

EXECUTIVE SUMMARY

The Maine Technology Institute supports technology research and development by Maine businesses, helping them to commercialize cutting edge products and services in the state's technology sectors. With MTI's support, these companies become more competitive and provide more higher-paying jobs for people across the state. These results were verified by an independent evaluation this year, which noted that MTI programs had significantly impacted Maine companies and the Maine economy.

In FY05, MTI again increased the amount of funding awarded to Maine companies. Through its grant and award programs, MTI funded 161 new technology development projects, totaling more than \$6.2 million. This funding leveraged an additional \$8.6 million in matching capital investment by the companies themselves.

Since its inception in 1999, MTI has funded 656 technology development projects throughout the state of Maine, a financial commitment of over \$27 million that has leveraged an additional \$43.6 million to total just over \$70 million. These resources have enabled Maine companies to secure their intellectual property, launch more competitive products and services, grow faster than average companies across the state, generate jobs, and purchase goods and services from other Maine companies. Companies that received MTI's earliest development awards, which require repayment to MTI within two years of selling a new product or service, made payments back to MTI totaling \$607,000 during the fiscal year. These repayments will be recycled back in support of technology-intensive businesses across the state during FY2006.

MTI also continued to help Maine companies compete successfully for technology development funds from federal agencies through the Small Business Innovation Research (SBIR) award program. Through its informational workshops, grants for proposal preparation and one-on-one consulting in FY2005, MTI assisted 14 Maine companies to secure 18 awards, totaling over \$3.25 million.

MTI provided other commercialization assistance as well, including its intensive commercialization workshops, which attracted 27 companies representing Maine's mature and emerging industries. MTI's statewide network of Tech Trackers continues to grow, with MTI supporting over 30 mentor-company relationships during the year.



Two MTI Award Recipients (from left): Ocean Farm Technologies of Searsmont has developed a submersible fish farming pen for the aquaculture industry. Know Technology in Camden provides networking, hosting, website and database management and development services throughout Maine and New England.

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BACKGROUND

The Maine Technology Institute (MTI) was created by the Legislature in 1999 to, “encourage, promote, stimulate and support research and development activity leading to the commercialization of new products and services in the State’s technology-intensive industrial sectors...” (5MRSA ch. 407). The targeted technologies are:

- Advanced technologies for forestry and agriculture
- Aquaculture and marine technology
- Biotechnology
- Composite materials technology
- Environmental technology
- Information technology
- Precision manufacturing technology

MTI supports early-stage technology development, the most challenging step to finance on the way to profitability and growth. As the State’s only support for private sector research and development, MTI funding provides the crucial link that will help drive ideas from the laboratory to the marketplace. MTI accomplishes its purpose by cost-sharing research and development (R&D) and industry cluster enhancement projects with Maine companies through several competitive award programs, and by helping Maine companies secure federal funds for their R&D projects. MTI also administers several state funds that aim to build the R&D capacity of Maine’s nonprofit research laboratories, strengthening Maine's biomedical and marine industries while expanding the state's technology employment base.

MTI is a private non-profit organization, governed by a private-sector led Board of Directors (Appendix A). The director of the Institute is appointed by the Governor and reports to the Commissioner of the Department of Economic and Community Development via the Director of the Office of Innovation. In February 2005, MTI’s founding director, Dr. Janet Yancey-Wrona, left MTI to become the director of the State’s Office of Innovation. The Governor appointed and the Senate confirmed her successor, Betsy Biemann to the post. As per MTI’s by-laws, MTI’s Board has since elected her to the office of MTI’s president.

MTI’s success is due, largely, to the dedication of more than 80 Maine experienced business people and technology experts who serve on MTI’s seven technology boards (Appendix B). In FY05, these volunteers contributed over 5,000 hours to proposal evaluation, funding recommendations and advice to the Board of Directors in matters of policy and direction.

MTI employs a lean staff of six full time employees and one part time staffer who, together with its president, implement the policies and programs of the Board (Appendix C).



Back left to right:
Betsy Biemann, president
Simon Varney, external programs
Andrea Phillips, office manager
Joe Migliaccio, development awards
Elizabeth Crabtree, seed grants
Shane Beckim, program administrator
Tucker Kimball, communications

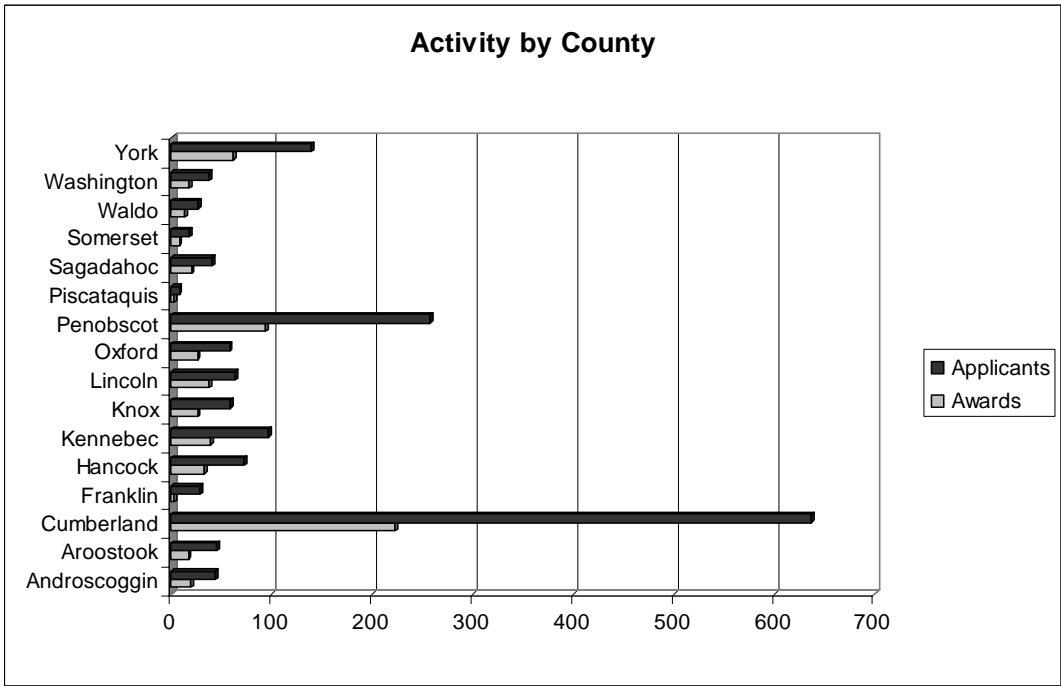
MTI FUNDS INNOVATION BY MAINE COMPANIES

MTI currently offers a portfolio of five programs, including one new program introduced in FY05. Two programs comprise the bulk of MTI activity—the Seed Grant and Development Award programs. These programs fulfill the core purpose of MTI by funding technology research and development projects that will bring new products and services to market. In 2005 MTI introduced the Phase 0 Award program with the aim of boosting federal funding of innovation in Maine. The Institute does this by helping Maine companies increase their successful federal Small Business and Innovation Research (SBIR) and Small Business Technology Transfer (STTR) proposal submissions. Through its recently-launched Accelerated Commercialization Fund, MTI made its first loan to help a company secure follow-on early stage equity investment to fuel commercialization and growth. A fifth program, the Cluster Enhancement Award program, helped grow the state’s targeted technology clusters, thereby benefiting many more Maine companies across these industries.

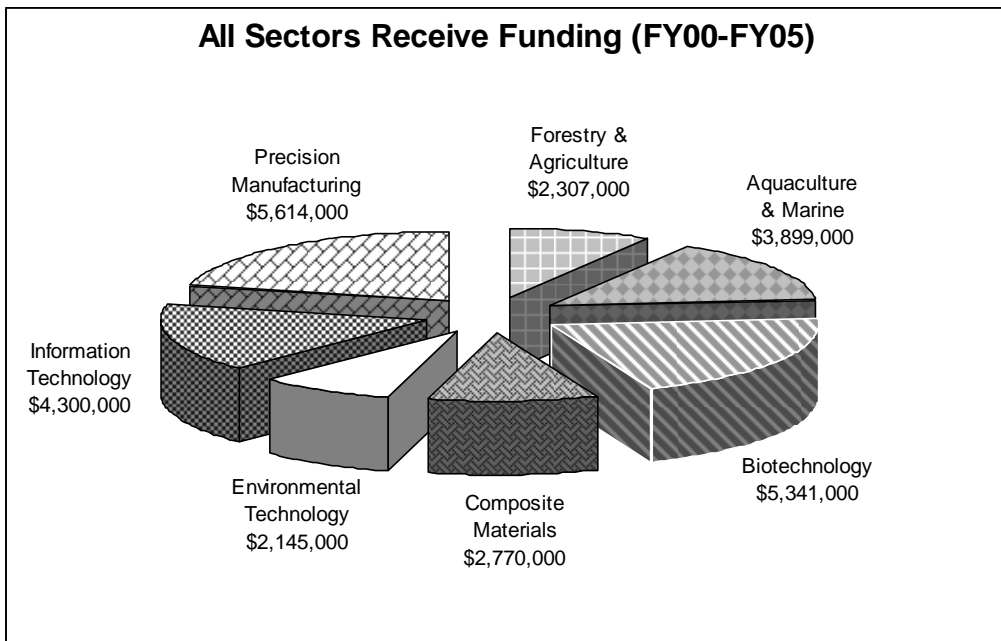
Nine times each year (as well as on a rolling basis for several of its programs) MTI accepts proposals from applicants throughout the State. These applications are analyzed and their technologies, commercialization promise and potential economic impact in Maine are ranked by teams of knowledgeable reviewers. Awards are made to those projects that best meet the Institute’s funding criteria. 161 R&D projects were approved in FY05, totaling more than \$6.2 million.

This brings the total funding to date by MTI to 656 projects, representing every Maine County, and over 500 Maine businesses. Together with the matching funds leveraged by MTI’s funding, these R&D activities represent more than \$70 million in investment throughout our State.

These early stage R&D efforts will help drive new products and services to the market, creating jobs in the technology-intensive sectors. Independent researchers from the University of Southern Maine note that evidence already shows that ***“MTI programs have been very successful in a short time supporting substantial innovative activity, particularly in the private sector, that is likely to have positive economic impacts throughout Maine.”***

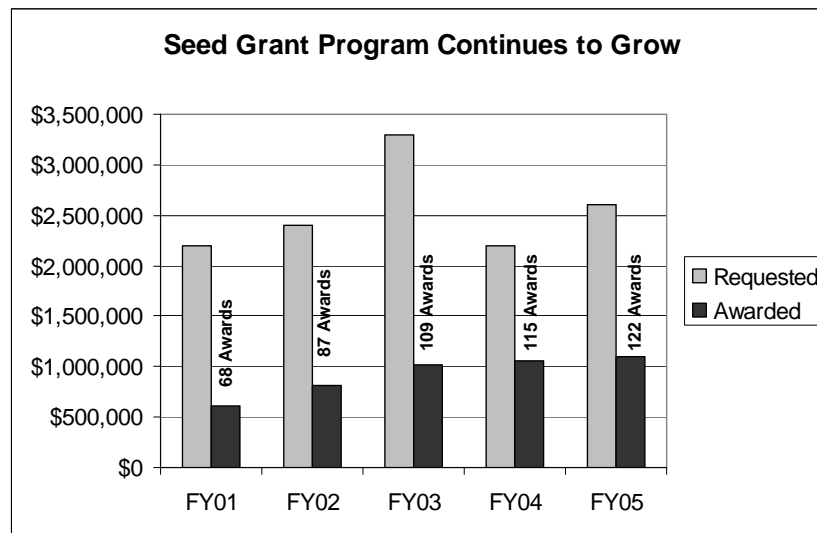


After five years of activity, projects have been funded in all seven sectors. Funding is not equal among the sectors reflecting the number the applications received from each sector. The number of awards among the sectors ranged from 76 for Advanced Technologies for Forestry and Agriculture to 132 for Precision Manufacturing.



Seed Grants

In FY05, MTI offered six rounds of its popular seed grants, of up to \$10,000 each. Participation in the MTI Seed Grant program continued to be strong, with an average of 50 applications received and reviewed per round. 122 awards were granted – an increase in the funding rate that reflects the improved quality of proposals (Appendix D). MTI has approved 501 seed grants for funding since 2000, when the first seed grants were awarded (Appendix E).



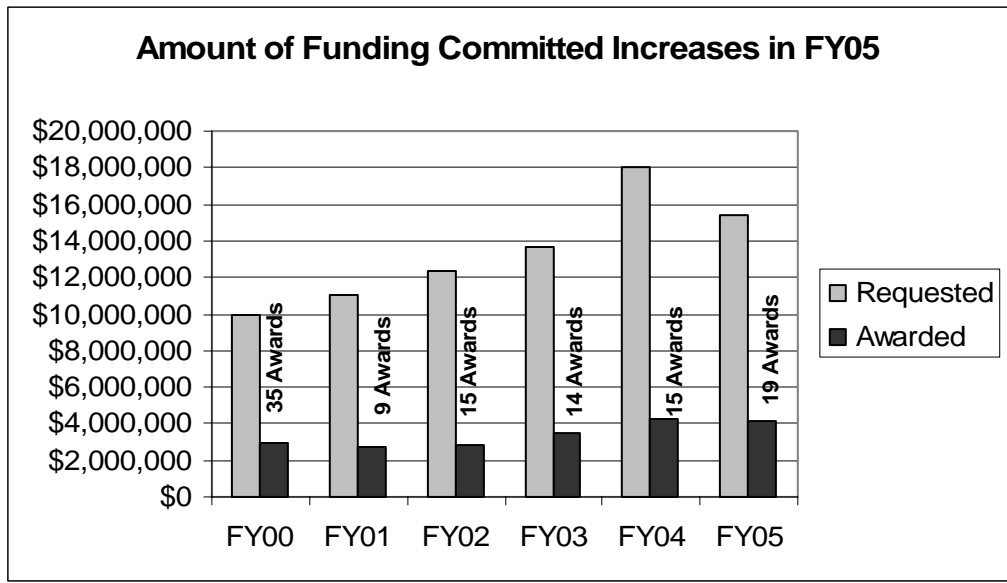
Nearly half of the seed grant funds were used to pay expert consultants helping the company with product development and market research. Approximately one quarter of the funding paid company personnel, and the remaining funds were disbursed among equipment, supplies and other project-related expenses.

MTI's seed grants, and the technology development activities that they support, motivate many Maine firms to take the next step and invest in taking their innovation all the way to the market. One example is Tex Tech Industries, founded in Maine in the late 1800's as Annabessacook Mills in North Monmouth. Today, under its new name the company employs 260. While countless other textile manufacturing companies in New England have closed up shop, Tex Tech has revolutionized its product mix and now produces specialty fibers and fabrics for the security, safety and sports markets. The company's customers include Boeing, the U.S. Department of Defense, Gulfstream Aerospace, and the tennis ball companies Penn and Wilson. Tex Tech project engineer Stan Farrell has noted: *"Thanks to MTI, we've been able to successfully enter new markets. Its grant funding has helped us transform ideas into tangible, marketable products."*

Development Awards

Development Awards for up to \$500,000 each were offered three times during FY05. Applications remained at 52, with 12 still under review at the close of the fiscal year. In all, 19 proposals were funded for a total of \$4.2 million, a slight decrease from the previous year (Appendix F and G). More than half of the development award funds were

used to pay company personnel, with the remaining funds distributed for other commercialization-related costs.



Martin Grimnes, owner of Harbor Technologies in Brunswick commented on the company’s work with the University of Maine’s Advanced Engineered Wood Composites lab to build and test steel reinforced composite pilings as follows. *“We could not have afforded to do this development without the award. We wanted to know exactly how to build the pilings, what to build them with and where the most attractive markets were. We are now at a point where we truly know we have a product and we truly know we have a market.”*

During FY2005, Maine companies with development awards made some exciting achievements. For example, Immucell licensed a new mastitis treatment product to the large pharmaceutical company Pfizer and repaid its development award with a portion of the proceeds. Several other companies commercialized new products and services, such as Marical in Portland, which continued international trials of its salmon aquaculture technology for the aquaculture and live bait markets, MaxTorque (Limerick), which began sales of their valve actuators, and Seabait Maine (Franklin), which has received excellent feedback on its sand worm products. However, since MTI funds companies for very early-stage, high risk technology development, there were also companies that had to halt their technology development projects because they encountered unanticipated problems with the technology, their competition, or their intended market. Three companies closed their projects early because of such issues.

Cluster Enhancement Awards

MTI recognizes that dynamic technology clusters require more than a group of individually successful companies. Therefore, MTI offers this financing program to support activities that will strengthen industrial activity within and among the targeted industry sectors. The Cluster Enhancement program is important to MTI’s purpose

because it supports efforts that will help enrich the environment necessary for successful technology-based business growth.

In FY05, MTI approved funding for seven new cluster enhancement awards, totaling over \$800,000 and matched by over \$1,900,000. All together MTI has provided over \$3,300,000 in cluster awards, matched by more than \$8,500,000, for 31 projects that support Maine's technology-driven businesses by improving the business climate, infrastructure, resources, connections and linkages necessary for the innovation economy to thrive (Appendix H and I).

New cluster enhancement awards made in FY 2005 included a Native American manufacturing initiative, an effort to improve seed potato production to benefit Maine potato farmers, and an initiative to boost the licensing of new technologies developed by Maine's nationally-renowned nonprofit biomedical research institutions to private companies for commercialization and employment generation.

MTI also administers Maine's **Renewable Resources Fund (RRF)**, established by the Legislature in 1999 (5MRSA Title 35-A §3210), and funded with voluntary contributions from Maine citizens collected by the Maine Public Utility Commission. These funds match MTI-approved cluster enhancement awards, thus encouraging eligible renewable resources projects. One project, the Chewonki Foundation Renewable Hydrogen Energy project, used these matching funds for a FY2004 award. The organization received \$80,000 in MTI funding, matched by \$40,000 from the Renewable Resources Matching Fund while providing over \$155,000 in match funding themselves. This project made continued progress in FY2005, completing the technology development, bringing together Maine companies in support of Maine's emerging hydrogen energy cluster, and hosting a number of conferences and education sessions for companies, nonprofits and members of the public interested in renewable energy in Maine. No new proposals for the RRF were received in 2005.

The Accelerated Commercialization Fund Makes its First Loan

In FY04, MTI introduced the Accelerated Commercialization Fund (ACF), to provide follow-on funding to help successful MTI-funded companies bring their new products or services to market. The fund is available for any company that previously received an MTI development award, and requires a cash match from an outside equity investor(s) or institutional fund. This fund fills a growing gap for companies seeking to raise working capital needed to bring their new products/services to market. In FY2005, MTI made its first \$100,000 ACF investment in Stillwater Scientific Instruments, an Orono company that spun out of the University of Maine. MTI's capital in this company was matched 1.5:1 by individual angel investors. The firm has developed a cutting edge innovation that significantly improves the analytical capacity of mass spectrometry and electron spectroscopy instruments.

The Phase 0 Program Funds Maine Companies to Compete for Federal R&D Funds

In FY2004 MTI had used its seed grant program to support Maine companies to compete for federal SBIR and STTR awards. This year MTI launched a specialized program

providing financial assistance to Maine companies for SBIR proposal preparation. Proposals are accepted and reviewed on a rolling basis to better coincide with the SBIR award schedules and allow maximum time for the preparation of the most competitive proposals. This increases the success rate of these proposals that bring in millions of dollars of federal R&D financing for Maine firms annually. In FY 2005, twelve Phase 0 awards were made to 10 companies, totaling \$54,596 in awards matched by company contributions of \$80,697 (see Appendix J). Because it can take as much as a year for a company to apply for such an award and receive notification of funding from the federal agency, the results of these investments will become clear later in FY2006.

INDEPENDENT MTI EVALUATION SHOWS IMPRESSIVE EARLY IMPACT

All MTI-funded companies are required to fill out a survey annually for five years following a project's completion. The compiled data are independently evaluated to determine the impact on Maine's economy, with a report to the Legislature prepared every odd-numbered year.

In January 2005, Professors Charles Colgan and Bruce Andrews from the Center for Business and Economic Research at the University of Southern Maine issued their report, noting the preliminary impact of the MTI-funded projects that had been completed as of June 30, 2004. This represented approximately \$8.1 million in MTI support to Maine companies. Their evaluation report concluded that:

- 46% of these R&D activities had already led to new products and services, with 24% already offered for sale;
- 45% of MTI-funded projects had or would seek patent protection and 84% would seek other intellectual property protection (trademarks, etc.);
- Employment in MTI-funded companies grew at a rate of 11%, compared with the average Maine company, which grew by less than 1%;
- MTI financing had been a substantial catalyst for Maine businesses seeking external financing – firms had raised over \$95 million in private investment and \$100 million in federal R&D support.

Overall, the evaluators stated that ***“MTI programs have been very successful in a short time supporting substantial innovative activity, particularly in the private sector, that is likely to have positive economic impacts in Maine. MTI funds have catalyzed more than \$20 in federal R&D support and private investment for every \$1 of MTI funding.”*** The full evaluation report can be found in Appendix L.

MTI PROVIDES COMMERCIALIZATION ASSISTANCE

As set out in its founding legislation, MTI maintains an outreach, information, and technical assistance program helping Maine companies secure funding from the federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) award programs. These programs represent a \$2.3 billion potential market for Maine's technology intensive companies. During the last several years, MTI's efforts

have contributed towards increasing the amount of federal funding received by Maine companies for innovative research and development under these programs, which contributes to the competitiveness and growth of these companies. **The most recent data shows that Maine companies ranked 4th in the nation for the “win ratio” of proposals submitted to these programs.**

Maine’s SBIR/STTR program operated with state and federal funding throughout FY05. MTI invested over \$190,000 to provide technical assistance and outreach for the SBIR/STTR programs. In addition, MTI received more than \$104,000 Federal and State Technology Partnership (FAST) matching funds from the Small Business Administration (SBA) to stimulate technology commercialization by small businesses.

MTI’s outreach and SBIR *pro bono* consulting support, along with the Phase 0 program described above, is paying off:

- Maine companies continue to secure SBIR/STTR funding. In FY2005, 14 Maine small businesses received 18 SBIR or STTR awards and invested this additional \$3.25 million in research and development.
- Training/Promotion: MTI hosted a workshop featuring the U.S. Department of Agriculture SBIR program manager at Maine Tech 2005, which generated fifteen SBIR proposals from Maine companies to that agency, when typical levels were 4-5 Maine proposals to the USDA per year.
- Awareness: over 500 small businesses statewide were contacted and informed about the SBIR program.
- Technical Assistance: over 100 Maine companies were provided in-depth guidance and assistance **at no cost** for preparation of SBIR proposals, or other proposals for federal funding of R&D.
- Financial Assistance: MTI’s Phase 0 program supported ten Maine companies to prepare and submit 12 proposals for federal R&D funding through the SBIR and STTR programs.

The SBA FAST grant has allowed MTI to expand these activities and provide intensive training to increase the likelihood of commercialization success by MTI- and SBIR-funded companies. Through this federal grant, MTI provided a ten-week, interactive series of commercialization workshops. Twenty-seven companies representing all seven of Maine's targeted technology sectors participated completed the workshop series (see a list of workshop series graduates in Appendix K).

MTI also continued to grow its **Tech Tracker mentoring network** to support workshop graduates as well as other MTI-supported companies as they commercialize their new technology products and services. More than 50 business professionals joined the Tech Tracker program in FY2005 and MTI facilitated more than 30 mentoring relationships. Tech Trackers have helped Maine companies identify capital sources, analyze marketing plans, and develop company strategy.

MTI looks forward to continuing and expanding the Tech Tracker program since we believe that Maine companies – particular start-up and small businesses – would greatly benefit from the types of expertise that Tech Trackers can contribute.

MTI SUSTAINS EFFECTIVE PARTNERSHIPS

Small Business Development Centers (SBDC)

MTI and SBDC completed the third year of a contractual partnership to cost-share a business counselor focusing on technology-based businesses in Maine, and to develop a competency in technology-based business counseling at the SBDC. This partnership has been highly successful and in March 2005 earned national recognition as one of the Small Business Administration's "Best Practices" teams assisting technology-intensive companies. MTI hosts this program, called the Small Business Technology Development Center, in its Gardiner office. Maine is the 4th state in the nation to have a SBTDC program. To supplement the counseling of the SBTDC director, all SBDC counselors undergo ongoing training to provide substantial assistance to Maine's technology-based companies, and all seven Technology Center directors have completed professional training and are certified as affiliate counselors.

The Maine SBTDC Director housed at MTI counseled 78 MTI clients; in addition, every Maine SBDC counselor has engaged in some form of assistance with an MTI client. Maine SBTDC/MTI clients have generated \$5.8 million in capital, while the Maine SBDC/MTI clients generated an additional \$1.1 million in capital formation. MTI clients received 616 hours of counseling from their Maine SBDC counselors, and Maine SBTDC clients have received 576 hours of direct counseling; both groups worked on issues of business development and commercialization of innovative technologies.

Maine Manufacturing Extension Partnership (Maine MEP)

For the fifth year, MTI continued its partnership with Maine MEP to complement MTI's outreach program and to introduce advanced manufacturing technical assistance to MTI seed grant and development awardees. In return, at no cost to MTI, Maine MEP continued to issue checks for MTI funding of its awardees. MTI authorized payments through Maine MEP for over \$4,800,000 in FY05. Maine MEP contributed over 1900 staff hours during this fiscal period to promote MTI services to Maine manufacturers and to introduce MEP services to over 100 MTI awardees. In addition, MTI supported 50% of a Maine MEP staff person, focusing on MTI services, beginning in April 2004 through March 2005 in response to a decrease in the MEP national budget in FY04.

To improve the global competitiveness and new product introduction success rate of Maine companies, Maine MEP engaged with 30 MTI clients for follow-on technical assistance projects relating to quality management systems, lean manufacturing, facility layout, strategic and technology roadmapping, and workforce development planning. Maine MEP used its federal resources and partnerships to offset 70% of the costs for over 2100 hours of focused training and consulting activities. These combined state and federal resources yielded approximately \$228,000 in training cost savings for MTI clients working with the Maine MEP.

Maine Procurement Technical Assistance Center (PTAC)

Maine PTAC, formerly called the Market Development Center (MDC), fulfills its federal mandate to support the federal SBIR program by partnering with MTI's SBIR assistance and outreach program. MTI's administrative expenses provided approximately \$175,000 of in-kind match for PTAC's federal procurement assistance program in FY05.

University of Maine System

Active collaboration between the University system and MTI continued in FY05. The Director of the Department of Research and Economic Development continued to represent the Chancellor on the MTI Board of Directors. The University of Maine is the primary recipient of 20 MTI awards for technology development, and has provided assistance to more than 43% of MTI-funded companies, including direct technical assistance, informal advising, commercialization of University-developed technologies and graduate student support. The University of Southern Maine is the primary recipient of one MTI award.

Maine's Technology Development Centers

MTI continued to build a strong relationship with the seven of Maine's Technology Centers. All seven Center directors serve on MTI technology boards, and thereby actively participate in MTI award review processes. In addition, the Centers provided facilities for many of MTI's workshops and seminars, hosted the MTI's Orono commercialization workshops and actively promoted MTI programs to their clients. Moreover, an MTI staff member sits on the Technology Center coordinating board, in order to maximize the impact of both MTI and the Centers. The partnership is paying off – 60% of companies affiliated with the Maine Center for Enterprise Development in South Portland, and 75% of those affiliated with the Target Technology Center in Orono have obtained MTI funding.

Maine Patent Program

MTI continued to fund intellectual property work. However, this work is only funded after companies have received assistance from the Maine Patent Program, as agreed to in the MTI-Maine Patent Program memorandum of understanding. In FY2005, 27% of MPP clients received funding from MTI.

Small Enterprise Growth Board

MTI continued a close and mutually supportive relationship with the State-sponsored venture capital fund, the Small Enterprise Growth Fund (SEGF). The MTI Director continued to serve as the Commissioner of DECD's designee on board of the SEGF. This interaction provided an important link between MTI funding assistance and the equity funding provided by SEGF. This year, the SEGF invested in one more company that had previously received MTI financing. Therefore, seven out of the 28 SEGF portfolio companies previously secured financing and other assistance from MTI. This confirms that MTI is helping to build a pipeline of companies ready for equity financing here in Maine.

Private Capital Sources

To help assure that MTI-funded companies have access to follow-on funding from private venture capital sources as well, MTI maintained close relationships with many of the venture capital funds and investors in the State. The new MTI President serves as a member of the Maine Investment Exchange Advisory Committee, and in that role helps to introduce Maine technology-intensive companies with early stage equity investors. The two Maine companies that presented at the spring MIX Forum held at the Maine Tech 2005 show in Augusta were MTI-supported companies. Finally, MTI's two finance Directors include a venture capitalist and a banker from the private sector, who are also able to advise the MTI President and staff on how MTI can best be effective helping Maine companies to secure private capital to boost the commercialization of new technologies.

OUTREACH AND PUBLIC RELATIONS

It is important that all MTI programs be available and accessible to all entrepreneurs and businesses throughout the State of Maine. In the past year, MTI promoted its programs in a variety of ways, including:

- MTI prepared **statewide press releases** and **worked closely with media outlets** in an effort to promote its programs, program milestones, and to highlight companies who received MTI funding. MTI also sent statewide press releases after each round of awards.
- MTI broadcast its **bi-monthly e-news** to over 1,500 individuals, companies, and organizations. "MTI eNews" includes special updates, upcoming award deadlines, award recipient announcements, upcoming workshops and seminars, and announcements of relevance to the targeted industry sectors.
- MTI created a new quarterly newsletter highlighting the technologies brought to market by MTI funded companies and the employment impact that these companies are having in their communities. "The Innovator" was sent to Maine's legislators, small businesses, economic service providers, state and federal officials, and various trade associations around the state.
- **Open houses** took place quarterly. Approximately 25-40 persons attended each open house.
- **Proposal preparation workshops and MTI overviews** were presented by MTI to the general public. These workshops, publicized in the press and through the economic development community, were attended by over 100 Maine residents. They were held in the following cities and towns: Gardiner, Rumford, South Portland, Orono, Walpole, Augusta, Presque Isle, and Millinocket.
- Information regarding MTI was made available on our **Web site**, <http://www.mainetechnology.org/>, including all of the information and documents necessary to apply for funding. The site features a calendar of events, MTI News and a "Directory of Professionals", where businesses that provide services to the business community (grant writers, consultants, marketing/PR firms, etc.) can

post a listing at no charge. MTI also posts its workshops on www.mainebusinessworks.com.

- MTI attendance, sponsorship, or presentations at **sector-related events** continued to increase. In the past year these events included: Washington County Business Conference, Entrepreneurs Summit, Androscoggin Business to Business Conference, USM Student Business Plan Competition, UMaine Entrepreneurship Day, Maine Wood Products Association Meeting, Economic Development Council of Maine Summit, Maine R&D Summit, Maine Metal Products Association Annual Meeting, Financing Growth Summit, National Renewable Energy Laboratory Summit, Maine BioTech Annual Meeting, York County Economic Development Summit, and the Maine Biofuels Conference.

MAINE BIOMEDICAL RESEARCH PROGRAM

As required in statute, MTI administered the Maine Biomedical Research Fund. MTI executed its agreement with the Maine Biomedical Research Board (MBRB) and received the funds according to its grant agreement with DECD. MTI continued its contractual agreement with a grant administrator to carry out the duties stipulated in this agreement and plans to continue its contractual duties with the MBRB for FY2006 fund administration.

In FY2004, the MBRB allocated \$20 million of bond funding according to a legislatively-mandated formula base on the record of federally-funded R&D and agreed to by the MBRB. Recipients of the funds, as stipulated in legislation, were: The Jackson Laboratory, Mount Desert Island Biological Laboratory, University of New England, Maine Medical Center Research Institute, and the Foundation for Blood Research. The \$20 million bond funds were approved by the voters in June 2003 as part of an economic recovery package. During FY2005, MTI disbursed \$8,494,959 to this Fund's awardees as they achieved project milestones.

MAINE MARINE INFRASTRUCTURE AND TECHNOLOGY FUND

In June 2003, the State of Maine approved a \$1,000,000 bond issue funding the Maine Marine Infrastructure and Technology Fund (MITF). The MITF built on the Maine Marine Research Fund created the previous year to support marine research, and create jobs in Maine, by eligible Maine private non-profit institutions, state government and quasi-governmental agencies and academic institutions, excluding the University of Maine System, engaged in marine research.

Pursuant to its legislation, MTI received \$1,000,000 for the MITF. MTI used the services of the State's Research Capacity Committee and Sea Grant Consortium to facilitate the review process, assuring MTI and the Fund's constituents that the review was a fair and equitable peer-reviewed process. In March 2004, MTI approved six grants totaling \$946,976. Since then, MTI has disbursed \$240,100 to this Fund's awardees as they achieved project milestones.

FINANCES

MTI is funded through an appropriation to the Department of Economic and Community Development (DECD), and is limited by statute to using no more than 7% of the appropriated funds for administrative costs. MTI received \$3.3 million in its start-up fiscal year 2000, and its full appropriation of \$6.4 million for fiscal year 2001. MTI collected \$5.4 million in 2002 and \$4.7 million in 2003, due to de-appropriations late in each fiscal year. MTI received \$5.5 million in 2004 and \$5.66 million in 2005.

Other sources of MTI's income during FY2005 included the following. As noted above, MTI received a \$104,000 grant award from the U.S. Small Business Association to develop its commercialization assistance program. MTI also received over \$607,000 in development award repayments, almost a 20-fold increase over FY2004. This significant increase was due primarily to two significant repayments from 1) a company that made a \$400,000 repayment after a successful licensing option agreement and 2) a company that moved operations out of Maine and repaid \$165,000 to MTI. These were one-time payments that are unlikely to be repeated next year; most companies with repayment requirements pay MTI with much smaller amounts over several years. Finally, assets under MTI's management earned \$231,000 in interest, an increase over the previous year due to holding assets in an insured CD and higher money market fund interest rates.

MTI awarded more than \$6.2 million to 161 projects in FY2005 and expended over \$200,000 for its commercialization assistance program. MTI had nearly \$4,400,000 in outstanding commitments to awardees, not including the \$2,300,000 in approved awards with unsigned contracts as of June 30, 2005. (These were signed early in the next fiscal year.) MTI disbursed over \$4.3 million according to agreed-upon and approved milestone schedules for each award. MTI paid just over \$143,000 to its two partner organizations, Maine Manufacturing Extension Partnership and the Small Business Development Center at the University of Southern Maine in support of complementary business development assistance for MTI funded companies. MTI's core operating expenses were approximately \$598,000, which included \$310,000 for salaries, wages and fringe benefits. These expenses were paid for by 7% of the State's appropriation, plus interest received.

For detailed audited financial information for FY2005, see Appendix J.