

Maine Technology Asset Fund 2.0 Lightning Rounds

Questions and Answers for Applicants

MTI has fielded the following questions from potential applicants to MTAF 2.0 Lightning Rounds. MTI offers these answers here to build a shared understanding among potential applicants. MTI cannot guarantee that the general responses will apply in the case of each individual project; when there is a contradiction the published guidelines will rule. Please refer back to the Q&A periodically as MTI will be updating the answers and adding additional questions and answers through the end of the Lightning Rounds on December 31, 2017.

Topic Areas:

- Eligibility
- Interpretation of Guidelines
- Cost-sharing or Matching Funds
- Application and Review Process
- Application
- Contract Administration

Eligibility-Related Questions

1. Is there a minimum award? Are smaller projects disadvantaged?

There is no minimum amount that an applicant can request. All requests are evaluated on the same criteria, with an eye to the portfolio principles outlined in the guidelines.

2. Can an applicant be a foreign-based company?

As stated in the guidelines the company must establish a core footprint in Maine, defined as a facility located in the State of Maine where the Award Recipient maintains physical operations managed by a senior representative authorized to make decisions and obligate the Award recipient and its resources. The facility must be owned by the Award recipient or subject to a lease which matches or exceeds the term of the award period.

Out-of-state businesses that can demonstrate a relocation or establishment of a primary place of business in Maine at the time of contract execution are eligible to apply for funding. Out-of-state businesses must have a significant operational presence in Maine at the time of signing an award contract agreement. (usually 6-8 months after Challenge Grant award decision by the MTI Board.)

3. What does it mean to be “on the research, development and commercialization continuum”? It seems like the money is for capital assets.

MTAF 2.0 funds capital expenditures supporting research, development and commercialization projects or companies that lead one or more of the four economic impacts outlined in the bond language. It is up to the applicant to convince reviewers that the project or company falls in the R&D&C continuum.

- 4. How much R&D do you have to be doing to qualify?**
Applicants should propose why their project or company is involved in research, development and commercialization activities. Projects do not have to involve original or basic research, but should involve the application of new knowledge to solve a problem.
- 5. Does the MTAF 2.0 cover software and hardware?**
Computer equipment with a useful life of a year or more is an eligible use of program funds.
- 6. Can highly specialized analytical and simulation software packages that will be capitalized and depreciated as assets be purchased with MTAF 2.0 funds?**
Because the bond funding can be used for capital equipment with a useful life of at least one year, this software would qualify.
- 7. Can a shared capacity on a computing cloud be funded? For example, can an applicant purchase a guaranteed level of computing capacity over a specific time frame, rather than purchasing, installing and maintaining its own computer servers?**
No. Shared capacity on a computing cloud is not considered an eligible capital expense.
- 8. Can a company submit multiple requests if we are building in several different areas?**
Yes, a company may submit multiple requests. Those doing so should demonstrate how the projects fits within the overall strategic and operational plans and verify its ability to manage multiple projects simultaneously.
- 9. What is the difference between the Maine Technology Asset Fund, a Cluster Award and a Development Loan?**
A cluster award is for an industry-led project that ultimately benefits many Maine companies in a particular sector, and the funds can be used to cover both capital and operating expenses. A development award is for research and development leading to commercialization of a new product, service or process improvement by one company. It can be used for both capital and operating expenses and has an upper limit of \$500k. It is possible that a project submitted for consideration under MTAF 2.0 could also be eligible for a Cluster Award or Development Loan. It is incumbent upon the applicant to identify why MTAF 2.0 is the appropriate funding resource.
- 10. Can the R&D technology come from out of state, but be developed or commercialized here in Maine?**
Yes.
- 11. Do all the “legal dealings” between collaborators (for IP ownership, etc.) have to be completed before request is submitted?**
No. All legal relationships between collaborators do not have to be completed before the request is submitted, but would need to be resolved before an award contract is executed. Potentially, completion of all legal agreements could be made a condition of award.

12. Is collaboration between for-profit and non-profit companies acceptable?

Applicants are encouraged to collaborate with other entities to produce the strongest application to promote linkages between research, development and commercialization, but this is not a requirement of MTAF 2.0.

13. What components of IT infrastructure are considered as capital expense? (IT infrastructure may include servers, software purchase, custom software development, and graphic user interface development)

Computer equipment with a useful life of a year or more is an eligible use of MTAF 2.0 program funds. Custom software purchase/development integral to the project would also be eligible.

14. What is the definition of a capital expenditure?

Bond funds may be used for capital expenditures or assets that can be capitalized. To do so, the asset should meet the following criteria:

- The business needs to own the asset. In other words, rented equipment isn't eligible.
- The asset must be used to conduct business activities.
- The asset must have a determinable useful lifespan of greater than one year.

An acquired asset that does not demonstrably lose value over time cannot be capitalized and is not eligible.

15. What if we are building the capital infrastructure “in-house” or developing the software in-house? Is it still considered a capital cost?

No. If the asset or software is being developed by a third party, then the cost of development could be paid out of bond proceeds. If it is being developed in-house, bond money cannot be used to paid employees. The analogy is work done by the Maine Department of Transportation. Engineering costs incurred by a contractor can be paid with bond proceeds. The same engineering work done by employees of DOT cannot be paid out of bond proceeds.

Interpretation of Guidelines

16. What is meant by “technology upgrades” in the bond language?

In the context of “infrastructure, equipment and technology upgrades”, “technology” means software and applications that are hosted on the infrastructure and equipment. In other words, the upgrade applies to the entire stack, not just to the hardware, but the software that sits on top of that hardware.

Cost-Sharing or Matching Fund Questions

17. How much cost share or match must applicants have at time of submission?

No matching funds or cost share is required to be in hand at the time of the application, as all awards will be issued as challenge grants. The bond’s intent is to leverage new

dollars, so award recipients may use the challenge grant as a mechanism for attracting new investment.

18. Can venture capital be used as match? What if they pull out or others get in?

Venture capital may be used as match to meet the challenge. Changes in matching fund sources that develop during the life of the project will be governed by the award agreement contract and dealt with on a case-by-case basis.

19. If existing equipment is going to be transferred to the project, can its value be counted as matching fund? Similarly, can the value of an existing laboratory used for the project be counted as matching funds?

Because the intent of the bond is to leverage new dollars, existing equipment or laboratory space would not be eligible as match.

20. Does all of the matching contribution have to be in cash?

Matching funds must be cash. Cash includes the time of employees of award recipients and collaborative partners, since when employees are paid money changes hands. These amounts must be consistent with the underlying salary and obligations of the employees. Matching fund contributions can only be considered as cash if the contribution appears on the balance sheet of the recipient at fair market value.

21. How closely related to the project do outside sources of matching funds have to be?

Matching funds should relate directly to the proposed project. Applicants should not use grants or other funds for other non-related projects as matching funds.

22. A project period may extend up to five years. Do match funds have to be spent concurrently with awarded funds or may they be spent primarily in later years, for example as operating support, if ultimately we do meet the 50/50 match requirement?

Matching funds do not have to be spent concurrently with awarded funds, but must be verified as available to be spent at the time of contract execution and fully spent by the end of the agreed upon award period.

23. Is the matching funds requirement over entire company or overall project?

Matching fund basis is for the actual project for which funds are requested, not the entire company.

24. Do matching funds have the same restrictions as bond funds?

No. Matching funds do not have to be for capital expenditures, but can be for operating expenses related to the project. Expenses directly attributable to the proposed project may be counted as matching funds. Matching funds may be used to fund project activities as well as a portion of the capital expenditures enable by the award.

25. Can state funds be used as matching funds?

No. Other MTI or Maine state government funds, except for state funds appropriated to higher education institutions' operating funds, are not eligible as matching funds for the MTAF 2.0 awards.

26. Can matching funds be retroactive for a period of time? For example, if a company has already invested time and expenses for R&D can these be used as matching funds?

Qualifying expenses relating to the proposed project may be incurred anytime after the date of request submission and be used as matching funds. Likewise, funds in hand, but unspent at the time of application submission, may be used as matching funds if subsequently reallocated to a project-related purpose as per the approved project budget. Pre-award expenditures are made at the applicant's risk.

27. Can a State agency contribute federal funding they receive towards the project and count it as match?

An applicant may use federal funds, such as Community Development Block Grants (CDGB), for matching funds as applicable to the project.

28. What percent of in-kind can you use as a match?

Matching funds must be cash. The time of employees of award recipients and collaborative partners is considered cash (since when employees are paid, money changes hands), but the proposed cash match must be consistent with the underlying salary and obligations and expended after date of request submission.

29. Is the match for non-profits the same as for-profits?

The 1:1 matching funds requirement is the same for all applicants.

30. Can Federal CRADAs be used as match, especially with researchers outside the state of Maine?

CRADAs may be used as match.

31. Can the costs associated with the operation of a pilot processing plant in support of an MTAF 2.0 project be used as matching funds?

Yes, as long as the costs can be documented as associated with the approved project.

32. What is the time frame for spending matching funds?

The matching funds must be spent by the end of the agreed upon award period. The maximum award project time frame is 5 years.

33. Can supplies and raw materials be used as matching funds?

Yes.

34. If the MTAF 2.0 funds will be used for the construction of a new building to build a prototype product, can the expenses associated with building the first prototype be counted as match?

Yes, expenses related to building the prototype may be counted as matching funds.

35. Is more than 1:1 match acceptable?

Yes.

Application and Review Process Questions

36. Who provides the nondisclosure form?

All reviewers will be asked to sign MTI's conflict of interest and confidentiality agreement forms.

37. How can the four required economic outputs and economic impact be fairly evaluated?

Each request that is accepted for further due diligence will be subject to the same economic impact modeling as every other request. MTI will use experts in economic analysis to assess the projected economic outputs.

38. Will MTI draw reviewers from private industry?

Reviewers have a combination of education and experience necessary to evaluate each request. MTI will engage an external review team with access to an active database of thousands of experts in various fields of science, engineering, science policy and innovation for those projects that need deep due diligence on the technical merit of the proposed project. The existing network of experts includes researchers in all areas of science and engineering; persons experienced in product development and technology transfer; and entrepreneurs and business managers in all fields.

39. What is the significance of the technology sector? Does the technology sector chosen in the on-line portal affect the review?

The technology sectors are broad categories put forth in MTI's founding statutory language. Many projects could easily fit into more than one technology area and the area chosen does not affect the review. For example, whether a forest bioproducts development project is listed as a forestry and agriculture technology project or an environmental technology project does not affect its review outcome.

40. Does MTI help applicants who are not awarded funds with advice?

MTI provides applicants with a written copy of the evaluation of his or her request and MTI staff is happy to meet with applicants who would like more feedback on the evaluation.

Application Questions

41. I understand matching funds can be retroactive for a period of time? What about MTAF 2.0 funds?

Qualifying expenses relating to the proposed project may be incurred anytime after the date of request submission, with the exception of equipment purchases. Equipment purchases with MTAF 2.0 funding must take place after the award contract has been signed. Pre-award expenditures are made at the applicant's risk. It is possible that portions or the entire project may not be funded.

Contract Administration Questions

42. Will MTI take a lien on an asset (i.e.: land)?

This situation would be governed by the award agreement contract, and handled on a case-by-case basis. In general, MTI would most likely not take a lien on an asset that is being used a matching funds, but likely will take a lien on an asset valued at over \$10,000 that is purchased with MTAF 2.0 funds.

43. What are the reporting requirements after receiving funding?

Final reporting requirements will be finalized in the award contract, but will include at a minimum: quarterly or milestone reports including progress against milestones and towards stated economic outputs, matching funds documentation, quarterly financial forecasts (i.e., timing of future milestone payments) and annual reports.

44. If a project or company is not fully successful, does the property and equipment obtained with the award funds become the property of MTI or any other entity?

As long as award recipient complies with the terms of the award contract, all property and equipment obtained with MTAF 2.0 funds remains the property of the award recipient at the end of the contract. MTI's contracts require award recipients to provide detail regarding the ownership, location and accessibility of the project assets during the five-year project period, as well as the disposition/ownership of those assets once the project has been completed.

45. If I ask advice from a contractor on the initial design and budget for the purposes of the request, will that exclude him/her from bidding on the full design if the project was to be funded?

From the MTI and MTAF 2.0 policy perspectives, asking a contractor for assistance with basic design and budgetary data for the request does not exclude them from bidding or performing the work on the actual project, nor does it guarantee that they would do the work on the actual project, should it be funded. This is a better question for your own organization/institution in terms of its own procurement and bid process and policies. From the MTAF 2.0 experience, the closer to accurate you can have your budget for the application process, the more likely that the project budget will stay on track during the actual project.

46. How is intellectual property handled with the MTAF 2.0 awards?

All technology developed prior to the MTI award will continue to be owned by the party that developed the technology. Improvements or new inventions developed during the course of the award will continue to be owned by the discoverer/developer of the technology. In situations where another party owns the technology, the participating company may enter into a licensing agreement to use the technology. In some case, a pre-existing ownership agreement may be in place between the parties. The existence of such an agreement should be stated in the applicant's request. In a collaboration or joint venture, where intellectual property might be an issue, parties are encouraged to enter into an intellectual property agreement and indicate this as part of the request information. Where applicable, award recipients are required to submit an intellectual property plan as part of the award contract.

47. Are there resources available to address IP protection (copyright, trademark, patent)?

Since MTAF 2.0 funds must be used for capital expenditures, MTAF 2.0 award funds cannot be used for patent filings or other IP protection. MTI encourages applicants to consult with intellectual property lawyers or programs that provide information and guidance about intellectual property protection issues. Please note that patent filing is an allowable use of MTI TechStart, Seed Grants and Development Award funds.

48. How is the term “commercialization” defined?

“Commercialization” is defined as the transition from research to market entry and market competitiveness of new technology processes, products, services or business models.

49. Asset acquisition is short-term, but capacity building is long term. Where should scope of the MTAF 2.0 project be focused?

MTAF 2.0 is an economic development bond-funded program with the expected economic outputs laid out in the bond language. The project’s scope of work should include a description of how the MTAF 2.0-supported asset will enable these economic outputs, not just on the acquisition of an individual piece of equipment. An request should be able to connect the dots between the acquisition of the equipment and what will be enabled by that equipment.