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MAINE TECHNOLOGY INSTITUTE
July 2000-June 2001

SECOND ANNUAL REPORT TO THE MAINE
LEGISLATURE

Prepared for:
The Business, Economic and Community
Development Committee



Targeted Technologies

- **Advanced Forestry & Agriculture**
- **Aquaculture & Marine**
- **Biotechnology**
- **Composite Materials**
- **Environmental**
- **Information**
- **Precision Manufacturing**

November 5, 2001

State of Maine Legislature
Joint Standing Committee on Business & Economic Development
c/o Beth St. Pierre
115 State House Station
Augusta, ME 04333-0115

Re: Maine Technology Institute Annual Report: July 2000 – June 2001

Dear Committee Members:

The Maine Technology Institute (MTI) is pleased to submit its second annual report covering the Institute's activities during the period July 2000 through June 2001.

During its first year, the majority of MTI activity was directed at developing procedures and programs. We are pleased to report that the first year efforts were well done and during MTI's second year, significant investments were made in Maine technology companies. To date, MTI has made 146 awards to 118 different companies totaling over \$7,900,000 to companies located in 15 of Maine's 16 counties. The attached report summarizes the nature and scope of the investments made through each of the MTI programs.

In addition to these direct investments, MTI has taken several steps to significantly increase the participation of Maine companies in federal Small Business Innovation Research (SBIR) program. MTI has entered into a partnership with the Market Development Center to provide support to Maine companies interested in applying for SBIR grants. In addition, MTI maintains a technical assistance and outreach program supporting the SBIR and related Small Business Technology Transfer (STTR) programs. These efforts, in combination with the efforts of others, have begun to show promising results. In FY '01, the State of Maine received 12 awards totaling \$3.16 million; in FY '00, the state received the same number of awards (12) with a total of \$1.87 million.

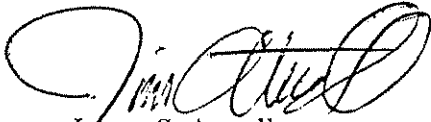
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The MTI legislation was written to assure that MTI programs be "industry driven". This objective was partially accomplished by establishing a Technology Board for each of the seven technology sectors identified in the MTI legislation. Nearly 100 Maine business people volunteer their time to serve on the MTI Technology Boards. These Technology Boards provide the link between the technology sectors and MTI. The MTI could not accomplish its goals without the extraordinary efforts of the Technology Boards. On behalf of the MTI Board of Directors, I wish to thank each member of the Technology Boards for their valuable contribution.

Janet Yancey-Wrona and the staff of MTI are commended for their efforts in implementing MTI's programs and providing support to MTI companies. The staff has been accessible and responsive to companies interested in MTI programs and has conducted a very successful series of grant writing workshops throughout the State. Janet and the staff are fine ambassadors for MTI.

The Maine Technology Institute truly appreciates the support of the State Legislature. In the coming year, the MTI will be conducting activities in order to further interact with both the Committee on Business and Economic Development, as well as the full legislature. We believe that this partnership will ensure that MTI can continue to play a crucial role in the State's overall economic development strategy.

Sincerely,

A handwritten signature in cursive script, appearing to read "James S. Atwell". The signature is written in dark ink and is positioned above the printed name.

James S. Atwell
Chairman of the Board

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EXECUTIVE SUMMARY

The Maine Technology Institute (MTI) was enabled by the Maine State Legislature in 1999 to help Maine companies advance new products and services toward the market by cost-sharing research and development projects leading to commercialization. MTI is one part of the State's overall economic development strategy that will contribute specifically to Maine's research, development and product deployment infrastructure, resulting in increased innovation, generation of new products and services, and improved competitiveness of Maine's technology-based industries. In the long-term, these activities will support clusters of industrial activity related to technology-based businesses and lead to sustainable, quality jobs for Maine people.

Prior to the creation of MTI, Maine consistently ranked near last for research and development investment. MTI's efforts to spur this activity reflect the direct correlation between research and development and a state's per capita income that leads to economic prosperity overallⁱ. However, it is important to understand that such positive economic returns will not occur in the short term. The risks inherent in new product and service development as well as the results of programs in many other states, such as Kansasⁱⁱ, Alaskaⁱⁱⁱ, Pennsylvania^{iv}, and many more, show that early stage investments lead to business growth and job creation after 10-15 years of investment and assistance activity. The clusters of industrial activity in Research Triangle Park, North Carolina and the Route 128 Corridor in Massachusetts were seeded with economic development initiatives starting more than 20 years ago. While MTI will continue to monitor and report on its activities, and economic impact evaluation reports will commence in January, 2003, significant, measurable economic returns cannot be expected for at least ten years.

In the 18 months since its creation, MTI developed and implemented a small portfolio of programs to invest directly in the promising technologies being developed by companies throughout the State of Maine. In January 2000, MTI announced its first grant program. Since then, MTI has modified its programs to meet the diverse needs of Maine technology-based businesses at different stages of product and service development, and implemented a repayment policy for its large awards.

Through June 30, 2001, 380 proposals had been submitted to MTI. 118 projects have been approved for MTI funding, through highly competitive review processes, in three different award programs: Performance Grants, Seed Grants and Development Awards. A fourth program, Cluster Enhancement Awards, funded five projects to enhance the infrastructure necessary to support technology-based businesses. All MTI award programs require a minimum of a 1:1 cash match, funds are disbursed according to milestone achievement, monitored and verified by MTI. As of June 30, 2001, MTI has disbursed over \$2,500,000 out of over \$6,500,000 committed for new product and service development, to over 100 Maine businesses, located in 15 out of Maine's 16 counties. Completion of all MTI-awarded projects to date will result in over \$15,000,000 of new research and development investment throughout Maine.

I. INTRODUCTION

The Maine State Legislature created the Maine Technology Institute (MTI) in 1999 to “encourage, promote, stimulate and support research and development activity leading to the commercialization of new products and services in the State’s technology-intensive industrial sectors...” (5MRSA C. 407, Section 15302, Appendix A). The targeted sectors are:

- Advanced Technologies for Forestry and Agriculture;
- Aquaculture and Marine Technology;
- Biotechnology;
- Composites Materials Technology;
- Environmental Technology;
- Information Technology;
- Precision Manufacturing Technology.

MTI accomplishes its purpose by:

- Making **direct investments** in Maine-based companies, nonprofit laboratories and other business entities for activities that will help advance new products and services toward the market; and
- Establishing and maintaining a program that provides **technical assistance and information** related to the federal Small Business Innovation Research (SBIR) Award programs.

MTI fills an important niche in the State’s economic development strategy, supporting very early product or service development at a time when other sources of financing are difficult to come by. Projects supported by MTI must show a potential for positive economic benefit to Maine that will contribute to the ultimate goals of MTI:

- Enhancing the competitiveness of the targeted industry sectors;
- Sustaining clusters of industrial activity associated with the targeted sectors;
- Creating sustainable jobs for Maine people.

II. ORGANIZATION

MTI is a private, nonprofit 501(c)3 organization governed by a volunteer Board of Directors, appointed by the Governor. In 2001, the number of Directors was increased to include the President of the Maine Technical College System. The MTI by-laws were modified to reflect this change (Appendix B). The now 15-member Board remains industry-driven with 9 of the 12 voting directors representing the private sector. Please see Appendix C for a list of current Board members, and their offices.

Three Directors have resigned from the Board due to term expiration, relocation and time constraints. Board vacancies were publicized through trade associations and through the MTI mailing list. The Board reviewed resumes, and recommendations for Board appointments were provided to the Governor's office. The Governor considered the Board's recommendations and appointed new Board members as required.

The MTI Board of Directors continues to be an active, strong Board who meet monthly to consider proposals, develop programs and determine direction for MTI. The MTI staff implements the Board's direction. MTI currently employs four people, in addition to the Director who is an employee of the State. MTI staff includes:

- Agnes Pavone, hired December 1999, Office Manager and Assistant.
- Robert Chiozzi and Joseph Migliaccio, hired February 2000, technology specialists who manage the MTI projects and the seven technology boards.
- Bethany Lyons, hired January 2001, communications specialist who manages board meeting schedules, MTI publicity and outreach to the Maine community and legislators.

Please see Appendix D, for biographies of all MTI staff.

III. STRATEGY, PROGRAMS & PROGRESS

In October 2000, the MTI Board of Directors held a strategic planning session. Attached, as Appendix E is a chart outlining the goals delineated by the MTI Board, along with a brief update on MTI's progress toward those goals at that time. In addition, subsequent steps for MTI's ongoing efforts were identified. The Strategic Plan for MTI includes three broad areas, within each of which significant progress has been made. Following is a brief description of progress in each area.

1. **Award Programs:** In the last year, MTI has developed three on-going award programs: Seed Grants, Development Awards and Cluster Enhancement Awards. The first award program, Performance Grants, was modified and rolled into the Development Award program. All proposals are critically evaluated for merit and potential benefit to Maine's economy, and require a minimum 1:1 cash match.

Performance Grants: Awarded June 2000. Grants of up to \$100,000 per project were awarded to support research and development leading to the commercialization of new products or services in the State's targeted technology sectors. A total of 117 applications were received requesting over \$10,000,000. 37 awards were approved, committing over \$3,000,000. These awards included match commitments totaling over \$4,000,000. As of June 30, 2001, over \$2,500,000 had been disbursed based on milestones, two contracts were not accepted, three projects completed and 32 projects are on going. The MTI technology specialists actively review the progress of each of

these projects to verify MTI funds and match expenditures, and monitor project progress. A brief status report indicating the status of each project is included as Appendix F.

Seed Grants: The Seed Grant program was offered for the first time in August 2000. The Request for Proposals and Grant Award Agreement are included as Appendix G. The Seed Grant program provides grants of up to \$10,000 each for small, specific research and development projects leading to commercialization, for technical or consulting assistance for commercialization proposal preparation, market analysis, intellectual property filing or other activity leading to commercialization. Awards are made four times per year. Proposals are reviewed by a committee comprised of MTI technology board and Board of Directors members. During the first year, 223 proposals were received and reviewed. 71 projects were approved for funding, totaling over \$660,000. Match committed by the awardees totals over \$910,000. One contract was not executed, 18 projects have completed, one project is in default, and 52 are being actively monitored. A brief status report of each Seed Grant round is presented in Appendix H. Note that 80% of the full amount approved for a Seed Grant is disbursed at project initiation. The final 20% is disbursed upon project completion and verification by MTI.

Development Awards: Awarded for the first time in March 2001, Development Awards are made twice each year. Up to \$500,000 per project is awarded for comprehensive research and development leading to the commercialization of new products or services that are projected to enter the market within three years. Up to \$100,000 per project may be awarded for development of new products or services that are projected to be commercialized in more than three years. Expert peer reviewers review proposals for scientific and technical merit, and MTI technology boards evaluate the potential for economic benefit to Maine. Proposals for development of products or services that will be commercialized within three years are further evaluated by an MTI business review committee (BRC) for commercial feasibility and financial soundness. The BRC is comprised of two members of each technology board, plus two directors from the MTI Board. The MTI Board of Directors approves the final funding recommendations at its regularly scheduled meetings. Repayment of up to two times the amount of the award is required when the new product or service is commercialized. The development award request for proposals and award agreement are provided as Appendix I. A total of 33 development award proposals were received in March and ten projects were approved for funding totaling over \$2,800,000, with match commitments greater than \$3,100,000 (Appendix J). Since funds are dispersed on a milestone bases, only \$143,000 was disbursed through June 2001.

Cluster Enhancement Awards: On a rolling basis, MTI considers proposals for collaborative, comprehensive projects that address specific needs within or among the

targeted industry sectors. The request for proposals and award agreement are provided in Appendix K. Up to \$100,000 are available for projects that will stimulate and support the formation and growth of technology businesses and their infrastructure. Cluster Enhancement Award proposals are accepted at any time, and reviewed by the MTI Board of Directors at their regularly scheduled monthly Board meetings. During the first year, 24 proposals were received, and five awards made totaling over \$350,000, matched by over \$1,000,000. As of June 2001, approximately \$120,000 had been disbursed on a milestone basis. Please refer to Appendix L for a complete list of projects and funds disbursement status.

Programs Summary: Over \$6,500,000 was committed by MTI for research and development leading to commercialization during its first year of awards, in over 100 different Maine companies. This is matched by over \$7,000,000 from the award recipients resulting in over \$13,000,000 devoted to new product or service development in Maine. While the results of these investments, in terms of economic benefits to Maine, will not be realized for several years, interim data and project progress are being followed. Included in Appendix M is a preliminary economic impact summary prepared by the Maine Manufacturing Extension Partnership (MEP) as part of its agreement with MTI, and its reporting requirements to its parent organization, the National Institutes of Standards and Technology. Data were extracted from the interim reports of MTI-funded projects, as well as from direct surveys of a few completed projects.

2. **MTI Development:** As with any new business, MTI continues to evolve. Significant progress in three critical development areas has been made:

Sustaining Funding: MTI will continue to be funded by the State at its on-going level of \$6,400,000 per year through the next biennium. In addition, MTI successfully introduced repayment provisions into its largest award program (see Development Awards above). It should be noted, however, that repayment is capped at a maximum of two times the original award amount, and is contingent on the successful commercialization of new products or services developed with MTI funding. Given the early stage, and, therefore, high-risk nature of MTI investments, it is unlikely that this repayment plan will ever serve to completely replenish the MTI fund. Moreover, since most MTI Development Award projects are several years from the market, it will be some time before any financial return can be expected.

MTI was the Maine applicant for a \$150,000 grant from the U.S. Small Business Administration for a Federal and State Technology Partnership (FAST) grant. If awarded, MTI will match the federal funding with at least \$100,000 to develop a commercialization training workshop for Maine entrepreneurs from technology based companies. The program plan represents a collaborative effort among the State's economic development service providers, culminating in the grant application that

was submitted in June 2001 (Appendix N). Announcement of awardees is expected in October.

Technology Boards: MTI has maintained the active participation of seven targeted technology boards (see Appendix O for a list of current members). These Maine business people contribute countless hours to the evaluation of proposals. Development Awards are evaluated by technology boards as a whole, while individual members take turns serving on review committees for Seed Grants and Development Award business review. It is only through the diligent efforts of these volunteers that MTI has been able to develop a portfolio of award programs accessible to the very diverse types and needs of technology-based businesses in Maine, and to ensure that awards are made only for the most highly qualified proposals.

Partnerships and Collaborations: As recognized in the strategic goals, MTI must work cooperatively with many other agencies and organizations to maximize its investments and increase the likelihood of long term economic benefit. Only through strategic partnerships, alliances and collaboration will the infrastructure be developed to support and sustain clusters of technology-based industries in Maine. Collaboration and partnerships on the part of individual companies are also an important part of cluster development, and are part of the evaluative criteria for the potential for economic impact of the individual proposals.

University of Maine System: Since university systems are a critical component of any successful industry cluster, it is important to consider the University of Maine's role with the MTI program. First, the University and Technical College systems are well-represented as voting members of the MTI Board of Directors. Additionally, approximately 30% of MTI-funded projects involve research from the University of Maine System as subcontractors for the development work. While MTI funds are not used for basic research, the University has received four awards from MTI. These research and development projects are strongly supported by a private commercialization partner who may license the new product or service if its development is feasible. The University also received a Cluster Enhancement Award that enabled the purchase of a wood extruder for contractual use by Maine wood products and composites materials companies. Moreover, the University is an active partner in three other Cluster Enhancement Awards. Finally, several University scientists and engineers serve on technology boards related where they provide a critical perspective in their areas of expertise, and University resources have been utilized to help solve technical difficulties encountered by some MTI-funded companies. Finally, MTI supports the University of Maine's EPSCoR program as indicated by the letter of support in Appendix P.

Maine Manufacturing Extension Partnership: MTI also seeks to leverage its resources through more formal strategic alliances. In the first of MTI's official partnerships, MTI entered a cooperative agreement with Maine Manufacturing Extension Partnership (MEP) whereby Maine MEP serves as the fiscal agent to disburse MTI grant monies (Appendix Q). This service is directed by MTI, and is provided at no cost to MTI. Additionally, MEP provides, at no cost to MTI, one full-time equivalent position dedicated to companies funded by, or potentially funded by, MTI for commercialization assistance. Through this agreement, MEP program managers have taken an active role in encouraging companies throughout the State to apply for MTI award programs as well as assisting MTI-funded companies that encounter delays and difficulties with their projects. By leveraging the MTI grant disbursement funds, MEP obtained an additional \$1,250,000 in federal match funding for its own programs. Through this mutually beneficial agreement, MEP increased its own deal flow and company interactions while improving the interest in and quality of proposals submitted for MTI funding. A summary report of MEP activities related to this agreement is provided as Appendix R.

Market Development Center: MTI also enjoys a productive contractual relationship with the Market Development Center (MDC), located at the Eastern Maine Development Corporation in Bangor. In addition to cost-sharing one person at MDC to provide outreach for the MTI Small Business Innovation Research (SBIR) award technical assistance program (see below under 4), MTI provides in-kind match supporting MDC's rural outreach program to insure that all eligible Maine companies are introduced to the SBIR and MTI award programs.

Less formal relationships exist with several important state-funded programs. The MTI Director serves on the Board of Directors for the Small Enterprise Growth Fund, ensuring that information and company contacts are shared between the two state-funded investment funds. The Director is also a member of the Applied Technology Development Center (ATDC) advisory committee, which oversees the management of the State's seven ATDCs.

Finally, MTI has established agreements with other organizations (Appendix S) that make early stage investments in Maine companies, and share goals with the MTI purpose. These agreements bring attention to the role that these funding organizations play together ensuring that qualified businesses are aware of, and find, the financial assistance required to success and grow.

3. **Outreach / MTI marketing:** Recognizing that the MTI programs must be available and accessible to all businesses throughout the State of Maine, MTI promoted its programs in a variety of ways, including:

- **Newspaper articles** about MTI, its programs, as well as a number of articles specifically about companies who have received MTI funds. (See Appendix T)
- An **established e-mail distribution list** of over 725 individuals, companies, and organizations. Sent to our database about once a month, “MTI News” includes updates, upcoming deadlines, announcements of award recipients, upcoming workshops and seminars, and other pertinent announcements.
- A quarterly **printed newsletter** sent to Maine’s legislators, economic service providers, the Governor’s office, and various trade associations around the state.
- **Proposal preparation workshops** which are free and open to the general public. The second set of workshops, publicized in the press and through the economic development district organizations, were held in April 2001. Workshops were held in Portland, Augusta, Bangor, and Caribou. A total of 96 persons attended these four sessions. Two sets of workshops are planned per year.
- **Open houses**, which took place in April. Approximately 40-50 persons attended, and included future applicants, technology board members, and past awardees. MTI plans to hold open houses on a quarterly basis, a few weeks prior to each Seed Grant deadline.
- **Radio advertisements** ran on WGAN (in the Portland market) and on WVOM (in the Bangor market) in June, prior to our July 9th Development Award deadline.
- The First Annual **MTI Mixer** was held on June 14th at the Augusta Country Club, in Manchester, ME. All MTI awardees, applicants, MTI Board members, technology board members, business and economic and appropriations committee members of the legislature, and other interested parties were invited to attend this celebratory event, featuring one year of MTI giving. The response was overwhelmingly positive, with over 160 people in attendance and 14 presentations from Performance Grant awardees reporting their progress on MTI-funded projects.

Information regarding MTI is available on our **Web site**, www.mainetechnology.org. The site now features a “Directory of Professionals”, where businesses that provide services to the business community (grant writers, consultants, marketing/PR firms, etc.) can post a listing at no charge. These listings are then viewed by visitors to the MTI site who are seeking business assistance.

Written materials and brochures are also available, and are distributed at various trade shows and conferences related to the sectors which MTI supports. In the past

year, MTI has attended, sponsored, or presented at the following **sector-related events**: Maine Wood Products Association Annual Meeting, Government Funding Opportunities Conference, Maine International Trade Day, Northeastern Forest Products Equipment Exposition, Maine Space Grant Consortium Biotech/Nanotech workshop, Blaine House Conference & Resource Fair for Small Business, SBIRs National SWIFT Tour, Northeast Composites Conference, the E2 Technology Expo, local CapitalVenue events, and the Old Port Technology Center (OPTC) Annual Celebration, and others.

To assist with the increasing number of outreach and publicity opportunities, MTI hired a **Communications Specialist** in January 2001, who is responsible for all of the activities mentioned above.

As MTI continues to evolve, free public seminars and workshops will continue to be offered throughout the state. In addition, the director and MTI staff members will continue to actively seek promotional opportunities and speaking engagements at trade shows, seminars, chambers of commerce, rotaries, and other sector-related events throughout the state.

- 4. SBIR Technical Assistance Program:** In 2001, the law defining the duties of MTI was modified to include development and administration of an SBIR technical assistance program (5 MRSA, Section 15303, part 6-A). The federal SBIR (Small Business Innovation Research) program provides federal funds in the form of competitive grants to small businesses performing innovative research leading to commercialization. Goals of the SBIR program are very similar to MTI goals. Traditionally, Maine has ranked very low in terms of the number of SBIR awards received. Past experience in Maine, and in several other states, shows that directed assistance and information to eligible companies related to the SBIR program can significantly increase the number of awards made to companies in any one state. Efforts of such a program will increase the number of federal dollars received in Maine to support research and development.

MTI now maintains a technical assistance and outreach program supporting the federal SBIR and, the related, STTR (Small Business Technology Transfer) award programs. This statewide SBIR/STTR network includes:

Information:

- State-wide informational workshops for businesses and economic development personnel;
- Updates of SBIR/STTR announcements and news to Maine's small businesses;
- Attendance at national and regional SBIR/STTR workshops and seminars;
- Identification and contact of all Maine small businesses to discuss the potential for SBIR/STTR award application.

- SBIR/STTR information maintained on the MTI's web site at www.mainetechnology.org/sbir-mti.asp.

Technical Assistance:

- Seed Grants of up to \$10,000 available for SBIR/STTR proposal preparation assistance;
- Technical and business counseling available to educate and advise Maine small businesses on the SBIR/STTR award process and requirements;
- Technical and business counseling provided to review SBIR/STTR applications, and provide guidance for specific agency solicitations.

Several key partners carry out these activities. Please see Appendix U for agreement terms and conditions:

- **Maine Manufacturing Extension Partnership (MEP):** Through a collaborative agreement with MTI, MEP provides business counseling, proposal assistance and identifies potential funding and match sources for current and potential MTI clients, especially concerning technology transfer and commercialization projects.
- **Market Development Center (MDC):** Located at the Eastern Maine Development Corporation (EMDC), under contract with MTI, MDC conducts outreach and education related to SBIR/STTR and other government programs for Maine small businesses and economic development personnel.
- **C & P Management Services:** Under contract with MTI to provide technical assistance and education to promote SBIR awareness and increase the number and quality of SBIR\STTR applications by Maine's small businesses.
- **Burbank Planning & Consulting:** Under contract with MTI to provide business counseling specifically for application to the federal SBIR/STTR award programs.

Results for January – June 2001:

- Over 100 Maine businesses individually contacted and provided SBIR information and assistance.
- Six Maine companies received SBIR awards for over \$450,000.
- Nine workshops or seminars were held throughout the state, educating 249 business people and economic development service providers.

SWIFT Tour:

The SBIR program managers from ten federal agencies visited Portland, ME for their last stop on an informational tour of New England. MTI publicized and financed the facilities for the event, and arranged for a SBIR proposal preparation workshop in the afternoon. Over 140 individuals from companies throughout Maine attended the meetings and proposal preparation sessions (conducted by Karen West of C&P Management and James Burbank of Burbank Consulting). Many companies were able to meet one-on-one with the SBIR Federal Program Managers to ask specific questions and to "pitch their ideas" to the Program Managers before applying for an

SBIR award. Additionally, the Manufacturing Extension Partnership videotaped the event, and MTI gave copies to the Northern Maine Development Commission and Eastern Maine Development Corporation, who have shared them with other companies in their regions (MTI also maintains one available copy at its office in Gardiner).

IV. MTI POLICIES

MTI serves a broad group of interests and companies throughout Maine. While it is important to maintain flexibility in dealing with this diverse constituency, several items require strict policies that must be followed at all times to insure the equality and fairness of MTI procedures. MTI's policies are publicly available on the MTI website, or by calling MTI.

Confidentiality Agreement: Most importantly is the ability of MTI to maintain the confidentiality of individual company information submitted as part of proposals. MTI developed its confidentiality agreement that must be agreed to and signed by all MTI staff, volunteers, board members and reviewers (Appendix V) to ensure that any information learned from proposals would be used only for the purposes of review and evaluation and not disclosed to any third parties. Signed copies for all personnel are kept on file at MTI. Related to this issue, MTI also established a public participation policy indicating specific times that the public may participate or attend its Board meetings (Appendix W). While confidential material is not discussed during the public session, Minutes, which omit confidential information, are available to the public upon request.

Conflict of Interest Policy: Also important is the ability to ensure that proposals are reviewed fairly and equitably, based on the criteria established in the Requests for Proposals. Moreover, due to the public nature of MTI investments, it is important that MTI avoid even the appearance of conflict as well as any real conflict. MTI developed its Conflict of Interest policy (Appendix X) with these goals in mind. It ensures that no persons with a financial interest in any business participate in the evaluation of proposals from that business. Additionally, MTI has established the internal policy that no board members participate in reviews if they have a direct conflict with any of the businesses under consideration during that round of funding.

Awards Disputes Policy: The MTI Board recognizes that there may be times when errors are made in the review and award process. To deal with grievances concerning MTI's award process, an award dispute policy is in place (Appendix Y). This policy has been twice invoked, and, in both cases, the Executive Committee of the MTI Board of Directors determined that mistakes or inequities did not occur, and therefore, supported the original decisions made during the standard review process.

V. FINANCES

Attached are the audited financial statements for MTI, along with a summary of project disbursements (Appendix Z).

VI. FUTURE DIRECTION

MTI looks forward to its on-going focus on direct investments in promising technologies, with plans to continue to offer Seed Grants four times each year, and Development Awards twice each year. Past investment experience, Maine's overall economic and business climate, as well as lessons learned from other States, will continue to shape the evolution of MTI's existing award programs and as well as suggest needed new programs.

As with any funding or investment organization, a critical issue for the continued success of MTI will be to maintain the high quality of proposals submitted to MTI so that funds are awarded for only the best projects. MTI's Board of Directors will shift from the intense focus placed on program development during the first two years, to a broader focus on ensuring the continued success of MTI so that the MTI purpose is fully realized. Education and outreach will continue to play important roles in this effort, while additional means to spur innovation and new product and service development in Maine will be pursued.

MTI will begin to monitor the impact of its investments as the MTI-funded projects complete. MTI plans to work with the University of Southern Maine Muskie School of Public Policy to develop and implement a survey of all MTI investments, for a minimum of five years following project completion. This survey and evaluation will be integrated with the Maine Science and Technology Foundation's state-mandated survey of Maine research and development investments. All MTI award recipients are contractually obligated to provide information for survey purposes. Results from the survey will be used to determine the economic impact of MTI activities. The first evaluation report will be presented to all MTI stakeholders, including the Maine Legislature, in January 2003. During the interim, raw survey data will be used to monitor the effect of MTI's programs and the results will suggest improvements and changes for MTI to consider.

While it is important for MTI to remain clearly focused on its mission to "encourage, promote, stimulate and support research and development activity leading to the commercialization..."^v, it is also clear that funding alone will not allow MTI to accomplish its goals of sustainable jobs creation and improved competitiveness of Maine's technology-based industries. Businesses need continual access to technical and business expertise at every step along the pathway of commercialization and successful business development. Since MTI is only one part of the State's overall economic development strategy, it is important for MTI to continue to partner with other

organizations, public and private, whose mission and purpose overlap with the MTI. MTI will continue its mutually beneficial partnerships with the Maine Manufacturing Extension Partnership, Market Development Center and private consultants. Discussions are underway with the Maine Small Business Development Centers and the Applied Technology Development Centers to determine the best way for MTI-funded companies to access the assistance provided by business counselors and state-funded centers, and to provide the counselors and technology centers with the specific tools they need to be of best assistance to Maine's technology-based businesses. Interaction with Maine's educational institutions, including efforts to transfer technology into commercial use, will be continued and expanded. MTI will continue to seek out and respond to various organizations that also strive to ensure that Maine provides the environment necessary for technology-based businesses to grow and prosper. Only through continued successful strategic partnerships will MTI's goals be accomplished, and the full impact of MTI be realized for the State of Maine.

ⁱ 30 and 1000, How to Build a Knowledge-Based Economy in Maine and Raise Incomes to the National Average by 2010, Evan Richert, Maine State Planning Office, 2000.

ⁱⁱ 1999 Annual Report, Kansas Technology Enterprise Corporation.

ⁱⁱⁱ Impacts of the Alaska Science & Technology Foundation Grant Programs, 1999 Survey Results, January 2000.

^{iv} A Record of Achievement: The Economic Impact of the Ben Franklin Partnership, Nexus Associates, 1999.

^v 5 MRSA c. 407, Section 15302.