

Maryland Technology Development Corporation (TEDCO)

Johnson & Johnson Joint Investment Program

Introduction

Johnson & Johnson's Corporate Office of Science & Technology (COSAT), recognizing the value of innovation in the state of Maryland and seeking to partner with Maryland Technology Development Corporation (TEDCO), signed a co-managed funding agreement with TEDCO in December 2005. The purpose of the partnership is to manage a jointly funded award program for investing in seed stage companies with technologies of interest to Johnson and Johnson (J&J).

J&J provided an initial investment of \$250,000 to seed the fund. The TEDCO Board committed to providing matching funds for more than this amount; the program is managed in accordance with TEDCO's current policies and procedures. Since its initial investment, J&J has provided an almost doubled the amount of its initial funds.

Program Design

The joint TEDCO-J&J seed stage investment program is a component of the Maryland Technology Transfer Fund (MTTF)-- a seed stage fund for companies working with either one of the federal laboratories or universities in the state of Maryland. The joint program provides J&J with valuable insight into the most promising technologies being licensed to the private sector by the universities and federal labs in Maryland. The funding and subsequent development of technology has provided pipeline product opportunities for J&J. In addition, the funding has provided TEDCO portfolio companies with valuable commercial insight, and the funding has helped build sustainable companies that meet J & Js requirement for eventual equity investment through its venture capital group (JJDC). Finally it provides TEDCO portfolio companies a conduit for licensing of products and technologies to one of J&Js operating companies.

COSAT has a seat on the MTTF review board and participates in reviews of MTTF proposals under a confidentiality agreement.

Program Eligibility Criteria

There are three tracks for companies to apply to the joint program. Companies that are new to TEDCO apply under Track 1. Applicants must meet the MTTF eligibility criteria and need only apply for MTTF funding with a budget up to the MTTF award limit (currently \$75,000). Johnson & Johnson through COSAT participates in review of the MTTF proposals unless the applicant opts out of the joint review. If the MTTF review team recommends funding of these proposals, J&J has the right to designate a specific amount of funding for MTTF awardees from its designated award pool. J&J may contribute up to 50% of a first MTTF award, with TEDCO making up the balance.

TEDCO portfolio companies can apply under Track 2 and Track 3. Applicants must have received an award under one of TEDCO's existing seed stage funding programs and

successfully completed such a project. To apply for funding under the joint TEDCO-J&J program Track 2, a portfolio company submits a concept paper to determine whether there is interest by COSAT. Concept papers may be submitted by TEDCO portfolio companies at <https://www.jnjcosat.com/tedco.aspx>.

Under Track 3 a portfolio company can apply for MTTF II funding after receipt of an invitation from a TEDCO review committee member up to the award limit of \$75,000 but an angel investor must provide at least a 1:1 match of the TEDCO funds

If COSAT expresses interest in the company under either Track 2 or Track 3, the portfolio company will be invited to submit a proposal to the joint program with a limit of double the standard MTTF award limit (currently up to \$150,000). Under Track 2 and 3 if both TEDCO and J&J agree, an MTTF investment will be finalized with 50:50 funding from TEDCO and J&J. Under Track 3 the angel match to the amount of TEDOC funding must be made.

In Tracks 2 and 3 TEDCO funds for these awards come from match funding committed by the Board.

If J&J provides funding for an MTTF award, then COSAT receives periodic reports from the awardees through TEDCO. J&J is free to enter into subsequent relationships with MTTF awardees at their mutual discretion, either through COSAT or through one of the J&J operating companies. Any MTTF repayments under the joint program will be retained by TEDCO for future joint investments.

James A. Poulos, III March. 2008