
 - The technical questions it will answer and how they will be answered
 - Any preliminary data that supports the choice of methodology and the feasibility of the project
 - Information about related or prior R&D that supports the proposed activities
 - Appropriate references from literature, other published documents, and results from tests, experiments and exercises

- Explain if your technology depends on other IP assets, whether owned or licensed to be successful and sustainable.

Project Scope of Work: The scope of work should clearly articulate the necessary tasks to meet major project objectives and move the project technology towards commercialization. Experience has shown this requires advancement on three primary scales: technical readiness, market readiness, and business readiness. In addition to technical development tasks and deliverables, a strong scope of work will include tasks and deliverables to validate market acceptance of the proposed technology, product, or service at each review period, and to develop organizational capabilities and partnerships necessary for successful commercialization. For each review period, this should include:

- Quantitative and qualitative product/process design goals for launch or license,
- What work will be done,
- Where the work will be done,
- How the work will be done (and who will carry it out), and
- How success at each key review period will be evaluated and determined.

The scope of work should also discuss tasks in detail to enable a complete scientific, technical and project management evaluation. Specific issues that should be directly addressed in this section include:

- Measurable outcomes from the scope of work that support continued commitment to commercialization and growth
- Identification of major risks and risk mitigation strategies to project commercialization, including:
 - Ability to obtain funding to complete technology development
 - Ability to deliver on time within budget
- Confirmation of access to or ownership of necessary equipment and facilities to carry out the work
- Identification of standards, specifications (including engineering and testing), tests and certifications that are important to commercialization
- Alternative plans in case of failure to meet the technical objectives stated in the proposed project.

Applications must include a Gantt chart that clearly delineates each major tasks, targeted completion dates, metrics of success, and team member responsible.

Applicants are also required to include a project period outline with bulleted lists of project deliverables for each project period.

Note: *The description of tasks and project schedule must align with each period's budget Form B.*

Economic Impact: Describe how the proposed project will impact the Maine economy and highlight the key assumptions used when determining economic impact and sales/revenue projections for the company. Examples of economic impact may include:

- New jobs or preservation of existing jobs in Maine, or new workforce skills development;

- New products, process and/or services introduced to the market;
- New invention disclosures, intellectual property protection (patents, copyrights, trademarks, plant rights, etc.), licenses; and
- Whether it will result in additional capital investment within Maine.

This section will be augmented by the economic impact assessment Form F.

For public or private research/academic institutions: MTI’s experience has shown that projects are most successful when there is a high degree of interaction between the academic or research institution and the candidate and/or target company team members. This joint activity should be clearly outlined in the description of the project. Describe the expected interaction to move the technology from the academic or research institution to the industry partners or company.

Examples include reports, meetings, email exchanges, and company participation in the project.

Part 6: Budget Forms and Supporting Documents

Form B and Form D – Project Budget Forms: Forms B and D are the project budget forms (an Excel document with multiple worksheets) which include a spreadsheet for the total project budget (Form D) as well as budget spreadsheets (Form B) for each milestone period. Form B provides MTI with the costs for each period. All costs charged against MTI funding must be directly related to the project. Forms B and D should also correlate to the project work plan periods and deliverables outlined in the project description.

Using Form B, please indicate the following:

- Line-item expenses for the proposed project by expected milestone-related time period
- Number of hours and hourly rate for all employees and non-employees
- Total funds requested from MTI
- Total matching funds committed

The following constraints apply to eligible activities:

- Marketing or sales critical to project commercialization must not exceed **15%** of the MTI funding or project total
- Indirect/overhead costs must not exceed **20%** of the MTI funding or project total. This includes the ongoing expenses of operating a business.
- MTI may retain up to **20%** (minimum of \$5,000) of the final award payment until the final period reporting is complete.
- MTI funds cannot be used to recoup costs incurred **prior to** the submission of the letter of interest package and these may not be considered matching funds for the project. All properly documented expenses, funded by MTI or match, may be claimed from the date of the letter of interest package, up to a maximum of sixty (60) days before the submission of the final application.

Budget Justification and Supporting Documents (up to four pages): Examples may include:

- Lists of items to be purchased,
- Purchase order agreements for materials to be used within the project,

- Estimates/quotes for materials and services, and
- Scope of work agreements with consultants/contractors for the project.

Wage and Salary Rate Guidelines: Payment of project personnel salaries and wages (including the company principals) is a legitimate use of MTI funds. All salaries and wages, paid with MTI funds or other funds, must be the actual pay rate (based on historical paystubs), and must NOT exceed allowable limits based on reasonable rates for the current market within Maine. MTI will verify payments and rates for personnel and consultants before issuing funds.

Note: This section and other supporting budget documents of the application will be evaluated and considered as an important component of the funding decision.

Part 7. Letters of Commitment and Required Forms

Letters of Commitment for Matching Funds (Internal and External): Applicants are required to provide matching funds in the form of direct cash or in-kind support. On individual pages, please provide letters of commitment for all matching funds contributed toward the completion of the proposed project. Letters of Commitment accounting for contributions to the project from external parties and contractors (listed on Form B), both in terms of cash and in-kind services, may contain additional details of the scope of work provided by the contributing party. A sample commitment letter is provided in the application attachments.

A minimum 1:1 matching contribution is required for the project to qualify for any MTI program. Actual contracted match commitment will be based on submitted Budget Forms B and D, and the quality and amount of the match will be considered as part of the funding decision. The match must be independently verifiable and used exclusively for the proposed project.

Form C – Intellectual Property (IP) Plans and Proprietary Positions of Applicant: The IP created or required by a project is a key component to considering the technological and business potential of a technology.

Using Form C, list and describe all relevant Patents, Copyrights, Trademarks, Trade Secrets, or any other IP which is material to the applicant's ability to conduct the project described in the application. Include an abstract and number for background IP, copyrights, trademarks, trade secrets, licenses or any other IP owned or needed by the company, university or non-profit research institution which use is material to the applicant's ability to conduct the proposed project.

Note: Applicants requesting funds to pursue IP protection, such as patent protection, must include supporting documentation from the patent attorney or agency conducting the IP investigation. Agencies and/or law firms typically provide clients a Limited Assessment or Prior Art Search Report.

Form E – Repayment Plan: Form E outlines MTI's standard repayment terms. Applicants may propose an alternative repayment plan.

Form F – Economic Impact and Key Assumptions: All successful proposals will detail the project's expected economic impact in Maine for five consecutive years from the start of the project. Some factors taken into consideration include potential for job creation, the use of Maine contractors, and

retention or increased wages and relevance to Maine’s innovation economy. Using Form F, describe the following:

- Indicate the five consecutive years from the start of the project.
- Detail incremental business changes resulting from the project.
- Provide any additional information that addresses the economic impact to Maine expected to result from this project.

This section allows for applicants to provide up to one additional page to highlight key assumptions used in Form F when determining economic impact and sales/revenue projections for the technology.

Form G – Credit Authorization: MTI recognizes that the credit assessment is sensitive information. This information is **not** provided to Technology Board or peer reviewers, and the principal purpose of conducting a credit check is to determine if there are any legal obstacles that must be remedied prior to execution of a Development Loan agreement. Those with poor credit may still execute a Development Loan agreement; special accommodations in regards to the payment of the loan, however, may be made to protect MTI’s investment.

MTI will conduct credit checks only on companies and principals having an ownership interest in the company of 20% or more who are approved for a Development Loan. MTI fund disbursement requires satisfactory review of company and principal(s) credit history.

Application Checklist: Use the Application Checklist to ensure that all required components of the application package are included. Incomplete applications will not be reviewed.