



Emerging Technology Centers Summary of Federal, State & Local Funding Options

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The Maryland Small Business Development Financing Authority (MSBDFA)

MSBDFA was created by the Maryland General Assembly in 1978 to assist in the development of socially or economically disadvantaged entrepreneurs in the creation of Maryland businesses. MSBDFA's financing activity is supported through the repayment of loans, generation of interest income and the collection of fees. Please see below for a brief description of programs administered by MSBDFA:

Contract Financing Program (CFP)

This program provides financial assistance to eligible businesses in the form of a direct loan or the guaranty of loans made by a financial institution. These funds may be used for working capital and the acquisition of equipment needed to begin, continue or complete work on contracts where a majority of funds are provided by a federal, state or local governments or utilities regulated by the Public Service Commission. Financing in either form is limited to \$500,000 and must be repaid during the term of the contract. Interest rates generally range from the prevailing prime rate up to prime plus two percent. Applicants may qualify for financing prior to contract award.

Surety Bond Program (SBP)

This program assists eligible small businesses in obtaining bid, performance or payment bonds necessary to perform on contracts where the majority of funds are also provided by a government agency or public utility. SBP directly issues bid, performance or payment bonds or guarantees a surety's losses incurred as a result of the contractor's breach of a bid, performance or payment bond. Additionally, SBP guarantees a surety's losses incurred as a result of the contractor's breach of a bid, performance or payment bond. Bonds that are directly issued are limited to \$750,000. Guaranties are limited to the lesser of ninety percent (90%) of the amount of the bond or \$900,000. Guaranties on the bonds remain in effect for the duration of the surety's exposure under the bond. Bonds issued directly by the SBP will remain in effect for a period consistent with that of a regular commercial surety contract. A surety bond line may be established to directly issue or guaranty multiple bonds to a principal within pre-approved terms, conditions and limitations.

Guaranty Fund Program (GFP)

This program provides financial assistance to eligible businesses in the form of loan guaranties and interest rate subsidies to financial institutions for long term loans and short-term lines of credit. A loan guaranty cannot exceed the lesser of eighty percent (80%) of the loan or \$1,000,000. The term of the loan cannot exceed ten (10) years with the maximum interest rate of prime plus two percent. Loan proceeds can be used, among other things, for working capital, the acquisition and installation of machinery or equipment and the purchase or improvements to real property owned or leased by the applicant. GFP can also subsidize up to four percentage points of the interest rate being charged by the financial institution making the loan. The subsidy is subject to an annual review. Terms of repayment of the subsidy are negotiated directly with the borrower.

Equity Participation Investment Program's (EPIP)



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The purpose of this program is to enhance business ownership of socially or economically disadvantaged entrepreneurs. Financial assistance is provided through the use of loans, loan guaranties and equity investments. The proceeds are used for the specific purpose of purchasing a franchise, acquiring an existing profitable business or developing a technology based business. Equity investments may take the form of the purchase of qualified securities, certificate of interest, interest in a limited partnership and other debt and equity investments. All equity investments must be disposed of by the end of the seventh year. Before a financing relationship is begun, a general agreement regarding the probable method of exit must be developed. The most common form is for the owner to buy back its interest at a predetermined pricing formula between the fourth and seventh year. In all cases, the recovery amount shall be the greater of its percentage of the current value of the business or the initial investment. Briefly, the details of the three individual components of the program are as follows.

Franchising Investments are limited to forty-five percent (45%) of the total project cost or a maximum of \$500,000. The applicant is required to make an equity investment of no less than ten percent of the total project costs. An independent appraisal of the business entity may be required to determine the value at the retirement of the debt or investment. Project costs can range from \$50,000 to \$1.5 million.

Business Acquisitions are limited to twenty five percent (25%) of the initial investment or a maximum of \$500,000. The applicant is required to make an equity investment for the greater of \$25,000 or five percent (5%) of the total project costs. An independent appraisal of the business entity may be required to determine the value at the retirement of the debt or investment. Project costs can range from \$100,000 to \$3 million.

Technology Investments are limited to a maximum of \$500,000 in a business entity with a proven technological product or service. An independent appraisal of the business entity may be required to determine the value at the retirement of the debt or investment. Project cost can range from \$50,000 to \$500,000.



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The Maryland Technology Development Corporation (TEDCO)

Created by the Maryland State legislature in 1998, TEDCO is a "body politic and corporate" and is "constituted as a public instrumentality of the State." Governed by a 15-member Board, appointed by the Governor with advice and consent of the Senate, the Board is comprised of leaders in the State's technology community and contains representatives from these sectors: private, university, non-profit, and public. Detailed information on all TEDCO funding programs is available at www.marylandtedco.org. The application guidelines for TEDCO funding programs are similar and consist generally of the following.

- A proposal cover sheet
- A development plan that outlines the steps necessary to develop or commercialize the subject technology to a viable product or service.
- A specific scope of work and budget that addresses one or more specific aims in the early stage of the development plan.
- An outline of the funding necessary to complete the commercialization plan and the proposed sources for this funding.
- Documentation of a technology transfer agreement

In addition to the programs described below, TEDCO supports technology transfer by making funds available to an entrepreneur/scientist team to work with the university technology licensing office to determine if there is a market for a technology. Basically, if a scientist (or the associated licensing office) believes in a commercially viable technology, they can apply to TEDCO for money for a market study. A summary of TEDCO funding programs follows.

Fort Detrick Technology Transfer Initiative (FDTTI)

TEDCO and The Frederick County Office of Economic Development (FCOED) have contracted with the U.S. Army Medical Research and Materiel Command (USAMRMC) to facilitate transfer of technology. Technology development projects will be considered within the scope of the FDTTI if the company can show how the proposed technology will meet the technology needs of USAMRMC (Spin-In) and/or the commercialization of USAMRMC technologies (Spin-Out). Funding for the FDTTI is provided by Congress. The Frederick County OED will provide business planning, development, and financing assistance as needed.

FDTTI awards of up to \$50,000 will be made to for-profit small businesses in support of technology development projects that fall within the scope of the FDTTI. Assistance in identifying whether or not a technology meets USAMRMC needs and in forming technology transfer collaborations is available from the points of contact listed. Applicants will be required to submit a white paper describing the technology insertion opportunity. Proposals for FDTTI funding may be submitted by invitation only. Proposals are accepted any time. The proposal review process begins the fifteenth of each month and will normally be completed within 60 days. Proposals will be reviewed by the FDTTI proposal review team. The FDTTI Board with senior representatives from TEDCO, Frederick County OED and USAMRMC will review the proposal review team recommendation and make a final funding decision.



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Maryland Technology Transfer and Commercialization Fund (MTTCF)

The goal of MTTCF is to provide funding for Maryland companies who wish to develop technology-based products and/or services in collaboration with the Universities and/or Federal Laboratories in Maryland. To be eligible for the program, a company must be either collaborating with a Federal Laboratory or university located in Maryland or formally affiliated with one of Maryland's technology incubators. In addition the company applying must meet the following criteria: fewer than 16 employees OR the company is a university spin-off in business less than 5 years AND pre-revenue OR venture investments under \$500K. If the company is in an incubator or an affiliate thereof it must be taking advantage of the business services offered by that incubator. Additionally, companies must have more than 50% of their employees present in the state of Maryland.

The focus of the program is support of company technology development projects that transfer technology to the commercial sector from any university or federal laboratory in Maryland OR technology companies in the incubator that have desire to move technology projects forward and are taking advantage of incubator business services. A secondary focus is on development of technology-based products and/or services for future government procurements.

MTTCF awards are reimbursable non-equity investments up to \$75,000 per award subject to a 50% company match; funds are available to defray a company's direct cost of developing early stage technology. Participation in the program does not involve ownership by TEDCO of equity or intellectual property rights nor does TEDCO have rights to control any aspect of commercialization of the subject technology. The MTTCF Program may be used to perform early stage feasibility testing on technology-based products/services to assist in obtaining financing for further development. The Recipient's repayment obligation begins 12 months after project completion, but no repayment is required unless and until the company receives revenue from project-related sales. The repayment obligation is 3% of quarterly sales, capped annually at 40% of the total award; there is an overall cap of 200% of the original award. Early repayment options are available.

The entire proposal review process will be completed within 60 days, when a proposal is submitted by the first of the month, with a formal closing within 90 days. Proposals will be reviewed by a review committee with members from TEDCO, DBED and selected venture capital providers. For more information contact Henry Ahn at either (410) 715-4165 or hahn@marylandtedco.org.

NAVAIR Technology Commercialization Initiative (NTCI)

TEDCO and The Patuxent Partnership (TPP) have contracted with the Naval Air Warfare Center – Aircraft Division (NAWCAD) to facilitate transfer of technology. Technology development projects will be considered within the scope of the NTCI if the company can show how the proposed technology will meet the technology needs of NAVAIR (Spin-In). Funding for the NTCI is provided by Congress.

NTCI awards of up to \$75,000 will be made to for-profit small businesses in support of technology development projects that fall within the scope of the NTCI. Technology development projects that experience significant success and have a high potential benefit to the Navy may be eligible for a second round of NTCI funding up to \$75,000.



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Assistance in identifying whether or not a technology meets NAVAIR needs and in forming technology transfer collaborations is available from TEDCO. Applicants will be required to submit a white paper describing the technology insertion opportunity. Proposals for NTCI funding may be submitted by invitation only.

Working Capital Loan Fund (WCLF)

The WCLF provides loans to early stage technology-oriented companies located in the state of Maryland. Loans of between \$15,000 and \$50,000 are available to be used for working capital in order to assist a company with expansion, market entry, or other initiatives.

Rates are at or below market rate and the loan term is normally 3 to 5 years with a minimum term of 6 months. A nonrefundable application fee of \$150 is due at the time of application submittal. Personal guarantees by all principals in the company satisfactory to TEDCO as well as liens on company assets are required. Companies will be required to participate in a Maryland incubation program.

Applications may be submitted on-line at www.marylandtedco.org. Completed applications received on the first of the month will be reviewed within 30 days. Funds for this program have been provided by the U.S. Department of Commerce Economic Development Administration and TEDCO. Loan servicing is provided by Harvest Bank of Maryland.

TechStart Program

Experience has shown that licensing technology to university spin-out companies for commercialization has significant local economic impact. TEDCO has worked closely with the university technology licensing offices to identify barriers to new business formation, among them sophisticated market analysis and business strategy development. The TechStart Program is designed to increase the number of university start-ups annually, elevating the State's national ranking to the top tier of States. The Program is budgeted at \$150,000 for 2007.

TechStart will fund university-based teams to determine whether specific technologies proposed by the universities have the potential to be commercialized through a startup company. A university having decided through its standard invention evaluation process whether a disclosed technology may have the potential to be a startup company submits a proposal to TEDCO for further evaluating the opportunity. An award would defray the costs of evaluating the feasibility of the startup opportunity approved by TEDCO. Proposals are capped at \$15,000 per technology.

All universities in the State are eligible for funding. To be eligible, a university or federal lab is required to assemble a team consisting, at a minimum, of the following:

- An experienced entrepreneur who can provide business guidance for the team as they pursue the due diligence process;
- An inventor or inventor team willing to assist in evaluating the feasibility of a startup and willing to collaborate with a startup, if one is formed; and
- A technology transfer manager.



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This team is responsible for developing an initial evaluation of the potential for a startup and submitting a proposal to the TechStart Program.

Eligible expenses include but are not limited to: evaluation of the potential market; IP competitive analysis; development of an initial business strategy for a startup company; and, other analytic tasks critical to determining the viability of a startup company.

Service providers will be selected by the universities or federal labs. Funding of the entrepreneur team member is allowable, but can not exceed 50% of the total cost. Results of the TechStart Program evaluation will be available to all team members. For more information, contact Linda Saffer, TEDCO's Program Manager for University Programs, at either (410) 715-4175 or lsaffer@marylandtedco.org.



The Maryland Department of Business and Economic Development (DBED)

DBED has a wide range of assistance programs available to Maryland businesses. The organization is particularly supportive of early stage technology companies. This section summarizes the programs that are most likely to be of use to those companies. For a complete listing and description of all DBED programs, please go to www.choosemaryland.org.

Maryland Venture Fund: The Maryland Venture Fund, started in 1994, is a state-funded seed and early-stage equity fund. The Fund is an evergreen fund and receives annual allocations from the Maryland State Legislature. The Fund makes direct investments in technology and life science companies and indirect investments in venture capital funds. Approximately 60 percent of the Fund is invested in technology companies in the areas of software, communications, and IT security, and 40 percent of the Fund is invested in life sciences companies in the areas of therapeutics, medical devices, and diagnostics. The Fund has invested as a limited partner in a total of nine venture funds since 1994. The Maryland Venture Fund has established a track record of investing in some of the most promising technologies that the state has to offer. The Fund has two investment vehicles.

- **Challenge Investment Program:** This program provides financing for seed-stage companies to cover a portion of the initial costs associated with bringing new products to market. Initial investments are made up to \$50,000, with incremental investments to a maximum of \$150,000. These incremental investments are awarded based upon the client's performance and the client's ability to achieve milestones set by the Maryland Venture Fund at the time of the initial closing.

The business must have no more than 25 employees and annual sales of less than \$1 million. A minimum 1:1 co-investor match is required. Applicants are limited to high tech companies whose principal place of business is located in Maryland. The company must remain in Maryland for at least three years and the company must be positioned for additional Venture Capital.

Investment decisions are based on the project's potential return on investment, market potential, experience and credibility of the management team, and impact on the Maryland economy. Investment decisions are also based on the strength of the technology (e.g., patents, highly proprietary developments preferred).

Companies receiving a Challenge investment must pay a 2 percent royalty on revenues in excess of \$500,000 for a period of ten years. The firm must also pay a 1 percent royalty on equity raised in excess of \$500,000. The royalty payments are capped at three times the Challenge investment received. Awards received from the Challenge Program can convert to equity if the company receives an investment from the Enterprise Investment Fund as described below.

- **Enterprise Investment Fund Program:** The Enterprise Investment Fund makes direct equity investments in emerging technology companies, usually at the first round of institutional financing. The Enterprise Investment Fund works with emerging companies to move them into their next stage of development as a viable business. The amount of investment ranges from \$150,000 to



\$500,000. Enterprise investments are generally in the form of equity, but follow the terms of the lead investor.

Applicants must be in a technology industry. Areas of technology include life sciences—therapeutics, medical devices and diagnostics and information technology—software, communications and IT security. The applicant must agree to maintain its principal place of business in Maryland for five years and a minimum 3:1 match by a sophisticated investor is required.

Strategic Assistance Consulting Fund (SACF): The SACF provides up to \$5,000 in expert private sector consulting services in specialized areas to Maryland small, minority, and micro-enterprise businesses. Sponsored by DBED, the fund extends the resources of these private consultants to clients of the Maryland Small Business Development Center Network (MDSBDC).

SACF is not a program for start-ups; the guidelines are very rigid with limited exceptions.

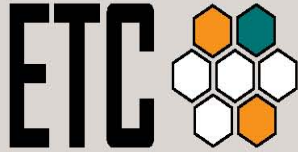
- The company must have been in business for a minimum of two years. Exceptions can be made down to one year, but the revenue hurdle will undoubtedly be higher.
- The company must generate annual sales in excess of \$75,000. This should be viewed as an absolute minimum because recent awardees have had much higher annual sales.
- The funded project must be very specific with a beginning and an end. The project must have a tangible deliverable. As examples, sales training would not qualify; the mechanics of a transition from Quicken to QuickBooks likely would.
- It is not a “tech company” program; the assistance is available to any kind of MD-based company.
- The completion of the project must be clearly linked to a net increase in employees and a net increase in sales, both within 12 months. A recent SACF funding illustrates this point: A company with existing annual sales of \$1,000,000 was recently awarded the \$5000 for a market study of a new geographic area. The new area would generate quantifiable increases in sales for the company and would generate the hiring of an additional sales person.

The process is simple:

- SBDC is the gatekeeper; it is their job to review the company’s plans and to help fine-tune the project and the expected economic benefits. If they are not convinced, the process stops. They work with the company to prepare the application for submittal to Booth Management (DBED’s contractor).
- Booth evaluates the application; they can reject it if the company does not meet the acceptance criteria or if the economic benefits are not tangible or realistic. Booth has approval authority.
- The selected consultant(s) can reject the project if the scope is too broad for \$5000. If this is the case, the company can supplement with its own funds, but this rarely happens.

The MDSBDC provides consulting services and training programs to current and prospective small business owners in Maryland. MDSBDC services include individual counseling—at no cost to the client—to assist in developing and refining business plans, solving specific problems, locating capital, and brainstorming innovative strategies to support growth and profitability. MDSBDC also offers training programs for all stages of small business development.

Most of MDSBDC’s 18 locations throughout Maryland have a resource library with information on starting,



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operating, and growing a small business. Regional offices throughout the state provide resources and referral services to help Maryland businesses expand and grow in Maryland and compete globally. For more information, contact the MDSBDC nearest you.

Partnership for Workforce Quality (PWQ): The PWQ provides matching skill training grants and support services targeted to improve the competitive position of small and mid-sized manufacturing and technology companies. PWQ grants are used to increase the skills of existing workers for new technologies and production processes, improve employee productivity and increase industry employment stability. PWQ matching grants are made directly to companies as well as through a number of manufacturing, software industry and ISO 9000 consortia programs working in cooperation with DBED. For assistance, call your local DBED office.



The Baltimore Development Corporation (BDC)

BDC administers a wide variety of tax credits and other forms of business assistance available to companies in Baltimore. These programs are funded by Federal, State or Local initiatives.

Tax Credits Against Local Taxes

Enterprise Zone Real Property Tax: Ten-year credit against local real property taxes on a portion of real property improvements. Credit is 80 percent the first five years, and decreases 10 percent annually thereafter to 30 percent in the tenth and last year. In Focus Areas, the credit does not decline; it remains level at 80 percent for ten years.

Manufacturing and Research and Development Exemption (Personal Property Tax Exemption): As a means of encouraging the growth of manufacturing businesses in Maryland, state law authorizes local governments to exempt from taxation personal property used in manufacturing. Application for a manufacturing exemption throughout the state, including research and development activities must be submitted on September 1st of each year. A company is required to: Explain the manufacturing or research and development process of your business in detail; Supply an itemized list of assets for which you are claiming an exemption; and describe how the assets are used in your business process.

Wage Tax Credits Against State Income Taxes

One Maryland Tax Credit: Qualified businesses located in Baltimore City are eligible for up to \$5.5 million in tax credits. Tax credits may be claimed against State income, insurance premium, or financial institution franchise tax.

- Project tax credits of up to \$5,000,000 are based on qualifying costs and expenses incurred by the business entity in connection with the acquisition, construction, rehabilitation, installation, and equipping of an eligible economic development project. The business entity must incur at least \$500,000 in eligible project costs and must create at least 25 new qualified positions.
- Start-up tax credits of up to \$500,000 are based on a business' cost to furnish and equip a new location for ordinary business functions and to move to a qualified distressed county from outside Maryland. (50 qualified new positions are required to qualify for the full \$500,000 credit.)

A business entity has up to 14 years after the tax-year in which the project is placed in service to take the credit:

- If the full start-up tax credit has not been taken against the business' state tax during the first 4 years after the taxable year in which the project was placed in service, the business may also claim a refund, up to the amount of State taxes that the business is required to withhold from the wages of qualified employees at the project.
- If the full project tax credit has not been taken against the state tax arising out of or generated by the project during the first 4 years after the taxable year in which the project was placed in service, the business may take the credit against State tax for other income and claim a refund, up to the amount of



State taxes that the business is required to withhold from the wages of qualified employees at the project.

The business entity must notify DBED before hiring any qualified employees or incurring any costs intended to earn tax credit. The project must be approved and certified by the Secretary of DBED.

Job Creation Tax Credit: The Job Creation Tax Credit Act promotes job creation by providing income tax credits to business owners who create at least 25 jobs in Priority Funding Areas. The jobs must be full-time, permanent, and pay at least 150 percent of the minimum wage. Positions filled after December 31, 1996 must be newly created in a single Maryland location. In order to receive the job creation tax credit, businesses must declare their intention to use the credit from the Department of Business and Economic Development (DBED) before hiring qualified employees. The business entity must create 60 new jobs in a 24-month period. In designated priority funding areas, the minimum is 25. Outside priority funding areas, the minimum is reduced to 30 new jobs if the aggregate payroll for the qualified positions is greater than a threshold amount equal to the product of 60 times the state's average annual salary (currently \$2.2 million). Also, positions must be a result of establishing or expanding a business facility in a single location in the state; must pay at least 150 percent of the federal minimum wage; must be full-time; and must not be created through a change in ownership of a trade or business.

Credit granted will be the lesser of \$1,000 or 2-1/2 percent of a year's wages for each new, full-time job calculated on an aggregate basis. If the new or expanded facility is located in a state enterprise zone, a federal empowerment zone or a Department of Housing and Community Development (DHCD) designated neighborhood, then the credit is increased to the lesser of \$1,500 or 5 percent of a year's wages for each new, full-time job. The maximum credit that is allowed during any credit year for a single facility is \$1 million. Unused credits may be carried forward for up to five tax years following the year in which the credit could first be used to reduce tax liability. The credit may not be used to reduce taxes owed for earlier years.

Commuter Choice: A Maryland state tax credit gives Maryland employers a 50 percent tax credit for every dollar spent on employee transit expenses, worth up to \$30 per employee per month in tax savings. The tax credit can be taken against the state income tax, financial institution franchise tax, and insurance premium tax.

Enterprise Zone Income Tax Credits: One- or three-year credit for wages paid to new employees. The general credit is a one-time \$1,000 credit per new worker. For economically disadvantaged employees, the credit increases to a total of \$6,000 per worker distributed over three years. When located in a Focus Area, the general credit is a one-time \$1,500 credit per new worker. In a Focus Area, for economically disadvantaged employees, the credit increases to a total of \$9,000 per worker distributed over three years. (See Enterprise Zone tab for more information).

Wage Tax Credits Against Federal Income Taxes

Federal Commuter Tax Credit: The federal government allows payroll tax savings on amounts up to \$100 per employee per month to employers and employees with Commuter Choice Maryland programs. Federal law allows employers to offer three different types of transit/vanpool benefits: employer-paid, employee-paid pre-tax deduction, and combination (for example, the employer and employee share costs). Qualified first-year wages are qualified wages you pay or incur for work performed by a targeted group employee during the 1-year period beginning on the date the individual begins work for you. Qualified



wages are generally wages subject to the Federal Unemployment Tax Act (FUTA) without regard to the FUTA dollar limit, but not more than \$6,000 each tax year for each employee (\$3,000 each tax year for a summer youth employee).

State of Maryland Research and Development Tax Credit: Businesses that incur qualified research and development expenses in Maryland are entitled to a tax credit. For a business to be eligible, it must apply to and be certified by the Maryland Department of Business and Economic Development.

Basic R&D Tax Credit: The Basic R&D tax credit is 3 percent of eligible R&D expenses that do not exceed the firm's average R&D expenses over the last four years. However, if the total amount of credits claimed by all firms exceeds \$3 million, the Basic R&D tax credit will be prorated. Moreover, if there is money left over from the Growth R&D tax credit allotment, this money will be added to the \$3 million.

Growth R&D Tax Credit: The Growth R&D tax credit is 10 percent of eligible R&D expenses that exceed the firm's average R&D expenses over the last four years. However, if the total amount of credits claimed by all firms exceeds \$3 million, then the Growth R&D tax credit will be prorated. Moreover, if there is money left over from the Basic R&D tax credit allotment, this money will be added to the \$3 million.

There are also a number of loan programs available to companies based in Baltimore. For all loans, approval is required by BDC's Loan Committee and by the City's Board of Estimates. In some instances, approval by the City's Board of Finance may also be required.

Revolving Loan/Working Capital Loan Funds (RLF/WC and MILA/RLF): Revolving Loan Funds may be used for acquisition and improvement of land, facilities and equipment, including renovation, demolition and site preparation and new construction. The funds may also be used for working capital with restrictions. The funds may not be used for relocation from a surplus area or investment activities. The funds are not available to applicants with a current outstanding RLF loan, or if an applicant has received accumulated assistance from the RLF of \$150,000 within the previous five-year period.

- Eligible Businesses – For-profit corporations, partnerships or proprietorships.
- Ineligible Businesses – Financial institutions, consulting firms, real estate companies, not-for-profit businesses, developers, or unregulated media.
- Loan Limits – Maximum of \$500,000 or 30-35% of project costs.

Empowerment Zone 50/50 Loan Program: The 50/50 Loan Program targets businesses currently located within, or willing to locate within, federally designated Empowerment Zones. Loan requirements stipulate that an eligible business concern employ zone residents, and obtain at least 50% of its financing from other sources. Funds can be used for acquisition and improvement of land and existing facilities or for demolition, site preparation, new construction, and working capital needs.

- Eligible Businesses – For-profit corporations, partnerships or proprietorships
- Ineligible Businesses – Not-for-profit businesses, financial institutions, consulting firms, unregulated media, real estate companies, investment or speculative activities, liquors stores, gambling or gaming enterprises, sun tan, hot tub or massage facilities, and golf courses or country clubs



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- Loan Limits – Maximum of \$200,000 or 50% of the project

City General Obligation Bonds: City Bonds are generally restricted to guarantees and capital projects – “brick and mortar” improvements. Refinancing is not permitted.

- Eligible Businesses – For-profit corporations, partnerships, proprietorships and some non-profits
- Ineligible Businesses – Consulting firms, unregulated media, real estate companies, investment or speculative activities, speculative developers, and retail
- Loan Limits – Eligible projects and loan limits are determined by The Baltimore Development Corporation (BDC) and may not exceed 30-35% of project costs; this is subject to availability of funds, number of jobs created, and industry type



The U.S. Small Business Administration (SBA)

SBA was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the Country's overall economy. SBA believes that small business is critical to economic recovery and strength, to building America's future, and to helping the United States compete in today's global marketplace. Although SBA has grown and evolved in the years since it was established in 1953, the bottom line mission remains the same. The SBA helps Americans start, build and grow businesses. Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services to people throughout the United States, Puerto Rico, the U. S. Virgin Islands and Guam.

SBA offers hundreds of programs that are far too numerous to summarize in this document. Descriptions of all SBA programs can be found at www.sba.gov. Local access to SBA programs is best gained through the City of Baltimore's Small Business Resource Center (SBRC) at either (443) 451-7160 or info@sbrcbaltimore.com. Two of SBA's more popular programs among early stage companies are described below.

SBA Express Loan : The 7(a) Loan Program has as one of its elements the SBA Express Loan. SBAS will guarantee 50% of loans up to \$350,000 made by certified local lenders. Interest rates are negotiated between lenders and borrowers and are tied to prime; they may be fixed or variable, but may not exceed SBA maximums (lenders may charge up to 6.5 percent over prime rate for loans of \$50,000 or less and up to 4.5 percent over the prime rate for loans over \$50,000). Eligibility is determined by SBA, but Qualified Lenders May be granted authorization to make eligibility determinations; the credit decision is made by the lender. Turnaround time is typically 36 hours. Lenders are not required to take collateral for loans up to \$25,000. Lenders may use their existing collateral policy for loans over \$25,000 up to \$150,000. For loans greater than \$150,000, follows SBA's general collateral policy. For more information on the SBA Express Loan contact your banker.

Small Office Home Office (SOHO) Community Express Loan :The SBRC also administers a special SBA Program called the Small Office Home Office (SOHO) Community Express Loan. Community Express is a pilot SBA loan program that was developed in collaboration with the National Community Reinvestment Coalition (NCRC) and its member organizations. Under the pilot, available to selected lenders, the SOHO program will be offered to pre-designated geographic areas serving mostly low and moderate income areas and new markets small businesses. The program will also include technical and management assistance, which is designed to help increase the loan applicant's chances of success. In Baltimore two community investment banks support the SOHO program with loans up to \$50,000 at rates of prime + 4.75% for terms of up to seven years. For more information on the SOHO Loan contact SBRC.



EMERGING TECHNOLOGY CENTERS
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The Maryland Technology Enterprise Institute (MTECH)

The Maryland Technology Enterprise Institute (MTECH) (www.mtech.umd.edu) is a unit of the University of Maryland's A. James Clark School of Engineering. The mission of MTECH is three-fold: educate the next generation of technology entrepreneurs; help entrepreneurs create successful technology-based ventures; and connect Maryland companies with university resources to help them succeed. Founded in 1983, MTECH has had a \$19.6 billion cumulative impact on the Maryland economy through its programs.

The Maryland Industrial Partnerships (MIPS) program : MTECH created The Maryland Industrial Partnerships (MIPS) program to accelerate the commercialization of technology in Maryland by jointly funding collaborative R&D projects between companies and University System of Maryland faculty. MIPS provides up to \$100,000 in funding toward the university research, matched by the participating company according to the company's size, for university-based research projects that help companies develop new products. MIPS projects help companies find solutions to technical challenges, as well as develop products, processes or training materials. MIPS projects are conducted by university faculty and graduate students in conjunction with company researchers. MIPS applications are due in May and October and awards are made twice yearly. For more information on the MIPS program go to www.mtech.umd.edu/MIPS.

The Chesapeake Bay Seed Capital Fund, administered by the MTECH, will invest \$250,000 annually over a three-year period into Maryland-based startup companies with innovative technologies that may help improve air and water quality in the Chesapeake Bay region. Fund recipients are jointly selected by MTECH and Maryland Department of Natural Resources staff. For more information and to apply for the fund, contact Jim Chung at (301) 314-7804, or jwchung@umd.edu.



MdBio (A Division of the Tech Council of Maryland)

{Please note that this Program is on hold until further notice}

Project Accelerator Awards Program : Through the Project Accelerator Awards Program, MdBio seeks to promote the commercial development of bioscience in Maryland by providing financial support to eligible companies, in exchange for royalty and/or equity agreements. This program is designed to facilitate the rapid completion of product development, manufacturing, facility improvement or other projects that will allow award recipients to generate near-term revenues from sale of products or services.

Eligibility Criteria: All bioscience companies operating within the state of Maryland are eligible for funding. MdBio defines a bioscience company as one whose products or services substantially involve development, testing or manufacture of 1) biologically active molecules, 2) devices that employ or affect biological processes, 3) databases of biological information or 4) software for production or management of specific biological information. In order to qualify for a Project Accelerator Award, a company must undertake a discrete project for which the costs and time required can be reliably estimated. A significant portion of the work described in the application must take place within the state of Maryland, and the applicant must commit to maintaining or increasing its presence in Maryland for a period of not less than five years following the award. A penalty clause in the agreement, requiring immediate repayment of the award and/or additional royalty or equity considerations, will be triggered if the company elects to move its operations out of Maryland prior to the expiration of the five year period.

Size of Awards: Individual companies can apply for awards between \$25,000 and \$200,000. The maximum award will not exceed 50% of the total anticipated cost of the project described in the application.

In most cases, companies receiving Project Accelerator awards will provide MdBio with royalties based on the company's gross revenue from sales of all products or services. This royalty will typically be capped at three times the original award amount, but the specific composition of the royalty package will be determined on a case-by-case basis through discussions between the applicant and the staff of MdBio. In some cases, a warrant to purchase equity in the company may be requested in addition to the royalty to be paid to MdBio. The specific terms of each agreement are subject to review and approval by the Awards Committee (a subcommittee of the MdBio Board of Directors) and the Board of Directors.

Program Administration: Projects described in award applications will be reviewed for both technical merit and economic viability. Typically, this will be done by the Awards Committee. However, if specialized expertise is required to review a specific proposal, volunteer experts outside the Board may be asked to assist. In this case, the company applying for the award will be advised of the identities of the reviewers before the proposal is distributed. This will allow them to request alternate reviewers, if necessary, to avoid potential conflicts-of-interest.

Application Process: Companies wishing to apply for an award are asked to complete a one page application form and include additional documentation that will assist the Awards Committee in its decision-making. Whenever possible, the application and supporting materials should be sent electronically to facilitate distribution to the members of the Awards Committee. Additional detail on the application process may be found at <http://www.mdbio.org/corporate/finance.php>.



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Criteria for Review: The following are the primary criteria that will be used in evaluating proposals. In addition to the above, applicants should be certain that the documentation submitted with the application permits our reviewers to adequately assess these factors: availability of financial resources; likelihood of successful commercialization of the product/service and the potential for significant revenue generation within twelve months; strength of intellectual property protection; applicant's track record with regard to commercialization of other products/services; and, other organizations who have invested in the applicant company.

Reporting Requirements: Companies receiving awards may be asked to provide information on the status of the company and/or project to MdBio. Once a year, a consultant from MdBio's Business Development Program will request a comprehensive update from all award recipients, which is provided to the MdBio Board of Directors. All information will be kept strictly confidential.



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Maryland Biotechnology Center

The Maryland Biotechnology Center was created in 2009 by Governor Martin O'Malley as one of the first initiatives of BioMaryland 2020, the State Strategic Plan for Life Sciences delivered by the Maryland Life Sciences Advisory Board. The Center is your portal to programs and resources intended to grow and strengthen the State's bioscience community. The Center, in collaboration with some of the State's finest partner programs, will serve to integrate entrepreneurial strategies to stimulate the transformation of scientific discovery and intellectual assets into capital formation and business development.

Programs will be offered through the University of Maryland and are aimed at encouraging workforce training and development, as well as making connections to Maryland's federal and academic life sciences research centers. The Center provides investments in talent, infrastructure and future commercialization opportunities, through its grant programs as follows:

1. Funding may be provided to the tech transfer offices to assist in commercialization of translational research. Although the funds will go to the university, the university researcher may decide to outsource funds to a private company to do specific studies or services. This program was modeled on the TEDCO UTTF fund, but will not be as limited in size. The scope of the project will dictate the amount of funding, but grants in the \$25,000 - \$100,000 are contemplated. There is \$600,000 in total funding available.
2. Technology commercialization program grants are available modeled on TEDCO MTF Phase 2. Applications will be considered after TEDCO or MIPS awards (projects were completed and milestones successfully met). TEDCO or MIPS staff will determine if the company is a good candidate for follow on funding. A minimum of three awards will go to MIPS awardees for Phase 2 work with faculty researchers; the remainder of the funding will be made available to all others. A qualified investor match is required for these \$75,000 awards.

Contact Chuck Montague at either (410) 767-3837 or cmontague@choosemaryland.org for additional information on the Maryland Biotechnology Center and its funding programs.