



Governor's Office of
Economic Development

Centers of Excellence

COE Grant and Training Program
Terms and Conditions 2010-2011

Background to Changes to the COE program for 2010-11

The Governor's Office of Economic Development follows a process of continuous improvement in our programs, on behalf of the taxpayer. In keeping with this spirit, the Centers of Excellence program has been undergoing review. As part of this review, we are focusing on the vision of "Improving the velocity and quality of university/college-related startup deal flow".

We have examined state of the art programs fostering entrepreneurial success and believe these successful programs emphasize three elements of success.

- Capital
- Human Capital
- Collaboration

Key Trends in the Startup Economy that are permeating both public and private efforts to foster entrepreneurial success include:

- Invest in Entrepreneurial Talent
 - Training and Mentoring startups
 - Key trend around the country in for profit and government groups
- Funding Programs
 - Small, Light, Fast
- A Broad Embrace of college and university driven technologies

In that context, for the 2010-11 fiscal year, we are planning to pilot an updated program. The principles guiding this update are:

- Smaller funding amounts than COE program has previously offered
- Lighter overhead than the previous COE process
- Faster turnaround with multiple grant opportunities each year
- Milestone Driven
- Broad embrace of university/college driven technologies
 - Public or Private Utah college or university
 - Licensed technology
 - Professor at university working on "development" (after research)
 - Affiliations with a university or regional institution of higher education (testing, prototyping, custom development.....)

The current plan for the updated program is to offer smaller, shorter solicitations 3 times during each fiscal year (July 1 to June 30th). The COE program will no longer be an open solicitation;



Governor's Office of
Economic Development

Centers of Excellence

rather, there will now be a prescreening mechanism to the application process That will be performed by the following entities:

- i) PhD granting colleges and universities (USU, U of U, and BYU) which have commercialization offices (TTO/TCO); and
- ii) Utah Science Technology and Research (USTAR) Technology Outreach and Innovation program (TOIP),

These organizations will prescreen applicants and recommend those that they believe are prepared to take maximum advantage of the COE program.

As the program will offer more frequent opportunities for grant funding, each grant will also be smaller – thus the “smaller and faster” elements of the program.

The measuring stick for the program will still be “quality jobs”, with an emphasis on both the value/pay of jobs created and the number of jobs created in Utah. Many of the teams that will apply for COE funding will either be or lead to startup companies. The intention of the program is that these startups will begin and stay in Utah and this is also a key measure of the success of the program.



Governor's Office of
Economic Development

Centers of Excellence

General Guidelines Applicable to all Applicants

This document outlines the key policies and guidelines for the 2010-2011 Centers of Excellence Licensee Solicitation. These general guidelines apply to all applicants.

Definitions

"Licensee" means: (a) a company that executes or is in the process of executing a direct license; or (b) a sublicensee of the technology from a direct license.

"Direct license" means the licensing between a company and a Utah college or university of technology developed at the college or university for the intent of commercializing the technology or facilitating its transition into industry.

"Affiliate Company" means a Utah company which is working with a Utah college or university to have work performed for the company. Funds will go to the Utah college or university for eligible work such as:

- Service agreements
 - Examples: testing, prototyping, custom development...
- Sponsored research
- Sponsored student projects

1) Funding Ranges and Maximums

- Maximum grant funding for each proposal is \$40,000
 - If successful, a team may apply for future funding 1 additional time (max of \$80,000 total)
- Funding can be delivered to:
 - College or university (either a standalone team or in partnership with a company which is referred to as an Affiliate Company)
 - Company which is a Licensee of a technology developed at a Utah college or University
 - Combination of both as detailed in the proposal
- Use of funds will be detailed in proposal/milestones
- Company must demonstrate a tie to the college or university (license, sponsored research etc)
- Broad use of funds permitted when outlined in the proposal (including technology development, testing, design, prototyping, travel, conferences, marketing, etc)



Governor's Office of
Economic Development

Centers of Excellence

2) Eligibility

Any company which has a relationship with a Utah college or university is eligible to request of one of the pre-screening entities that they be recommended to be reviewed for a COE grant.

There are three types of eligible applicants:

- Licensees (companies) – of technology developed at a Utah college or university
- A professor-led team within a Utah college or university
- A Utah company which partners with a Utah college or university (“an Affiliate Company”), may apply as part of a team that includes the college and university, for funds which go to the college or university team for work to be performed on behalf of the company. Information on both co-applicants must be completed on the application, but only one application is to be submitted. Such work includes:
 - Service agreement
 - Examples: testing, prototyping, custom development...
 - Sponsored research
 - Sponsored student projects

A company working in partnership with a Utah college or university or a professor-led team with a technology developed at a Utah college or university is eligible to apply for COE funding as long as:

- a) The combination of the Licensee or Affiliate and the university inventor team has not received more than \$80,000 in Centers of Excellence funding for the Licensed or supported technology
- b) A company has received no more than \$ 1 million in “product related revenue” (i.e. from customers in ongoing revenue) from the supported technology.
- c) The Licensee or Affiliate has received fewer than 2 awards from the Centers of Excellence program, regardless of the total amount of funding
- d) If a Licensee or Affiliate applied for and received an award - but did not claim the funds, they may NOT reapply (for the same technology)
- e) If a Licensee or Affiliate received one award, but did not apply a second time, they MAY apply for a second grant of funding, even after a gap between first year funding and the subsequent application.

These Centers of Excellence grants are intended to "defray the real and perceived risk" for a business licensing a university developed technology and taking it to market - so it is designed for the pre-licensing / pre-market stage or the EARLY phase of the licensing and go to market process. These funds are intended to accelerate the time to market for a technology by providing crucial “very early” funding either to the team within the university (standalone or in partnership with a Utah company) or a Licensee. In the case of a Licensee, the license must be a “new” license, (or currently in the process of being licensed) and should be technology that is just emerging or has yet to emerge into the marketplace. Established, licensed products are not eligible.



Governor's Office of
Economic Development

Centers of Excellence

For a Licensee Grant: A university license does NOT have to be in place during the proposal and selection process, but a license MUST be in place before any COE funds can be released.

If the proposing Company is a sub-licensee of a Direct Licensee (for example, a professor has licensed all fields of use of a technology into a holding company, and the proposing company is going to sub-license one or more fields of use), then it is REQUIRED that the Direct License already be in place before receiving a COE Grant funding but not necessarily before applying.

If a company (an Affiliate Company) is applying as a co-applicant with a college or university in a non-licensing arrangement, as an Affiliate Company, then the agreement between the institution of higher education and the company should be explained briefly in the application form. Funding will not be released until the agreement is in place and until the Intellectual Property arrangements are in place.

3) Pre-screening Requirement

The updated COE program is not an “open solicitation”. Before applying to the COE program, a team or company must be recommended by either of the two recommendation mechanisms, detailed below.

In order to apply for a COE grant, a company or team (see below for definitions) **must be recommended to the COE program** by either of two pre-screening teams. Details of how to have a proposal pre-screened and potentially recommended for review are included on the last two pages of this solicitation.

- i) The first pre-screening mechanism is a technology commercialization office recognized by the COE program as “established”. At this time, such offices are recognized as established at the University of Utah, Brigham Young University and Utah State University.
 - Applications are pre-screened and recommended to COE. The TCO/TTO may recommend either professors / teams inside their own institution, an affiliate company or a licensee
- ii) The second pre-screening mechanism is the TOIP team at USTAR. Members of this team are located throughout the state and work on a regular basis with professors and companies to help strengthen the startup process. The TOIP team can evaluate
 - Any Licensee, Affiliate/higher education team or stand-alone higher education team not at one of the 3 universities with an established TTO/TCO

4) Matching funds

Matching Funds requirements according to the Statute are:

- 2:1 match for PhD granting institutions



Governor's Office of
Economic Development

Centers of Excellence

- Match can include any industry or Federal sources of funds to the proposing team/lab that are reasonably related to the technology being proposed for support to the COE program
- Match window is April 1, 2010 to June 30, 2011
- 1:1 match for all other institutions or Licensees
 - For a non-PhD granting college or university (including those applying with an Affiliate Company in a non-license partnership), match can include any industry or Federal sources of funds to the proposing team/lab that are reasonably related to the technology being proposed for support to the COE program
 - For Licensee Grants, the match can include any industry or Federal non-loan sources of funds to the company that are intended to support the commercialization of the technology

Comments on Matching Funds:

- a) When a COE grant is awarded to a team that is a licensee or sub-licensee of a technology developed at a Utah college or University, eligible matching funds may include funds from any industry or federal source that are provided to commercialize or advance the technology being supported by COE funds. These funds include equity investment from any duly formed institutional investment firm, corporate investor, or an accredited individual/ angel investor or group (including founder's funds which are properly documented as investment funds), contracts, sales, or Federal grants or contracts.
- b) Excluded from serving as matching funds include direct university funds such as salaries or in-kind support and any other state grants (such as TCG grants). Also excluded are any funds loaned to a licensee (i.e. funds with a repayment clause).
- c) Funds must be received during the match period to be counted as matching funds
- d) Research funds, gifts, grants, investment funds controlled by a university or state agency and other sources that do not meet this statutory directive may be received by the Licensee without hurting their eligibility for COE funding, but may not be counted as matching funds.
- e) In-kind match IS NOT acceptable.

5) Milestone Based Invoicing and the Match Period

Funds from the COE grant will be released when a) the matching funds have been received by the team and can be demonstrated to the COE Director and b) one or more milestones outlined in the application have been completed. Funds that are eligible to be considered as matching will include funds received by the proposing team as early as April 1, 2010 and extending through the end of grant year, June 30, 2011. . These milestones must be fully completed within 180 days of the award grant and no later than June 30, 2011.



Governor's Office of
Economic Development

Centers of Excellence

For each milestone identified (3 to 5 milestones) the applicant must provide detailed information about how much of the proposed grant award will be spent to achieve the milestone, how the COE award money will be used and how long it will take to reach the milestone. PhD granting institution teams (internal) must have a 2:1 match, Licensees and teams at non-PhD granting institutions must have a 1:1 match. COE grant funds will be disbursed based on accomplishment of milestones and for the amount of funds associated with each milestone.

6) Requirement to develop and “exploit” the technology in Utah:

The Statute authorizing and governing the Centers of Excellence program requires that the technology which is supported by the COE grant program must be “exploited” in Utah, meaning developed and delivered to market from Utah. The objective of this program is to help create jobs in Utah. The specific language in the statute requires a return of the grant funding if the technology is not exploited in the state. That language is excerpted from the statute below (http://goed.utah.gov/site-media/page-media/content/centers/COE_Enrolled_2007_hb0125.pdf):

(d) (i) A licensee that receives a grant under this part shall return the grant proceeds or a portion of the grant proceeds to the office if the licensee:

(A) does not maintain a manufacturing or service location in the state from which the licensee exploits the technology; or

(B) initially maintains a manufacturing or service location in the state from which the licensee exploits the technology, but within five years after issuance of the grant the licensee transfers the manufacturing or service location for the technology to an out of state location.

(ii) A repayment by a licensee that receives a grant shall come only from the proceeds of the license to that licensee.

(iii) A repayment by a licensee shall be prorated based only on the number of full years the licensee operated in the state from the date of the awarded grant.

Similar language is in place for university teams which receive COE funding. Any Affiliate company which applies for and receives COE funding, will agree in contract that they will be liable for the return of grant provision if the technology so-supported moves out of state, under the same terms as the Licensee return of grant provision.

7) Selection Process

Step 1: The selection process is a two stage process, involving one of two pre-screening mechanisms (new), and then a final review by the Centers of Excellence Advisory Council.

The first pre-screening mechanism is a technology commercialization office recognized by the program as established. At this time, such offices are recognized at the University of Utah, Brigham Young University and Utah State University.



Governor's Office of
Economic Development

Centers of Excellence

- Applications are pre-screened and recommended to COE. The TCO/TTO may recommend either professors / teams inside their own institution, or licensees (companies which have licensed a technology from the university)

The second pre-screening mechanism is the TOIP team at USTAR. Members of this team are located throughout the state and work on a regular basis with professors and companies to help strengthen the startup process. The TOIP team can evaluate

- Company or professor working with USTAR TOIP team

Step 2: Each proposing team, which has been forwarded to the COE program by a designated screening mechanism (above), will submit a completed COE Grant Application form and then will be required to make a brief presentation to the Centers of Excellence Advisory Council on a designated presentation day. The estimated time per presentation will 15-20 minutes, to be finalized based on applicant pool size. A presentation template will be provided to ensure all teams present the required information. After the presentations and review and selection process, the COE Advisory Council will make a recommendation to the Director of the COE program and the GOED Executive Director as to which proposals should be funded.

The window of time between presentation and notification of award (or non-award) is expected to be approximately 4-6 weeks, although all efforts will be made to make decisions as rapidly as possible.

8) One proposal per company

Only one proposal will be accepted to the COE Grant program from each company, whether Licensee or Affiliate, in any one solicitation cycle, regardless of whether the proposals are for different technologies. Companies are encouraged to coordinate internally to ensure that only one proposal is submitted. If more than one is submitted to the COE program, the Director reserves the right to contact the company to request the selection of one of the proposals as the single eligible proposal or to select the proposal "first come first served" or via another mechanism at the discretion of the Director.

9) Strict limit on the length of the proposal

The proposal will include the COE Grant Application form, and a 1-3 page executive summary. It may also include up to 2 letters of recommendation or letters of support (no more than 2 pages each).

10) Business Confidential Materials

All company proprietary information, including all pages of the proposal, must be marked "Business Confidential" so that it can be properly protected as confidential information and each page must include the name of the company and contact person in the footer of the proposal.



Governor's Office of
Economic Development

Centers of Excellence

11) Competitive Grant Program

The Centers of Excellence program is a competitive grant program. Only the most qualified teams with the best potential for commercial success and job creation in Utah will be funded. Key elements of successful grant recipients will include a compelling opportunity for Utah job creation. If a company is involved, a strong, seasoned management team, well thought out go-to market strategy and other elements that indicate the company can grow to a significant size and generate significant jobs for Utah's citizens, will be key to selection as a grant awardee. The competitive process for Centers of Excellence Grants is intended to encourage and develop technologies that create Utah jobs from the commercialization of the technology.

12) Reasonable Revision

This solicitation and its accompanying template are subject to reasonable revision by the COE Director as needed while the solicitation is open. Any changes will be posted on the Centers of Excellence Website under the Forms and Guidelines Section at:

<http://goed.utah.gov/programs/coe/Centers-of-excellence-forms-guidelines/>. Proposing teams should make sure to check the web site frequently during the solicitation period

13) Company Equity and Return of Grant provisions

The State will NOT take an equity position in a recipient company - the State's return on the COE program is in job creation and economic development for the state of Utah. It is important to review the language about the return of grant provisions to read the terms of grants to licensees or sub-licensees, including the provision for return of grant if the grant recipient does not stay within the state for at least 5 years. These terms will be repeated in the COE grant contract.

Frequently Asked Questions

We will publish FAQ's and answers on the COE website whenever we receive questions. Please check to see if your question is answered there before contacting us. The FAQs page for the COE program is located under the 2010-11 solicitation at

<http://goed.utah.gov/programs/coe/Centers-of-excellence-forms-guidelines/> and will be updated frequently; please visit this page to see updates.



Governor's Office of
Economic Development

Centers of Excellence

Details on the Recommendation and Review Process

A key new step in the COE program is that any proposal must be RECOMMENDED for review before the COE Advisory Council will review it during any given solicitation. Please note that proposals are not carried over from solicitation to solicitation.

Here are the details about the process of getting your proposal reviewed for recommendation before or in parallel with submitting a COE Grant application.

1) Teams with ties to Brigham Young University, Utah State University, University of Utah
If you are a team from, an Affiliate Company working with, or Licensee of a technology from one of Utah's 3 PhD granting institutions (below), you should meet with the TCO/TTO office of that institution. Contact information is below. Explain that you are interested in the COE program and need your proposal reviewed for recommendation to the COE program. All three offices are well aware of the program and how it works. Each institution has a process for evaluating and recommending those teams which are most ready to take advantage of the COE grant funding and frequently able to help suggest areas for improvement to make a team more competitive, either in the current solicitation or for future solicitations. Please note that this is not just a formality, many teams may not be ready for the COE program and will not be recommended for review, but may be asked to strengthen their proposal and wait for the next solicitation. As a note, a team which is working with the TOIP program (below), may choose to work with the TOIP program, even if it has ties to a PhD granting institution.

Brigham Young University - Technology Transfer Office
3760 HBLL, Brigham Young University, Provo, UT 84602-6844
(801) 422-6266 Fax:(801) 422-0463
<http://techtransfer.byu.edu/>
techtransfer@byu.edu

University of Utah - Technology Commercialization Office
615 Arapeen #310, SLC, UT 84108
801.581.7792
<http://www.tco.utah.edu/>
info@tco.utah.edu.

Utah State University - Technology Commercialization Office
570 Research Park Way, Suite 101, North Logan, UT 84341-9730
(435)797-9607 (office) (435)797-9612 (fax)
<http://tco.usu.edu/>
tco@usu.edu



Governor's Office of
Economic Development

Centers of Excellence

2) Team with ties to **any** of Utah's colleges or universities

If you are a team from, an Affiliate Company working with, or Licensee of a technology from any of Utah's colleges or universities, you should meet with the USTAR Technology Outreach and Innovation Program (TOIP) team. Contact information is below. Explain that you are interested in the COE program and need your proposal reviewed for recommendation to the COE program.

Please note: If you are in partnership with any of Utah's regional colleges and universities (non-PhD granting), you MUST work with the USTAR TOIP program for review of your proposal. Teams affiliated with a PhD granting institutions may work with their TCO or with the TOIP team.

The TOIP team is well aware of the program and how it works. USTAR has a process for evaluating and recommending those teams which are most ready to take advantage of the COE grant funding and is frequently able to help suggest areas for improvement to make a team more competitive, either in the current solicitation or for future solicitations. Please note that this is not just a formality, many teams may not be ready for the COE program and will not be recommended for review, but may be asked to strengthen their proposal and wait for the next solicitation.

You may contact the USTAR TOIP team either through the main email or phone number below, OR you may go to the website listed below and select the USTAR Technology Outreach and Innovation Program Local Office that is nearest to you (contact information for each office is available on the website)

Direct: (801) 538-8622

ustarinfo@utah.gov

<http://www.innovationutah.com/contact.html>