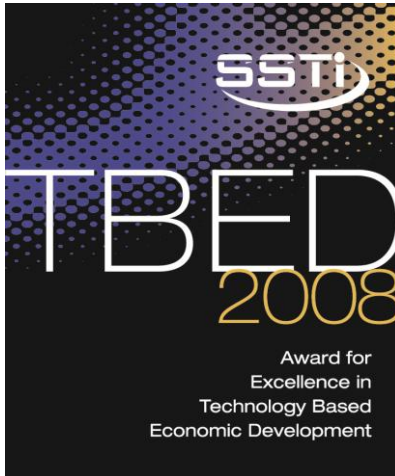


Podcast Interview



Jim Poulos, Vice President of Technology
Transfer and Commercialization, Maryland
Technology Development Corporation
(TEDCO)

Interviewed by: John Slanina, SSTI

*2008 Excellence in TBED Award Winner:
Commercializing Research*

Mr. Slanina: Hello, this is John Slanina with SSTI. I'm speaking today with Jim Poulos, Vice President of Technology Transfer and Commercialization at TEDCO, The Maryland Technology Development Corporation.

The Maryland Technology Transfer Fund or MTTF was the 2008 recipient of SSTI's Excellence in TBED Award in the category: Commercializing Research.

Thanks for joining us today, Jim.

Mr. Poulos: Thank you.

Mr. Slanina: I'll first start off with looking at the structure of the program. Can you briefly describe the Maryland Technology Transfer Fund Program?

Mr. Poulos: It's a seed stage program for startup companies that actually have a collaboration with a federal lab or university in the state of Maryland. So if you are a small entity that has one of these collaborations, and by small entity we mean 16 employees or less, no income and really virtually no venture funding, then we have \$75,000 to move the project that you're working with a federal lab and the university forward. So those are technology projects to move forward.

Mr. Slanina: How many companies do you fund in a year?

Mr. Poulos: About 22. I think we get about 50 proposals a year, we fund 22. It's almost about 50% hit rate.

Mr. Slanina: Can you provide some examples of your requirement for legally binding collaboration?

Mr. Poulos: These would be for instance a license agreement from a tech-transfer office, from a university in this state, or one of the federal labs in the state. In Maryland we've got about \$16 billion worth of research. We're real good at getting the research dollars; not so good in transferring the technology. Our funding basically reduces some of the risk of an entrepreneur to take technology out of those labs and move it forward. So that's either done with a license agreement, or through a CRADA agreement with a federal lab. It could actually be a research agreement with the university too.

Mr. Slanina: That's great. When a company applies for an award with the Maryland Technology Transfer Fund, what must be included in the proposal?

Mr. Poulos: Certainly the collaboration, I mean that's foremost. We are looking for the transfer component here so there must be that written, legally binding collaboration. The university or federal labs' got to be substantially involved in the project. Of course the amount of money you're looking for you don't always have to ask for \$75,000, but then the money you ask for has to be tied to some milestones. We're looking usually at two or three milestones should be hit with that funding. If you're doing ten milestones, \$75,000 is not enough and we will tell you that. If it's the two or three, you need to move forward. If it requires a commercialization plan, what are you going to do after you've received this money, and after you've moved the technology forward? What other plans do you have to get downstream funding or is our funding going to be enough to allow you to sell and generate income? That's about it. We actually require them to match our \$75,000 with in-kind contribution on their side of about half. So they have to bring some sweat equity to the table.

Mr. Slanina: Then once the company receives funds, can you explain the structure of your payback mechanism?

Mr. Poulos: Sure, so they usually have a year's grace period. Once they've finished a project they have one year to start paying us back. But that payback doesn't happen unless the company is making money. If they are making money, then they pay us 3% of the gross revenue, per quarter, a maximum 40% payback per year. There is no penalty for pre-paying the full amount back to us. So if we gave you \$75,000 and you have an angel or VC investor come in and says, we want TEDCO off the books, they can just pay us the \$75,000 a year once and that's it. If you are going to spread out those payments, the maximum you would have to pay us back would be two times the amount of the award.

Mr. Slanina: Jim, could you describe the two main metrics in your application for the SSTI award that you used to gauge the success of the tech-transfer fund?

Mr. Poulos: Since most of what we do is very early stage, and it's going to take a while for people to commercialize things, then that would be an ultimate metric. How many products are out there actually being commercialized? We currently measure downstream funding, so they have to report to us any monies they get in an SBIR program, any angel funding, any VC funding, that's the biggest metric in the end. Currently I think we are running it about 37-to-1. So for every dollar TEDCO puts in our portfolio, companies have been able to acquire \$37.00 downstream.

The second ratio would be how many companies are still operating. So I think we've funded probably 150-160 companies. Out of those, I think 25 are now out of business. It's not a bad hit rate.

Mr. Slanina: Then what are the other benefits that an organization like TEDCO can provide to participants in the tech-transfer fund?

Mr. Poulos: Well they become a portfolio company. Along with that designation is a portfolio manager basically. So one of the TEDCO employees, and there are not many of us, get assigned to a company, so we have multiple companies we are assigned to. If we actually follow the progress of that company, and that company can then use as a mentor basically and have a mentor so this person would if they need angel connection we can provide that VC connection. We can provide that if they need accountant we can provide that.

We actually run an event we call the Power of Ten. That's an angel, VC forum. Basically vet a number of our companies and will bring ten companies to this forum to pitch ten minutes each to venture capital and angel investors. So we've done that four times, and our portfolio managers take advantage of that. We run quarterly workshops for our portfolio companies. We'll bring in a speaker knowledgeable in a certain area, and then in a panel we will put CEOs of the companies we've already funded to who are beyond the point in the company where the audience generally is also a portfolio company. They will discuss the issues the expert has identified and give the positives and the negatives of the discussion. Then the CEOs and the audience can interact with that group. That's two pretty powerful things that we run. Basically a seminar for our CEOs of the portfolio company and the Power of Ten.

Mr. Slanina: Great. A component of the application, which a number of judges in their comments singled out, was the involvement with the firm Johnson & Johnson. Can you describe the partnership between the Maryland Technology Transfer Fund and Johnson & Johnson?

Mr. Poulos: Yes, Johnson & Johnson is one of those companies that's really forward thinking. They fund a number of projects around the county actually without taking an equity position in the company or interest in the company. They just want to see technology move forward. If they like what you're doing in your very early stage, they might provide funding to help you move that forward. They looked at TEDCO and they thought TEDCO was the best in show basically and said we want to work with you. We said sure, and they've actually put in over \$600,000 that we match one-to-one with J & J. So they sit around our table, we have a review

committee that reviews proposals, and if it's in the biotech space, Johnson & Johnson is at the table. If we agree to fund, and they like the project, they will put in half the money, we will put in half the money. So it's a win-win for the state. TEDCO has stood up as best in practice, Johnson & Johnson recognizes it, Johnson & Johnson funds our company's Maryland benefit. Johnson & Johnson does too because then as the technology moves forward they come back and either license the company, further invest in the company, and then take an equity position, or even buy the company. So far they have funded six projects from the TEDCO portfolio and have licensed two of the technologies developed.

Mr. Slanina: You mentioned best practices, one of our goals with these podcasts are that other tech-based economic development organizations may listen to them, and figure out as they plan their own strategies, what's the best way to go forward? So if you were from another state, another region of the country looking at the Maryland Technology Transfer Fund, is there a critical component of the program, say if excluded when attempted to be replicated in another state or region would limit its effectiveness?

Mr. Poulos: I think having the portfolio manager assigned to the company is a critical component. It's somebody who can provide input into the proposal, can shoot down things that we've seen before that don't work. Many of the companies provide pro forma stuff; we're going to make \$1 million in the first year. Well not one of our companies has actually made \$1 million in the first year. So you have to go back and revisit that. It's not a hands-off thing. You give us a proposal and we stick with you. And that's the key I think to the success of the MTTF program.

Mr. Slanina: Great. Jim thanks for speaking with us today. If you'd like more information about the Maryland Technology Transfer Fund visit TEDCO's website at www.marylandtedco.org. If you would like more information about the SSTI Awards, our webpage is www.sstiawards.org. Thank you.