

## Technology Commercialization & Innovation (TCI) Grant & Training Program Terms and Conditions

**Solicitation Deadline for the 2010-11(R2)TCIP Grant: 12:00 Noon - Monday May 30, 2011**

### Background & Updates

The Governor's Office of Economic Development follows a process of continuous improvement in our programs. In keeping with this spirit, and working with key stakeholders, several important changes have occurred to the program formerly known as Centers of Excellence. First, the program has been revised to be able to deliver smaller amounts of funding to more potential efforts, at a critical time in their development. The second change is the new name. The program is now known as the Technology Commercialization and Innovation Program (TCIP). Many of the updates are a result of USTAR's successful technology Commercial Grants initiative, which is ending.

Three elements for programs fostering entrepreneurial success include:

- Capital
- Human Capital
- Collaboration

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

- Investment in entrepreneurial talent (training and mentoring startups)
- Funding of programs (small, light, fast)
- A broad embrace of college and university driven technologies

In that context, starting with fiscal year 2010, we began piloting an updated program. This is the second solicitation this fiscal year (first was in October 2010). The principles guiding this update are:

- Smaller funding amounts than previously offered
- Lighter overhead than the previous process
- Faster turnaround with multiple grant opportunities each year
- 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, etc.)

The TCI program will no longer be an open solicitation; 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 TCI 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 TCI funding will either be or lead to startup companies. The intention of the program is that these startups will begin and stay in Utah which is also a key measure of the success of the program.

## General Guidelines

The Technology Commercialization & Innovation grants are intended to accelerate the time to market for a technology. Below are the key policies and guidelines for the Technology Commercialization & Innovation grant solicitation.

### Definitions

**“Institution”** means: A college or university who is developing a technology for the intent of facilitating its transition into industry.

**“Licensee”** means: A company who has licensed a technology from a college or university.

**“Affiliate”** means: A company who has partnered with a college or university to help develop or perform work on a technology. Such work includes:

- Service agreement (testing, prototyping, custom development, etc.)
- Sponsored research
- Sponsored student projects

**“University Team”** means: A professor-led technology project at an Institution.

**“Proposing Team”** means: The entity (Institution or Licensee, or Affiliate) who has submitted a grant proposal to the TCI Program.

**“Grant Recipient”** means: A proposing team who has been awarded a TCI grant.

**“Qualified Pre-screening Entity”** means: Uof U, BYU or USU TCO/TTO office or USTAR TOIP program.

### 1) Funding Maximums & Summary of Requirements

- **Maximum one time grant funding** is \$40,000 (\$80,000 total).
- **Milestones** must be detailed in the proposal. For each milestone identified (three to five milestones) an applicant must provide detailed information about how the TCI award money will be used and how long it will take to reach the milestone.
- **Application limit:** If a proposing team applied for but did not receive a TCI grant award, they may re-submit a proposal for the same technology two additional times, after which they can no longer apply to the TCI Program for the same technology.
- **Pre-screening:** A proposing team must undergo pre-screening and be recommended by a qualified pre-screening entity.
- **Grant disbursement:** TCI grant funding will be disbursed to the Institution to be used on behalf of a Licensee, Affiliate or University Team.
- **Sub-contracting:** The Institution may sub-contract all or a portion of the TCI funds to a Licensee, but is prohibited from sub-contracting TCI funds to an Affiliate company
- **Use of funds** must be detailed in the proposal.
- **Licensee or Affiliate company must demonstrate a tie to the college or university**

- **Affiliates must co-apply with the Institution with which they have a relationship.**

## **2) Eligibility**

There are three types of eligible applicants:

- A University team led by a professor at a Utah college or university
- Affiliate companies must co-apply with a college or university. The institution is prohibited from sub-contracting TCI funds to an Affiliate company. Information on both co-applicants must be completed on the application, but only one application is to be submitted. TCI funds will be disbursed to the institution that must use it to perform work on behalf of the company. Such work includes:
  - Service agreement (testing, prototyping, custom development, etc.)
  - Sponsored research
  - Sponsored student projects

A proposing team is eligible to apply for TCI funding as long as:

- a) The combination of the Licensee or Affiliate and the university team has not received more than \$80,000 in Technology Commercialization & Innovation (formerly COE) funding for the proposed 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 two awards from the Technology Commercialization & Innovation 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.
- f) If a Licensee, Affiliate or Institution applied for but did not receive a TCI award, they may re-submit a proposal for the same technology and development plan two additional times, after which they can no longer apply for a TCI grant for the same technology.

For 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. A university license does NOT have to be in place during the proposal process, but a license must be in place before the Institution can sub-contract TCI funds to the Licensee.

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 TCI grant funding but not necessarily before applying.

An Affiliate company who is applying as a co-applicant with a college or university in a non-licensing arrangement, must have an agreement in place with the Institution. The Affiliate company’s relationship with the institution should be explained briefly in their proposal.

Funding will not be released until the agreement is in place and intellectual property arrangements are in place.

### **3) Pre-screening Requirement**

The updated TCI program is no longer an “open solicitation.” Before applying to the TCI program, a proposing team must be recommended by either of the two recommendation mechanisms, detailed below. 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 TCI program as “qualified.” At this time, such offices are at the University of Utah, Brigham Young University and Utah State University.
  - Applications are pre-screened and recommended to TCI Program. The TCO/TTO may recommend either professor-led 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 three universities with an established TTO/TCO.

### **4) Matching funds**

The matching funds requirement is a 1:1 match for companies and non-PhD granting institutions, and a 2:1 match for PhD granting institutions. The match can include any industry or federal non-loan sources of funds that are reasonably related to the technology being proposed for support to the TCI program. Match period is one calendar year from the date of the grant proposal and up to three months prior.

#### **Comments on Matching Funds:**

- a) Matching 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 being used as matching funds are direct university funds such as salaries or in kind support and any other state grants (such as TCG grants). Also excluded are any 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 without hurting their eligibility for TCIP funding, but may not be counted as matching funds.

e) In-kind match is not acceptable.

## **5) Invoicing**

TCIP grant funds will be released as follows:

First payment: Up to 50% of grant funds (first milestone) proportionate to matching funds available.

Second Payment: 50% of grant funds upon completion of a second milestone

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

The statute authorizing and governing the Technology Commercialization & Innovation program, requires that the technology which is supported 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/TCI\\_Enrolled\\_2007\\_hb0125.pdf](http://goed.utah.gov/site-media/page-media/content/centers/TCI_Enrolled_2007_hb0125.pdf)):

- (i) A TCIP grant recipient shall return the grant proceeds or a portion of the grant proceeds to the State, if the grant recipient:
  - (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 grant recipient exploits the technology, but within five years after issuance of the grant the grant recipient transfers the manufacturing or service location for the technology to an out of state location.
- (ii) A repayment by a grant recipient that receives a TCIP grant shall come only from revenues derived from the technology.
- (iii) A repayment by a grant recipient shall be prorated based only on the number of full years the grant recipient exploited the technology in the state from the date of the awarded grant.

## **7) Selection Process**

Step 1: The selection process is a two stage process, involving one of two pre-screening mechanisms and then a final review by the Technology Commercialization & Innovation Advisory Council.

The first pre-screening mechanism available to a proposing team 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.

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.

Step 2: Each proposing team, which has been forwarded to the TCI program by a designated screening mechanism (above), will submit a completed TCIP Grant Application form and then will be required to make a brief in-person presentation to the Technology Commercialization & Innovation Advisory Council on a designated presentation day. A presentation template will be provided to ensure all teams present the required information. After the presentations and review, the TCIP Advisory Council will make a recommendation to the Director of the TCIP 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 TCIP grant program from each proposing team 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 TCI program, the TCIP director reserves the right to select the proposal on a “first come first served” basis or via another mechanism at the discretion of the director.

### **9) Strict limit on the length of the proposal**

The proposal will include the TCIP Grant Application form, and a 1-3 page executive summary that may also include up to two letters of recommendation or letters of support (no more than two pages each). The grant application, executive summary and letters of support must be submitted to the State via email only in PDF format, and must each be submitted as separate files in a single email.

### **10) Business Confidential Materials**

All company proprietary information, including all pages of the Grant Application (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.

### **11) Competitive Grant Program**

The Technology Commercialization & Innovation 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. A Licensee or Affiliate company that has 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 the Technology

Commercialization & Innovation 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 TCIP director as needed while the solicitation is open. Any changes will be posted on the Technology Commercialization & Innovation website under the Forms and Guidelines Section at: <http://goed.utah.gov/programs/TCI/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 grant recipient company - the State's return on the TCI 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 five years. These terms will be repeated in the TCIP grant contract.

## **Frequently Asked Questions**

We will publish FAQ's and answers on the TCIP website whenever we receive questions. Please check to see if your question is answered there before contacting us. The FAQs page for the TCI program is located under the 2010-11 solicitation at <http://goed.utah.gov/programs/TCI/Centers-of-excellence-forms-guidelines/> and will be updated frequently; please visit this page to see updates.

## **Details on the Recommendation and Review Process**

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

Below are the details about the process of getting your proposal reviewed for recommendation before or in parallel with submitting a TCI Grant application:

A proposing team should meet with the one of the qualified universities' TCO/TTO office or the USTAR TOIP team (contact information for each entity listed below) and explain that you are interested in applying to the TCI program and need your proposal reviewed for recommendation to the program. The TCO Officers and TOIP teams are well aware of the program and how it works. Each of these entities have a process for evaluating and recommending those proposing teams which are most ready to take advantage of the TCI 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 TCI 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 pre-screening entities either by email or phone (contact information for each entity listed below), OR in the case of the USTAR TOIP, you may go to their website and select the USTAR Technology Outreach and Innovation Program Local Office that is nearest to you.

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.

### Brigham Young University - Technology Transfer Office

3760 HBL, Brigham Young University, Provo, UT 84602-6844

(801) 422-6266 Fax:(801) 422-0463

<http://techtransfer.byu.edu/>

[techtransfer@byu.edu](mailto: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](mailto:info@tco.utah.edu).

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