

## REQUEST FOR APPLICATIONS (RFA)

# MII Innovation Commercialization Program Company Formation Application Guidelines

### **Purpose:**

The Maryland Innovation Initiative (“MII”) Innovation Commercialization Program (the “Program”) was created to foster the transition of promising technologies having significant commercial potential from Qualifying Universities (defined below), where they were discovered, to the commercial sector, where they can be developed into products and services that meet identified market needs. Specifically, it is the intent of the Program to foster the commercialization of such technologies through technology validation, market assessment, and the creation of University start-up companies in Maryland. A “University Start-up” is a company reliant on a technology licensed from a Qualified University for commencement of its operations. It is also the intent of the Program to foster collaborations between various schools, departments, and institutions within and among the Qualifying Universities and among other research organizations in the State.

The Program is divided up into two phases, a [Technology Assessment Phase](#) for Qualified Universities, and a Company Formation Phase (for University Start-ups). This document outlines the details of the Company Formation Phase. The Technology Assessment Phase is outlined in a separate document.

### **Eligibility:**

To be eligible for the Company Formation Phase, applications must be directed to the commercialization of a technology or group of technologies: owned by a Qualifying University; disclosed to a Qualifying University’s technology transfer office (TTO); and for which there exists appropriate intellectual property protection (a “Technology”).

Applicants for Company Formation must be a University Start-up meeting the following criteria in order to be eligible for funding from the Program:

- The new start-up has licensed technology from a Qualifying University (Johns Hopkins University; University of Maryland, Baltimore; University of Maryland, College Park; University of Maryland, Baltimore County; and Morgan State University.) within twelve (12) months of applying for a Program award. If the technology has not yet been licensed, a fully executed license agreement will be required within 90 days of notification of the MII award. (A copy of the license agreement will be required to receive any funds.).
- The new start-up must be dependent on the licensed technology for the commencement of its operations.
- The new start-up must be located in Maryland.

### **Funding Amount:**

Subject to meeting the Program requirements, awards/investments of up to \$150,000, may be made directly to a start-up company.

**Project funding will be subject to the successful completion of a number of proposed project milestones. Applicants should be aware that project funding could be terminated at any point during the project if early project data suggests that the technology will not be sufficient for the intended commercial application or if the project is not reasonably progressing as originally proposed.**

### **Overview and Program Description:**

#### **Company Formation Phase**

The Company Formation phase includes corporate product development in preparation for a product launch or the advancement of a product technology to achieve a commercial milestone that significantly increases the company's value and better positions the company for follow-on investment from angels or venture capitalists.

MII Company Formation awards/investments are capped at \$150,000. *Projects, including all subcontracts, must be completed within 9 months of the date of the award.*

*All Company Formation applicants who are selected to move on to the full review committee will be required to present in person to the MII Review Committee. See "Review Process" section for details.*

Up to 20% of the Company Formation awards/investments may be used by Start-up Companies for overhead costs, provided, however, that not more than 50% of such overhead costs (i.e., 10% of the award/investment amount) may be used to pay a Qualified University for patent or licensing costs. Any domestic travel expenses must be detailed and justified, and included as part of the 20% overhead portion of the budget. International travel is not allowed.

The execution of any subcontracts and joint arrangements included as part of an application are ultimately the responsibility of the PI. Each entity involved in the proposed project set forth in the submitted application is expected to meet the timelines and milestones, as submitted by the PI, who will be held accountable as part of the mid-term and final report review.

### Return on Investment

Awards/investments through the MII program are made in the form of a five-year, convertible note to the company. Interest will accrue on the note at a rate of 8% per annum. In the event that the company receives an aggregate outside investment of \$500,000 or more prior to the maturity date of the note, or in the event of another sale of substantial assets or equity (i.e., an acquisition), TEDCO may, at its sole option, call the note or convert the principal and interest due on the note to equity on the same terms and conditions received by the most recent investors. No other investments (Seed/LSIF TEDCO funds) can be awarded until the final report is approved by TEDCO.

### Site Miners

Site Miners are individuals selected by the Qualifying Universities to assist start-ups and faculty in the process of submitting a strong business-oriented application, focused on commercialization. These individuals work as a liaison between the applicant and the MII program, providing valuable input and feedback prior to submission of an MII application.

- The MII program requires each applicant to engage with a Site Miner, *a minimum of two weeks prior* to application submission. Involving a Site Miner early in the application process increases an applicant's odds of success.
- Unlike Technology Assessment applications, the Site Miners do not present Company Formation applications at the review committee meeting. The Company Formation project PI is required to present their application to the review committee, in person.
- However, each application must include a letter of support, signed by a Site Miner, in order to meet compliance requirements. (Visit the [MII web page](#), under "Site Miners" for the letter of support template.
- If you do not know your Site Miner's name, please email Silvia Goncalves [sgoncalves@tedco.md](mailto:sgoncalves@tedco.md) for assistance.

### Applying for a Company Formation Award/Investment

Applications may be submitted at any time and will be reviewed on a bimonthly basis - January, March, May, July, September, and November. Applications submitted by the 1<sup>st</sup> business day of each submission month, by 5:00PM, will be considered in that month's review cycle. (If the 1<sup>st</sup> of the month falls on a weekend or federal/state holiday, applications are due by 5:00PM the next business day.) Applications submitted after 5:00PM will be rejected without consideration.

All applications must be submitted using TEDCO's on-line application submission system, which can be accessed at:

<http://tedco.md/program/the-maryland-innovation-initiative-mii/>.

There are two major components to a Company Formation phase application – the General Application Information and the Full Application. The General Application Information is entered directly into the on-line application submission system and includes:

- A proposed project title (15 words max.),
- The proposed project duration (9 months or less),
- An indication of whether the application is new or is revised (resubmitted),
- The name of the Qualifying University,
- An indication of the MII Phase for which an application is being submitted,
- An indication of whether the application is a transition from Technology Assessment or a new submission.
- A non-proprietary abstract of the proposal (300 words max.),
- The total budget (direct and indirect costs) requested for the proposed project,
- A selection of the technology type/category (use the best option),
- An indication that a signed letter of approval from a technology transfer office is included in the Full Proposal,
- An indication that a signed letter of approval from an MII Site Miner is included in the Full Proposal.

The Full Proposal must be submitted as a single document in Adobe PDF format and include the components described below and any attachments – including letters from the Tech Transfer Office, the Site Miner, and industry support letters. The maximum file size for the Full Proposal is five megabytes (5120KB).

### **Application Components**

The intent of the application is to provide enough information so a group of reviewers can sufficiently evaluate the commercialization and business potential of a technology start-up. Application is limited to a maximum of five (5) pages, single-sided, with one inch margins and a font size of at least 12 points.

Applications must include all of the following sections and address *EACH* of the criteria bulleted under the sections:

**Supplemental documents** (i.e. references, cover page, support letters etc.), which are not counted as part of the 5 pages; however, a complete submission cannot exceed a total of 15 pages or it will be rejected without consideration.

**A. Header/Applicant Information (Cover page).** The 5 page Application must include:

- The name of the Qualifying University(ies) that is (are) applying for funding or owns the subject Technology.
- The name of a principal investigator who will be responsible for the project. If the principal investigator is an entrepreneur and/or is associated with a University Start-up, the entrepreneur's name and contact information (including the company's name and address, as applicable) should be provided.
- The total amount of funding requested.

**B. Technology Description, Status, and Intellectual Property.** (Weighted 1.0)

- A detailed description of the associated Technology should be provided. The description should focus on how the Technology is unique/novel in its approach to solve an important commercial problem relative to other approaches in the scientific literature and other commercial products.
- Describe the status of the Technology's development – describe the studies completed and the conclusions derived.
- Any preliminary data or other results suggesting that the Technology is likely to work as predicted should be included.
- Describe the intellectual property secured for the Technology and strategies for strengthening the Technology's intellectual property portfolio
- A brief summary of the intellectual property landscape (e.g., the results of a patent search) should also be included.

**C. Application of Technology as a Product/Market Assessment.** (Weighted 1.0)

- Describe potential commercial products or services that could be based on the technology.
- Describe how these products will solve a problem in the market and describe the overall importance of solving that problem.
- Include a description of the value (ideally in dollars) that these products will bring to customers – cost savings, time savings, convenience, improved outcomes, etc.
- Include a description of the person who will buy the product or service and a brief summary of the size of the market opportunity that these customers represent.
- Outline a general description of the applicant's competitive advantages over competing products and services.

**D. Commercialization Pathway and Risk Assessment.** (Weighted 2.0)

- Provide a detailed overview of the overall steps/milestones needed to commercialize the Technology (*beyond the MII funding*) including how long it will take and how much it will cost to achieve each milestone.

- Describe the general approach and rationale for commercialization – licensing or start-up. In either case, identify potential commercial partners and the level of interest those partners have in the technology, if any.
- The major risks of failure (beyond the proposed MII project, e.g., technology risk, market risk, etc.) should also be described along with the applicant’s plans to manage that risk, i.e., what would be done if the proposed commercialization approach was not successful.

**E. Project Description, Milestones, and Detailed Budget/Justification.** (Weighted 2.0)

- Include a detailed summary of the proposed *MII project* and the anticipated milestones and a clear timeline. Indicate which milestones will be completed by the applicant’s mid-term presentation (4.5 months into the project) and throughout.
- Describe how each of the milestones leads to clear development of technology and how it brings the product closer to the commercial market. Milestones must be quantifiable and measurable so it will be obvious when they have been successfully, or unsuccessfully, met.
- A detailed budget of the costs required to conduct the project should be provided in the general format provided below.
- A justification for all of the project costs should be provided. Any changes to the approved budget (greater than +/- 10%) must be submitted in writing to the Program Manager for approval prior to the completion date.
- *International travel is not an eligible expense. Domestic travel will be closely scrutinized and must be justified as critical to the project. If submitted, domestic travel must be included as an Indirect Cost.*

The project budget should be formatted in tabular form as indicated below, and each line item should be classified into one of the following categories: Personnel – Salaries, Personnel – Fringe Benefits, Equipment, Materials & Supplies, Other Direct Costs, and Indirect Costs, which should be indicated in the budget. Below is the required budget format and category headings.

BUDGET ITEM	AMOUNT
<b>Personnel - Salaries</b>	
CEO	30,000
COO	20,000
Software engineer/product manager	12,000
<b>Personnel – Fringe Benefits</b>	
CEO	9,900
COO	3,300
Software engineer/product manager	5,000

Health Insurance	
<b>Equipment</b>	
Centrifuge	1,200
Computer/Software	
<b>Materials and Supplies</b>	
Cell Lines	5,000
Pipettes/Glassware	600
Prototype design Animal Study Costs	9000
<b>Other Direct Costs</b>	
Machining /Manufacturing Costs	10,000
Subcontract to Acme, Inc.	20,000
Subcontract to Consultants	3,000
Tuition	11000
Patent Expenses	10,000
<b>TOTAL PROJECT BUDGET</b>	<b>150,000</b>

In addition, Applications must include the following **supplemental materials**, which are not included for the purpose of the page count constraint(See Page Count Checklist Below):

- a. A current signed letter from the Qualifying University's technology transfer office indicating their approval of the project, certifying the Technology's disclosure reference number and the status of the intellectual property described in Section 'B.' of the Initial Application (including its license status for Company Formation projects).
- b. A current signed letter from the appropriate Site Miner indicating their support of the faculty or entrepreneur submission and the fact that they have provided input on the application a minimum of two weeks prior to submission.
- c. A two (2) page executive summary of the Start-up Company's business plan must be submitted. This executive summary must include:
  - A clear outline of the management team expected to execute the commercialization strategy and move the company forward (beyond MII funding).
  - A description of the key players, and the plan to build and attract talent to the management team.
  - An outline of what specific role the faculty will play in the company moving forward.
  - A detailed description of the market opportunity, including a segmentation analysis, and a description of the company's marketing strategy.
  - An overview of the fundraising strategy.

- A description of the Company operations including marketing strategy, product development, manufacturing, and other operations should be provided.

**Applicants should understand that information required as part of the Application, i.e., the bulleted criteria described above (Sections A-E), will not be considered by reviewers if included in the Supplemental Materials.**

### Resubmissions

**Response to Reviewer’s Comments.** In the event that an applicant’s proposal is initially rejected and the applicant chooses to reapply for Program funding, the applicant must submit a written response to the reviewers’ comments including how those comments were addressed in the resubmitted application. The Response to Reviewer’s Comments may not exceed one (1) page and is not counted as part of the page count for the resubmitted application, which is limited to five pages, as described above. (Also See Page Count Checklist Below)

**Include an *updated* letter from the Qualifying University’s technology transfer office** indicating that they are engaged in good faith negotiations with the Applicant or have executed a license agreement with the applicant for a subject Technology; please indicate any current activity or updates to tech transfer activities.

**Include an *updated* letter from the appropriate Site Miner indicating their current support** of this faculty or entrepreneur submission and the fact that they have provided input on the application a minimum of two weeks prior to submission.

**Second to Third Submissions.** Applicants who have been declined twice for the same application must skip the next application cycle, before submitting a third time.

### **Review Process:**

All applications for Program awards will be initially reviewed by the Program Manager to ensure that they meet the minimum requirements, as specified in this RFA (the “Compliance Review”). Applications not meeting the minimum requirements will be rejected without further consideration and the applicant will be so notified.

#### Example Page Count Checklist:

##### Required

- |   |         |
|---|---------|
| - Cover Page (not included in application count)    | 1 page  |
| - Application                                       | 5 pages |
| - Executive Summary                                 | 2 pages |
| - TTO letter  | 1 page  |
| - Site Miner letter                                 | 1 page  |
| - Resubmission Response to comments (if applicable) | 1 page  |



11 pages subtotal

- Optional (remaining 4 pages)
- Support Letters
  - References
  - Bio

A complete submission (all sections) **cannot exceed a total of 15 pages** or it will be rejected without consideration.

### Application Review Process

Following the Compliance Review, all Applications will be assigned by the Program Manager to a number of reviewers for review and preliminary scoring. All Applications, receiving average scores above a threshold determined by the Program Manager will be brought to the full MII Review Committee for discussion and final scoring. The Program Manager may bring Applications scoring below the threshold to the Review Meeting under special circumstances, which shall be determined as the sole discretion of the Program Manager. All Applications will be ranked according to their final scores and the top scoring applications will be recommended to the MII Board, which will have the final authority to approve funding. The MII Review Committee will consist of representatives of the business and investor community and TEDCO staff.

Each applicant will receive a copy of the reviewer comments and scores at the end of the process, whether the applicant is approved or declined.

All Applications recommended for funding by the MII Review Committee, or TEDCO Staff, will be finally approved by the Maryland Innovation Initiative Board, as defined in Section 10-455 of the MII Statute.

### **Review Criteria:**

**Applicants will be evaluated on each section of their proposal and the applicant's ability to address *each criterion listed in the section*. Consideration will be based on how completely the applicant has provided information requested for the section and how convincingly the applicant has made a case for the commercial opportunity based on the subject Technology.**

Other criteria that will be considered: For all applicants who have received prior funding, the TEDCO staff and reviewers will consider the outcomes of the prior awards, and the PI's ability to meet the stated timelines and execute on the plan. Moreover, the applicant's ability to meet the program requirements on a timely basis, including the milestones, mid-term reporting and final reporting (including accounting and budget submissions) will also be considered when reviewing applications.

## Scoring:

Reviewers will use the following system for scoring applications:

Score	Description
<b>5 – Excellent</b>	The applicant has included all of the required information and has made a very convincing argument in support of the criterion being scored.
<b>4 – Above Average</b>	The applicant has included all of the required information and has made a reasonable argument in support of the criterion being scored.
<b>3 – Good</b>	The applicant has included most of the required information and has made a fair argument in support of the criterion being scored.
<b>2 – Fair</b>	The applicant has provided most of the required information but has not made a fair argument in support of the criterion being scored.
<b>1 – Poor</b>	The applicant has not provided enough of the required information to make a fair argument in support of the criterion being scored.

All criteria will have an equal weighting of 1.0 except for the ‘Commercialization Pathway and Risk Assessment’ score and the ‘Project Description, Milestones, and Detailed Budget/Justification’ score, which will each have a weighting of 2.0. The weighted scores from assigned reviewers will be averaged and assigned to applications as a preliminary score.

**Companies Selected For Review:** All Company Formation applicants who score high enough to move on to the full committee review will be required to present *in person* at the regularly scheduled MII Review Meetings.

- The PI and the CEO (if not the same person) listed on the application must plan to present on either of the stated review dates. Other team members may attend; however, the PI and CEO must attend.
- All presentations will be scheduled as part of standing MII review days listed below. If the company PI cannot present on the scheduled day they should not submit an application in that round. Due to the number of applications on any given review day, presentation times will be assigned by MII.
- The PI will need to hold the review day open until the time is assigned. This may be confirmed as close as a week before the review day, so PI’s will need to remain flexible during this process.
- A Site Miner will still need to provide a signed letter as part of the initial application in support of the submission, even though the Site Miner will not be able to participate in the discussion.
- The Company Formation applicant will be allotted a 10 minute timed presentation, followed by 20 minutes for Q&A. **Maximum of 10 slides total.** Following are the required slides for the presentation:

- What is the Problem?
- What is the Solution?
  - Technology Outline
  - Intellectual Property
- Target Market?
  - Segmentation Analysis
  - Target Customer Profile
- Product Development Process
  - Timeline and Costs
  - Risks and Mitigation Plan
- Go-To-Market Strategy?
  - Partnering? Production? Marketing? Distribution?
  - Sales?
- Finances
  - Revenue and Cost Projections
  - Financing Needed for the MII Project?
  - Follow-on Financing for the Next Steps, Beyond MII?
- Management Team
  - Advisors? Board of Directors?

**Application and Review Date Schedule 2018 – Company Formation Presentations:**  
(Dates and times will be assigned by the MII team)

<b>Applications Accepted</b>	<b>Review Meeting</b>
1/5/2018	2/20/2018 (IT/physical -sciences)
1/5/2018	2/22/2018 (lifesciences)
3/1/2018	4/24/2018 (IT/physical -sciences)
3/1/2018	4/26/2018 (lifesciences)
5/1/2018	6/26/2018 (IT/physical -sciences)
5/1/2018	6/28/2018 (lifesciences)
7/2/2018	8/21/2018 (IT/physical -sciences)
7/2/2018	8/23/2018 (lifesciences)
9/4/2018	10/23/2018 (IT/physical -sciences)
9/4/2018	10/25/2018 (lifesciences)
11/1/2018	12/11/2018 (IT/physical -sciences)
11/1/2018	12/13/2018 (lifesciences)

After presentation of the preliminary scores and discussion of applications at the MII Review Committee Meeting, applications will receive a final score based on an average of all the overall scores provided by the MII Review Committee Members, excluding the Site Miners.

Applications will be ranked by average final score and submitted to the MII Board for review and final approval, approximately 75 days after the initial submission.

### **Closing and Award Payments:**

Once the proper approval for a project has been obtained, Applicants will be asked to execute an agreement and **the Principal Investigator will be asked to immediately start working on the Project.** The agreement will detail the conditions of the award and it will include an agreed upon number of mid-term and final milestones for each project and the dates that Mid-term and final project reports (as described below) are due.

All PI's are expected to present in person for the mid-term review. (Details will be sent approximately one month prior to the mid-term of the project, based on the date of the executed agreement.) The PI and CEO (if different from the PI) are expected to know the start date (the signed agreement date) of their MII investment, as well as the end date.

Any changes to the original, approved budget must be submitted in writing and approved by the Program Manager, *in advance*. The final expense report must match, including subcategories, the approved budget, within plus/minus 10% in order to be approved.

Award payments for Company Formation projects will be made as follows: 25% following execution of the agreement, 50% upon submission and approval of a Mid-term presentation and the successful completion of approved milestones, and 25% upon submission and approval of a Final Report.

In all cases, any unused funds must be returned to TEDCO serving in its capacity as the administrator of the Program.

### **Reporting Requirements:**

Company Formation phase awardees must submit the following reports to the MII Program Manager including:

- a. **Award Manager Meeting** – each applicant is required to meet with the MII Award Manager at least once, prior to the mid-term. This is to assist each awardee in understanding and meeting expectations for the program. This is also an opportunity for the awardee to share feedback, discuss ideas and ask for additional assistance. A total of three touch points will occur during the course of the award.
- b. **Mid-Project Reports**, (*in-person* PowerPoint presentation at TEDCO's offices) which must include a description of project activities and results to date, the progress toward meeting mid-term milestones, an accounting of expenditures charged to the award, and details on the proposed Commercialization Plan progress and budget – TEDCO will expect copies of the slides in advance;

- c. **Final Reports**, (limited to 5 pages) which must provide an overview of all activities undertaken during the course of the funded project, a description of the results of the project, the success with achieving the proposed milestones, jobs created, follow-on-funds raised during the project, and a full accounting of all expenditures charged to the award, and suggestions for ways to improve the Program;
- d. Economic Impact Reports, which must be provided on an annual basis for a period of ten (10) years following the award date of the last completed Phase funded through the Program.

**Program Information:**

Inquiries regarding the Maryland Innovation Initiative program should be directed to:

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410-715-4182

Silvia Goncalves  
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John Gustin  
Award Manager  
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410-715-4171

All administrative, contractual, and accounting questions should be directed to Silvia Goncalves.