

MEMORANDUM

June 23, 2016

TO: Planning, Housing, and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst *JSS*

SUBJECT: Briefing: National Cybersecurity Center of Excellence
Business Innovation Network Migration

The purpose of this briefing is to provide background regarding two related initiatives: the National Cybersecurity Center of Excellence; and migration of the County's Business Innovation Network. The two initiatives represent a portion of the County's effort to strengthen key economic clusters and to foster innovation.

1. National Cybersecurity Center of Excellence

The following individuals are expected to attend this briefing: Sally Sternbach, Acting Director – Economic Development; Peter Bang, Chief Operating Officer – Economic Development; and Brian Barrios – MITRE.

A ribbon cutting ceremony for the new 60,000 square foot National Cybersecurity Center of Excellence (NCCoE) occurred on February 8, 2016. The NCCoE partnership between the National Institute of Standards and Technology, the State of Maryland, and Montgomery County will establish a “pre-competitive” environment for the sector, creating a space in which market needs can be identified, discussed, modeled, and ultimately addressed using solutions that have been tested and refined under controlled circumstances.

A briefing regarding the NCCoE was scheduled for April 11. The materials from that presentation are included in this packet. Attached at © 1-8 is a presentation providing an update on the National Cybersecurity Center for Excellence and the Partnership Intermediary Agreement between NIST, the State of Maryland, and Montgomery County. Attached at © 9-14 is a presentation by MITRE, the contractor/operator of the NCCoE and several other Federally Funded Research and Development Centers. Attached at © 15-22 is a memorandum from Orion Ventures providing a more detailed update regarding NCCoE activities to date, partner companies, and relevant excerpts from the Partnership Intermediary Agreement.

2. Business Innovation Network Migration

The following individuals are expected to attend this briefing: Sally Sternbach, Acting Director – Economic Development; and Peter Bang, Chief Operating Officer – Economic Development.

Beginning in 2012, the Department of Economic Development began to consider changes to the Business Innovation Network (BIN, or more colloquially known as “the incubator network”). Over the next two years, the Committee was briefed by DED several times, culminating in a presentation of the implementation strategy on October 21, 2013.¹

Key recent or current milestones include: the Shady Grove (William Hanna) Innovation Center was closed and has been converted for use as the National Cybersecurity Center of Excellence; an accelerator cohort completed an accelerator program within the Rockville Innovation Center; the Wheaton Innovation Center is scheduled to close at the end of the current fiscal year; DED has developed a program for an “incubator without walls” program in Wheaton; and new operators with industry expertise and/or access to capital are set to take over the programming at the Rockville Innovation Center, the Germantown Innovation Center, and the Silver Spring Innovation Center.

Attached at © 23 is a spreadsheet showing the current locations of the tenants of the William Hanna Innovation Center and the costs to the County of providing those tenants with a “soft landing” in other incubators or in privately held lab and/or office space. Attached at © 24-34 is a slide show explaining the migration of the BIN. Attached at © 35-39 is a February 2014 staff memorandum updating Councilmembers on the transition of the Shady Grove Innovation Center. Attached at © 40-42 is a January 2014 memorandum from then DED Director Steve Silverman regarding the Partnership Intermediary Agreement and the migration of the Shady Grove incubator. Attached at © 43-44 is a transition fact sheet dated February 2014. Attached at © 45-47 is a memorandum from DED to the then-occupants of the incubator regarding the transition.

F:\Sesker\project files\Economic Development\Incubators\June 2016\PHED 062716.docm

¹ That memorandum and presentation can be accessed at the following link:
http://www.montgomerycountymd.gov/COUNCIL/Resources/Files/agenda/cm/2013/131021/20131021_PHED2.pdf

**National Cybersecurity Center of
Excellence (NCCoE) PIA Update –
April 11, 2016**



Overview of the NCCoE PIA

- The NCCoE PIA was signed in February 2014 between Montgomery County, the State of Maryland and NIST
- NCCoE is the only FFRDC dedicated to commercial cybersecurity in the nation
- All three partners contributed to renovating a facility and work jointly on programming, communication and outreach

Objectives of NCCoE PIA

- The NCCoE is **dedicated to furthering innovation** through the rapid identification, integration and adoption of practical cybersecurity solutions.
- NCCoE will be a **technology transfer hub for cyber solutions** derived from government and private sector for specific industry sectors, such as energy, financial services, telecommunications, transportation, and health, and
- A **key location for major research and development in cybersecurity** as it applies to these and other key sectors of the U.S. economy.

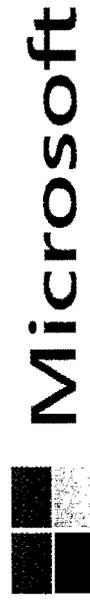
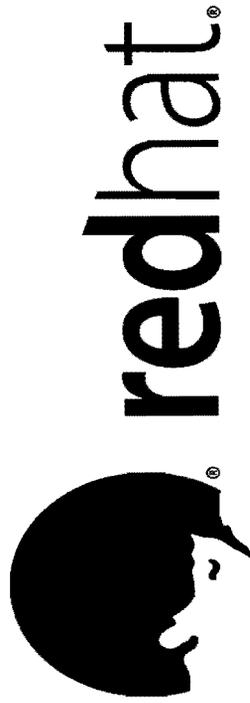
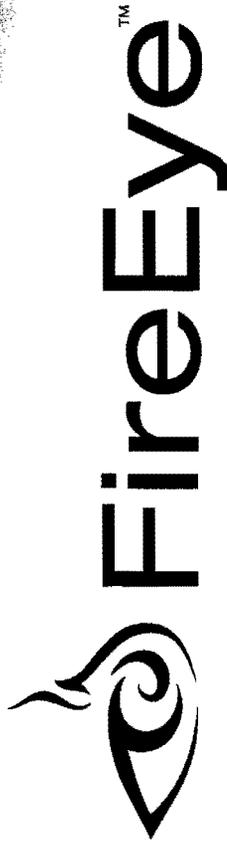
Key NCCoE PIA Milestones –FY16

- **First Practice Guide released on “Security Electronic Health Records on Mobile Devices” – August 2015**
- Second Practice Guide released on how organizations can improve their approach to data security – October 2015
- **NCCoE moved into WHIC in December 2015**
- Dedication Ceremony – February, 2016
- **NYPA is first utility to adopt Practice Guide – Feb. 2016**
- Joint RSA presentations and activities – March, 2106

Ongoing NCCoE Activities

- Nine Use Cases in five different industry sectors – Retail, Finance, Healthcare, Energy and Transportation
- Eight Building Block activities in critical areas including data integrity and mobile device security
- **Twenty-three company NCEP Partners**
- **Twenty –six additional** project specific technology company partners

Sample of NCEP Partners



Speaker Series

- Coordinated through the Tech Council of Maryland
- Webcast: **Tackling a Critical Health IT Security Challenge** - Securing Electronic Health Records on Mobile Devices
- **Cybersecurity in Retail:** Trends and Challenges with Point of Sale and Payment Technologies
- The National Cybersecurity Center of Excellence (NCCoE) **Dedication Ceremony and Discussion**
- Lunch and Webcast Workshop - **Protecting Consumer Data:** Securing Payment and Transaction Information
- **Cyber and STEM Careers** - Building a Workforce Pipeline, Kathryn P. Hire (CAPTAIN, U.S. NAVY) NASA ASTRONAUT

NCCoE PIA Next Steps

- Increase regional/national awareness, branding, marketing and outreach
- Increase ease for local/regional companies to engage
- Develop incentives and outreach plan to attract and retain NCCoE company partners
- Build partnerships and programming to develop commercial cybersecurity ecosystem



MITRE and NCCoE

Brian Barrios

Portfolio Director and Program Manager

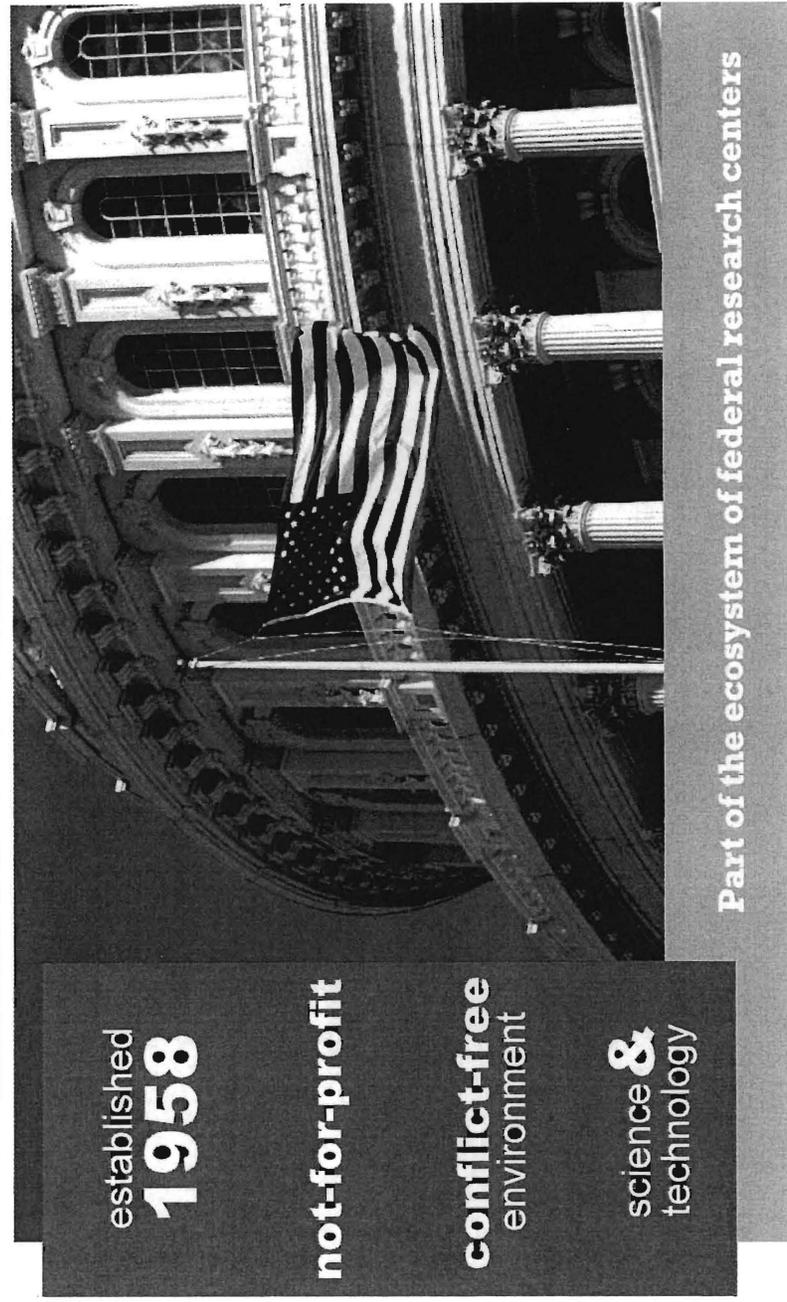
National Cybersecurity FFRDC

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Questions

[6]



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MEMORANDUM

TO: LILLY QI
OFFICE OF THE COUNTY EXECUTIVE
MONTGOMERY COUNTY

SALLY STERNBACH
DED, MONTGOMERY COUNTY

FROM: MIKE KNAPP
ORION VENTURES

DATE: 7 APRIL 2016

RE: NCCOE PIA UPDATE

Overview

In February 2014, Montgomery County entered into a Partnership Intermediary Agreement (PIA) with the Maryland Dept. of Commerce (DOC) and the National Institute of Standards and Technology (NIST) regarding the National Cybersecurity Center of Excellence (NCCoE). The NCCoE is dedicated to furthering innovation through the rapid identification, integration and adoption of practical cybersecurity solutions. The benefit to Montgomery County is that the NCCoE is located in Rockville and can serve as a hub for the County's efforts to nurture, attract and retain companies in the growing commercial cybersecurity sector. The key excerpts of this agreement are attached to this document. **The NCCoE is the only Federally-Funded Research and Development Center in the United States dedicated to commercial cybersecurity activities.**

During past two years there have been a number of efforts underway to get the NCCoE established and functioning. The County, State and NIST each contributed \$4.5 million for the renovation of 1700 Great Seneca Highway to house the Center in the William Hanna Innovation Center (WHIC). **As of January 1, 2016 the NCCoE took occupancy and moved and hosted a Dedication and Ribbon Cutting event on February 8, 2016.**

Programmatically, the growth has been explosive. In 2014, there were two Uses Cases and two Building Block projects underway being undertaken with the few NIST staff who were getting the NCCoE up and running. **Late in 2014, MITRE was awarded the contract to manage the FFRDC and in 2015 that number increased to 9 Use Cases in 5 different industry sectors including Retail, Finance, Healthcare, Energy and Transportation.**

In undertaking these Use Cases and Building Block activities, NCCoE has two sets of partners. First, those who provide widely available technologies that can be broadly applicable to nearly any industry (i.e. Cisco, Intel) and those with more subject matter expertise that can be brought

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to bear on specific industries or applications. **At this time the NCCoE has 23 companies that are included in the National Cybersecurity Excellence Partnership (NCEP), or better known as “NCEP Partners,” and an additional 26 companies working on specific projects for which their technology is best suited. A list of these companies is attached.**

Each Use Case results in a Practice Guide that provides companies and organizations within a specific industry sector with a “roadmap” to address significant cybersecurity challenges. This represents a significant investment that companies don’t have to make alone and can provide a huge benefit. In February at the Dedication Ceremony, **the New York Power Authority (NYPA), the largest public utility in the U.S., announced that will be the first utility to undertake a project to adopt the new NIST guide, Identity and Access Management for Electric Utilities, from the center.** This guide maps security characteristics to guidance and best practices from NIST, other standards organizations, and NERC CIP. On a smaller scale, the Montgomery County Police Department has entered the early stages of collaboration with NCCoE to identify and address cybersecurity challenges in law enforcement vehicles. The department has provided a police cruiser from its current fleet, which will be housed in one of the center’s new industrial control system labs. This new collaboration will explore potential cybersecurity challenges facing law enforcement vehicles today and in the future.

The PIA has resulted in five different public events in FY16 including:

Tuesday, August 25, 2015 1:00 PM to 2:00 PM (EDT)
Webcast: Tackling a Critical Health IT Security Challenge - Securing Electronic Health Records on Mobile Devices
Maryland Department of Commerce

Thursday, November 19, 2015 | 10:30 AM - 12:00 PM *The Universities at Shady Grove (USG) University of Maryland*
Cybersecurity in Retail: Trends and Challenges with Point of Sale and Payment Technologies

Monday, February 8, 2016 NCCoE, 1700 Great Seneca Highway, Rockville, MD
The National Cybersecurity Center of Excellence (NCCoE) Dedication Ceremony and Discussion

Tuesday, March 22, 2016 NCCoE, 1700 Great Seneca Highway, Rockville, MD
Lunch and Webcast Workshop - Protecting Consumer Data: Securing Payment and Transaction Information

Tuesday, April 26, 2016 1:00 PM – 3:00 PM *The Universities at Shady Grove (USG) University of Maryland*
Cyber and STEM Careers and Building a Workforce Pipeline, KATHRYN P. (KAY) HIRE (CAPTAIN, U.S. NAVY) NASA ASTRONAUT

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Next Steps

The PIA is now well positioned to begin to leverage the NCCoE relationship to increase the County and State's role in commercial cybersecurity activities which represents ~\$130 billion industry sector and growing. Efforts are underway to implement technology and investment showcases, additional conference opportunities bringing decision-makers from all industry sectors to the community, and increase the visibility and presence of this new, vitally important national resource.

The PIA is working with Tech Council of Maryland, the Cybersecurity Association of Maryland, Inc., the Chesapeake Regional Tech Council, the Chesapeake Innovation Center, BW Tech and other organizations from across the state to connect emerging companies and technologies, as well as existing federal assets with the efforts underway at the NCCoE to create a vibrant cybersecurity ecosystem for future economic growth.

One significant activity for Montgomery County to consider as the new MCEDC comes on-line is to create a set of programs and incentives that it can use to engage with NCCoE NCEP partners to facilitate their growth and expansion in proximity to the NCCoE. With the transition from the Department of Business and Economic Development at the State and the County's transition to the MCEDC there has not been as much focus on this type of outreach activity.

Given the rapid growth of the NCCoE and its solid foundation in its new facilities, the County and State are well positioned to be strong players in the important growth and expansion of the cybersecurity sector.



List of NCCoE Partner Companies – April 7, 2016

Akamai Technologies, Inc.	Cambridge	MA
AlertEnterprise, Inc.	Fremont	CA
AlphaPoint Technology	NYC	NY
Belarc, Inc.	Maynard	MA
CA Technologies	Manhattan	NYC
Cisco	San Jose	CA
CSG Invotas (subsidiary of CSG Systems International, Inc.)	Milpitas	CA
Dragos Security, LLC	??	
FireEye	Milpitas	CA
GMO GlobalSign, Inc. (GMO Internet, Inc.)	Maidstone	UK
Hewlett-Packard Company	PaloAlto	CA
HyTrust, Inc.	Mountain View	CA
ID/DataWeb, Inc.	Vienna	VA
intel	Santa Clara	CA
Intel Federal LLC (subsidiary of Intel Corporation)	Fairfax	VA
Intel Security	Santa Clara	CA
Juniper	Sunnydale	CA
Juniper Networks, Inc.	Herndon	VA
Lookout, Inc.	San Francisco	CA
Microsoft Corporation	Redmond	WA
Mount Airey Group, Inc.	Fairfax	VA
NextLabs, Inc.	San Mateo	CA
OSIsoft, LLC	San Leandro	CA
Palo Alto	Santa Clara	CA
Peniel Solutions, LLC (PSL)	Duluth	GA
Ping Identity Corporation	Denver	CO
Process Improvement Achievers, LLC	Baltimore	MD
Pulse Secure, LLC	San Jose	CA
Puppet Labs, Inc.	Portland	OR
Radiant Logic, Inc.	Sterling	VA
RADiFlow, Ltd.	Mahwah	NJ
Red Hat, Inc.	Raleigh	NC
RedJack, LLC	Silver Spring	MD
RS2 Technologies, LLC	Munster	IN
RSA Security, LLC (a subsidiary of EMC Corporation)	Bedford	MA
Schneider Electric SA	Rueil-Malmaison	France
Secure Channels, Inc.	Irvine	CA
Seimens	Berlin	
Software House dba Sensormatic Electronics LLC	Gaithersburg	MD
Splunk, Inc.	San Francisco	CA
Symantec Corporation	Mountain View	CA



**List of NCCoE Partner
Companies – April 7, 2016
(cont.)**

TDi Technologies, Inc.	Plano	TX
Telos Corporation	Ashburn	VA
Tripwire, Inc.	San Francisco	CA
Vanguard Integrity Professionals, Inc.	Las Vegas	NV
Venafi, Inc.	Salt Lake City	UT
Waratek, Ltd.	Dublin	Ireland
Waterfall Security Solutions, Ltd.	Israel	
XTec, Inc.	Reston	VA



PARTNERSHIP INTERMEDIARY AGREEMENT (excerpts)

BETWEEN
THE NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
AND
THE MARYLAND DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT
AND
THE MONTGOMERY COUNTY DEPARTMENT OF ECONOMIC DEVELOPMENT
REGARDING THE
NATIONAL CYBERSECURITY CENTER OF EXCELLENCE

Article 1. Purpose

This Agreement is entered into in furtherance of the collaboration memorialized in the Memorandum of Understanding between Montgomery County, Maryland and the State of Maryland and the National Institute of Standards and Technology (NIST) dated February 21, 2012 (MOU), which intended to establish the National Cybersecurity Center of Excellence (NCCoE) as a public-private collaboration for accelerating the widespread adoption of integrated cybersecurity tools and technologies.

Article 3. Background

It is envisioned that the NCCoE will serve as a national resource to integrate commercially available technologies to build practical cybersecurity solutions that can be applied to industry sector cyber challenges. In so doing, the NCCoE will create a pre-competitive environment for public and private sector organizations to work together to develop cybersecurity solutions, and create an environment where new cybersecurity technologies and applications can be identified, tested, and refined. Important objectives of the NCCoE include engaging a spectrum of technology and industry partners to accelerate the transfer and availability of solutions to the marketplace, and creating an effective access point for government-developed cybersecurity technologies and applications to be made available for licensing and co-development by the private sector. The Parties anticipate that the NCCoE will leverage federal cybersecurity assets located in Maryland, and increase commercial opportunities that can further economic development objectives.

The Parties contemplate the need to expand the NCCoE facilities as the NCCoE prepares to undertake multiple simultaneous specific industry sector Use Cases and Building Block solution efforts, each of which will involve one or more different teams of collaborators. In addition to participation of industry partners from large information technology sector firms, an important aspect of the NCCoE's activities will be engagement with small business firms as well as institutions of higher learning and educational institutions. The Parties also concur in the particular importance of facilitating the participation of small business firms, including start-ups, in the NCCoE. Such small business firms may not have the resources that allow large business firms, such as many National Cybersecurity Excellence Partnership (NCEP) partners, to co-



locate at NCCoE facilities and/or to otherwise participate along with academic experts and NIST staff. Yet, such participation will be critical to the success of the NCCoE mission.

Accordingly, the Parties recognize the need for expanded facilities operations services to increase the likelihood of success in the conduct of cooperative NCCoE activities with small business firms, institutions of higher learning and educational institutions, as well as with

Article 5. Agreement Activities

The NCCoE is dedicated to furthering innovation through the rapid identification, integration and adoption of practical cybersecurity solutions. It is contemplated that the NCCoE will evolve into a technology transfer hub for cyber solutions derived from government and private sector tools as they apply to specific sectors of the Nation's infrastructure, such as energy, financial services, telecommunications, transportation, and health, and as a key location for major research and development in cybersecurity as it applies to these and other key sectors of the U.S. economy. It is contemplated that DBED and DED will serve as primary agents, and all Parties will work in active collaboration in generating and facilitating technology transfer of security capabilities and platforms developed through NCCoE programs and projects and other federal entities. Once the FFRDC is established and a contractor is chosen, more specific objectives and metrics will be identified and may be agreed to by the Parties. It is also understood and agreed that DBED and DED will be primarily responsible for efforts to engage with institutions of higher learning, educational institutions, and private sector entities that may desire use of facilities in connection with the NCCoE through direct agreements with such institutions or entities. In these capacities, it is contemplated that the activities of DBED and DED may include active collaboration with the NCCoE for:

- a) developing and maintaining significant interactions with key commercial industry sectors for the identification of cybersecurity needs within those industry sectors where the NCCoE can contribute in accordance with its mission;
- b) facilitating access for small and emerging businesses in order to encourage their participation in the development of use case solutions;
- c) empowering commercial organizations to use the NCCoE as a tool to proactively develop and deploy cybersecurity solutions for specific industry sectors;
- d) fostering a physical environment in which businesses can locate in and around the NCCoE in order to work more closely with the Federal government, but also to work more closely in development of pre-competitive and non-competitive cybersecurity solutions;
- e) supporting the creation and growth of innovative cyber security platforms, mechanisms, and demonstrations developed at the NCCoE, including facilitating the ability of small business firms to co-locate at or locate near the NCCoE through the provision of flexible terms such as below market rent, short-term lease options, and lease options without requirement for personal guarantees;
- f) establishing industry incubators for commercial availability and adoption of, and participation in, NCCoE security platforms, especially by small business firms;



- g) integrating incubator activities into state and local economic development planning;
- h) identifying industry association partners and facilitating meetings between the NCCoE and private sector representatives (including both large and small business firms) to allow for the NCCoE to provide overviews of its mandate and goals and solicit feedback and input from the private sector regarding those elements;
- i) working with key representatives at NIST to develop a communication protocol by which information regarding cybersecurity standards is shared to provide an opportunity for various industry sectors to hear first-hand what is being proposed and interact directly with NCCoE participants in understanding the solution;
- j) coordinating with NIST to identify other Federal agencies that will be relevant to achieve the NCCoE's cybersecurity mission and that will also be beneficial to achieve the economic development objectives of the State and County;
- k) working with NIST, the NCCoE, and private sector companies to identify cybersecurity workforce needs and requirements, and to advance the programmatic development of workforce training and education;
- l) working with high schools, colleges, universities, and the Federal Government to implement appropriate programs to meet the need of these groups;
- m) assisting in developing and implementing strategies to recruit local, state, regional and national organizations for issue solicitation and development; and
- n) promoting the NCCoE's business and physical environment, accomplishments, and participants.

COMPANY NAME	HANNA MONTHLY RENT	HANNA SQ. FT.	NEW MONTHLY RENT	NEW SQ. FT.	RENT INCREASE	SQ. FT. DIFF.	Soft Landing Funds for Rent (x4.5 NMR)	Soft Landing Funds for 50% Build Out Costs	Soft Landing Funds for Moving Expenses	Soft Landing Funds for Incidentals	Total Soft Landing Funds Rec'd by Company.	POST SHADY GROVE ADDRESS (as of April 5, 2016)
1 ACC - RIC	\$1,170.00	510	\$1,563.00	572	\$393.00	62	\$0	\$0	\$360	\$500	\$860.00	155 Gibbs Street, Ste. 425, Rockville, MD 20850
2 Aliper	\$3,630.00	770	\$0.00	0	(\$3,630.00)	(770)	\$0	\$0	\$0	\$0	\$0.00	Partnering w/Fuzbien in private incubator (Parklawn Dr.)
3 Analyticon	\$385.00	154	\$600.00	200	\$215.00	46	\$2,700	\$0	\$640	\$1,000	\$4,340.00	9605 Medical Center Drive, Ste. #113B, Rockville, MD 20850
4 Arraystar	\$3,740.00	968	\$6,228.38	2931	\$2,488.38	1963	\$28,028	\$0	\$956	\$1,000	\$29,983.41	9430 Key West Avenue, Ste. 128, Rockville, MD 20850
5 AscentGene	\$3,630.00	913	\$4,954.58	2530	\$1,324.58	1617	\$22,296	\$0	\$2,912	\$1,000	\$26,207.11	900 Clopper Road, Ste. 120, Gaithersburg, MD
6 Athas	\$390.00	154	\$0.00	0	(\$390.00)	(154)	\$0	\$0	\$0	\$0	\$0.00	Closed Operations
7 Bethesda Pharma	\$3,300.00	770	\$0.00	0	(\$3,300.00)	(770)	\$0	\$0	\$0	\$0	\$0.00	Closed Operations
8 Blue Torch - RIC	\$974.00	375	\$936.00	321	(\$38.00)	(54)	\$0	\$0	\$7,367	\$500	\$7,876.00	Moved to RIC then moved the Kentlands in Gaithersburg
9 Brain Bio - RIC	\$1,090.00	396	\$1,790.00	716	\$700.00	320	\$0	\$0	\$1,195	\$0	\$1,195.00	Moved to RIC but graduated and in 4,000 sq.ft. space in Gaither Road.
10 Capital Biosciences	\$1,418.00	516	\$3,313.50	1692	\$1,895.50	1176	\$14,911	\$0	\$1,050	\$1,000	\$16,960.75	900 Clopper Road, Ste. 120, Gaithersburg, MD
11 CC Biotech	\$330.00	120	\$1,580.00	470	\$1,250.00	350	\$7,110	\$0	\$6,626	\$1,000	\$14,735.50	12111 Parklawn Drive, Rockville, MD 20852
12 Cell Path - GIC	\$2,530.00	734	\$2,254.00	541	(\$276.00)	(193)	\$0	\$0	\$1,225	\$500	\$1,725.00	Moved to GIC --just received \$5 million for Cancel Research from NCI
13 Clarassance	\$320.00	140	\$9,768.75	3000	\$9,448.75	2860	\$43,959	\$250	\$3,327	\$1,000	\$48,535.90	9430 Key West Avenue, Ste. 125, Rockville, MD 20850
14 Cosmos ID - RIC	\$545.00	234	\$1,616.00	554	\$1,071.00	320	\$0	\$0	\$697	\$500	\$1,197.48	155 Gibbs Street, Ste. 436, Rockville, MD 20850
15 Epigenomics - GIC	\$1,935.00	836	\$1,323.00	540	(\$612.00)	(296)	\$0	\$0	\$0	\$500	\$500.00	20271 Goldenrod Lane, Ste. 2027, Germantown, MD 20876
16 Flexispine	\$440.00	195	\$440.00	195	\$0.00	0	\$0	\$0	\$0	\$0	\$0.00	Moved to 212 N. Adams Street, Rockville the closed operations
17 Fuzbien	\$2,785.00	903	\$1,161.19	450	(\$1,623.81)	(453)	\$5,225	\$0	\$2,516	\$1,000	\$8,741.36	12111 Parklawn Drive, Rockville, MD 20852
18 GenArrayton	\$2,675.00	885	\$3,075.00	1200	\$400.00	315	\$13,838	\$0	\$3,500	\$1,000	\$18,337.50	9610 Medical Center Drive, Suite 230, Rockville, MD 20850
19 GenImmune	\$2,200.00	648	\$4,533.33	1360	\$2,333.33	712	\$20,400	\$0	\$1,475	\$1,000	\$22,874.75	15601 Crabbs Branch Way, Rockville, MD 20855
20 Genesis S. Solutions - GIC	\$330.00	145	\$0.00	0	(\$330.00)	(145)	\$0	\$0	\$0	\$0	\$0.00	Closed Operations
21 GenProMarkers	\$3,709.00	924	\$0.00	0	(\$3,709.00)	(924)	\$0	\$0	\$7,616	\$0	\$7,616.00	7305 Bannockburn Ridge Court, Bethesda, MD 20817 (Residence)
22 Green Gap	\$330.00	140	\$0.00	0	(\$330.00)	(140)	\$0	\$0	\$0	\$1,000	\$1,000.00	13816 North Gate Drive, Silver Spring, MD 20906
23 Innovative Query	\$355.00	140	\$0.00	0	(\$355.00)	(140)	\$0	\$0	\$0	\$1,000	\$1,000.00	11140 Willowbrook Drive, Potomac, MD 20854
24 L&J Biosciences	\$3,300.00	770	\$5,916.67	1775	\$2,616.67	1005	\$26,625	\$372	\$2,400	\$1,000	\$30,396.52	19 Firstfield Road, Ste. 100A, Gaithersburg (Alexandria Incubator)
25 Longhorn	\$3,845.00	1004	\$6,986.67	2096	\$3,141.67	1092	\$31,440	\$0	\$10,557	\$1,000	\$42,997.02	19 Firstfield Road, Ste. 100C, Gaithersburg, MD 20878
26 MagBio	\$3,885.00	1001	\$7,583.33	6500	\$3,698.33	5499	\$34,125	\$58,794	\$3,800	\$1,000	\$97,718.49	944 Clopper Road Gaithersburg, MD 20878
27 Medical Tech Partners	\$0.00	0	\$1,762.00	881	\$1,762.00	881	\$7,929	\$0	\$1,582	\$1,000	\$10,511.20	60 Market Street, Suite 201, Gaithersburg, MD 20878
28 Neodiagnostix	\$7,053.00	1970	\$4,480.00	3200	\$0.00	0	\$20,160	\$26,756	\$17,510	\$1,000	\$65,425.00	9 West Watkins Mill Road, Gaithersburg, MD 20878
29 Neuralstem - GIC	\$11,520.00	2892	\$8,540.00	2507	(\$2,980.00)	(385)	\$0	\$0	\$24,596	\$500	\$25,095.88	20271 Goldenrod Lane, Ste. 2024, Germantown, MD 20876
30 Omic	\$330.00	154	\$0.00	0	(\$330.00)	0	\$0	\$0	\$175	\$0	\$175.00	Closed Operations
31 Omni Array	\$5,060.00	1444	\$5,646.67	1694	\$586.67	250	\$25,410	\$0	\$3,531	\$1,000	\$29,941.02	15601 Crabbs Branch Way, Rockville, MD 20855
32 OncoImmune	\$3,300.00	770	\$1,650.14	600	(\$1,649.86)	(170)	\$7,426	\$0	\$3,963	\$1,000	\$12,388.63	12111 Parklawn Drive, Suite 107, Rockville, MD 20852
33 Opticul	\$364.00	143	\$600.00	250	\$236.00	107	\$2,700	\$0	\$274	\$1,000	\$3,974.37	9605 Medical Center Drive, Ste. 113A, Rockville, MD 20850
34 Precision Biologics	\$1,641.00	591	\$3,417.00	1439	\$1,776.00	848	\$15,377	\$0	\$2,030	\$0	\$2,030.00	11300 Rockville Pike, Ste. 1140, Rockville, MD 20852
35 Rafagen	\$3,300.00	770	\$937.00	450	(\$2,363.00)	(320)	\$0	\$0	\$0	\$0	\$0.00	615 S. Frederick Avenue, Ste. 302B, Gaithersburg, MD 20877
36 Rana	\$1,650.00	432	\$3,296.00	2138	\$1,646.00	1706	\$14,832	\$0	\$3,335	\$1,000	\$19,167.00	7617 Standish Place, Rockville, MD 20855
37 Reveragen - VIP @ SSIC	\$770.00	308	\$0.00	0	(\$770.00)	(308)	\$0	\$0	\$0	\$500	\$500.00	8070 Georgia Avenue, #416, Silver Spring, MD 20910
38 Shuttle Pharma - GIC	\$3,845.00	968	\$3,685.00	952	(\$160.00)	(16)	\$0	\$0	\$2,450	\$500	\$2,950.00	20271 Goldenrod Lane, Ste. 2097, Germantown, MD 20876
39 Signal Processing	\$1,098.00	429	\$1,300.00	550	\$202.00	121	\$5,850	\$0	\$1,189	\$1,000	\$8,039.00	9605 Medical Center Drive, Ste. 127E, Rockville, MD 20850
40 TFC Consulting	\$2,020.00	711	\$4,896.20	2305	\$2,876.20	1594	\$22,033	\$1,245	\$4,309	\$1,000	\$28,586.49	9901 Belward Campus Drive, Ste. 165, Rockville, MD 20850
41 VLP Therapeutics	\$3,300.00	770	\$6,006.67	1802	\$2,706.67	1032	\$27,030	\$0	\$2,500	\$1,000	\$30,530.02	19 Firstfield Road, Ste. 100B, Gaithersburg, MD 20878
GRAND TOTALS:	\$94,492.00	26697	\$111,840.08	46,411	\$19,921.08	18,638	\$399,402.36	\$87,415.09	\$125,661.41	\$27,000.00	\$624,111.40	

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BUSINESS INNOVATION
NETWORK
MIGRATION

42

24

35

Basic Definition/Characteristics

SHARED OFFICE SPACE

Real Estate Focus

Types:

Executive Suites – tenants occupy private offices

Co-working Spaces-tenants used FCFS seats in open space format

Characteristics:

For profit and Not-for-profit

Variable length leases

No expectation of graduation

Generally agnostic to industry sector

Serve start-ups and mature companies

Company Growth Focus

Types:

Incubators:

Companies are vetted for tenancy

Usually some common characteristic, e.g., industry sector, CEO affiliation
(ex-military), source of technology, type of customer, etc.

Limited but variable duration leases

Supplemental programming and mentoring

Accelerators:

Companies are vetted

Usually narrow focus by sector (health IT, mobile health, medical devices)

Fixed length program – usually 3-4 months

Intense engagement by company execs

Often comes with investment in company in return for equity %

Emphasis on milestone achievement

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BUSINESS INNOVATION NETWORK MIGRATION

2012-2014: Orion Biosciences 3-part study

- BIN History
- BIN Recommended Policies
- BIN Next Steps

2014-2016: Implementation

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OBJECTIVES

- Grow the number of technology companies
- Develop economic clusters in target industries
- Increase jobs that align with county demographics
- Leverage key regional research and business assets
- Increase investment in local start-up companies
- Create and support a pipeline of new companies
- Increase the utilization of commercial real estate

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SUGGESTED CLUSTERS

- Life Sciences
- Cybersecurity
- Health IT
- Informatics

LA

(b)(6)

TIMELINE

6/2014 William E. Hanna, Jr. Innovation Center closed
41 tenant companies
 10 moved to other BIN locations
 26 leased commercial space in the county
 5 closed (12%)

OUTCOMES...ALL POSITIVE

Companies leased 73% more space
New commercial spaces created for small labs
No companies lost to other jurisdictions

(b)(6)

TIMELINE

2/2016 National Cybersecurity Center of Excellence opened
PIA between Maryland, County and NIST
NCEP formed – 24 companies, e.g., Microsoft, cisco, Symantec
Community engagement activities launched:
 Speakers' Series
 Innovation Marketplace

RESULT: Montgomery County is the nation's civilian cybersecurity hub

TIMELINE

5/2016

Wheaton Innovation Center

- Focus: Professional services with emphasis on MBE companies
- Issues: Small number of companies served (average 16)
Low graduation rates
- Response: Incubator without Walls
Put feet on the street to deliver marketing and technical services
Delivered by a consortium of organizations engaged in Wheaton
Provide culturally appropriate outreach
Serve Wheaton initially, especially the 109 businesses impacted by the redevelopment project
Expand to entire Down County after approach is refined

Recent Successes:

Silver Spring: Repar Corporation - new pesticide approved by EPA. It is eco-friendly, fully biodegradable and leaves zero residue.

Rockville: Nexercise was winner on Shark Tank for their Sworkit product (exercise video app). Investor Mark Cuban proffered a term sheet!
Stay tuned for a WBJ journal article about this win and the company's *decline* of Mr. Cuban's offer.

Germantown: Epigenomics has the first liquid biopsy test approved by the FDA on the market. The blood test screens for colo-rectal cancer. The test is available nationally through LabCorp and is paid for by insurance companies and Medicare nationally. It's called Epi-Pro Colon.

PLAYERS IN MOCO APPROACH (2016-18)

Funding:

Montgomery County general funds support 0% occupancy costs
Funds are budgeted in an NDA account overseen by Dept. of Finance
Funds transferred to MEDCO which serves as the county's agent

Building Management:

Montgomery County contracts with MEDCO to provide maintenance/upkeep of facilities
MEDCO contracts with Scheer Partners or other private sector company to do the work

Programming:

MEDCO contracts with providers to operate the incubators/accelerator

Chosen operators for 2016-18:

SSIC – CommuniClique

RIC – BHI

GIC – BHI

Additional partners:

RIC – BHI has MOU with MITRE for cybersecurity resources

GIC – BHI has MOU with Montgomery College, Germantown

FUNCTIONAL RESPONSIBILITIES

OVERSIGHT OF MEDCO	County Department of Finance
MARKETING	CommuniClique, BHI, EDC
TENANT VETTING	CommuniClique, BHI
LICENSE AGREEMENT	MEDCO
MILESTONE SETTING	CommuniClique, BHI
ASSISTANCE w/ RESOURCES	CommuniClique, BHI, MOU partners, EDC
EDUCATIONAL PROGRAMMING	CommuniClique, BHI, MOU partners, EDC
ASSISTANCE AT GRADUATION	CommuniClique, BHI, EDC
OUTCOME TRACKING/REPORTING	CommuniClique, BHI, EDC

7/2016 BIN Tomorrow: Silver Spring, Rockville, Germantown

- Strategic industry sector focus per study recommendation
- Attraction of investment-grade companies
- Access to expanded networks and funding sources
 - *MITRE*
 - Montgomery College
 - CommuniClique Fund
- Operated by private sector organizations for FY17-18

MEMORANDUM

February 19, 2014

TO: Councilmembers
FROM: Jacob Sesker, Senior Legislative Analyst
SUBJECT: Incubators

INTRODUCTION

This purpose of this memo is to provide Councilmembers with some background on the incubator transition and the National Cybersecurity Center of Excellence (NCCoE). Most of the facts included herein were provided by DED. The cost comparison of alternatives was prepared by Council Staff using information provided by DED.

This spring, the Council will approve a budget for DED that either includes or does not include funding for the next phase of the incubator program transition. DED will brief the PHED Committee and the Council during budget.

Council Staff has requested that DED provide frequent, detailed written updates regarding its efforts to formulate a plan and communicate next steps to current tenants of the Shady Grove incubator. See © 6.

INCUBATOR TRANSITION

The current incubator program, which was among the first and remains among the largest in the nation, was designed to meet real estate needs of many small start-ups. As is frequently the case, best practices have evolved since early implementers like Montgomery County first jumped into the incubator business. Current best practice is to provide more targeted and intensive assistance to incubator program participants. **For DED to provide this targeted and intensive assistance would require either a substantial increase in resources or greater financial flexibility within the incubator program.**

Roughly 65% of the net cost of the incubator program is annual operating subsidies to the Rockville and Germantown incubators (see © 9), which opened in 2007 and 2008 respectively.¹ The County has limited financial flexibility with either of those two facilities due to the ownership/lease and financing structures. Other options include: (1) eliminating the operating subsidy at Shady Grove, (2) allowing the Wheaton lease to expire in 2016, and/or (3) selling the Silver Spring facility (which the County owns outright) and diverting the proceeds from the sale to operations at the other facilities.

¹ Both the Rockville and Germantown incubators are saddled with pre-recession real estate costs in a post-recession market.

DED briefed the PHED Committee three times on its overall plan to transform the incubator network. After initial briefings on July 23, 2012, and November 26, 2012, DED presented its preferred future structure for the incubator network on October 21, 2013, with an understanding that additional discussion would occur during budget worksessions.

- The Shady Grove and Rockville incubators would focus on data analytics.
- The life sciences focus of the Germantown incubator would be strengthened.
- The Silver Spring facility would operate as an accelerator program.
- A green technology incubator would be *programmed* but would not operate out of County space (for example, the incubator could be a partnership with Bethesda Green).
- The Wheaton facility would close at the end of the current lease term (the lease expires in 2016).

Unfortunately, tenants of the Shady Grove facility were notified that their licenses would not be renewed next year before DED had made substantial progress to find landing places for those companies in private real estate. Consequently, many Shady Grove tenants have been understandably nervous regarding their future prospects.

Shady Grove/William Hanna Innovation Center

The Shady Grove Innovation Center (now the William Hanna Innovation Center (WHIC)) opened in 1999. The facility was built in partnership with MEDCO. Total costs for the project were approximately \$9 million. According to DED, roughly half of the initial capital costs were related to the labs in the facility. The facility is owned by MEDCO, but the County can assume full ownership upon retiring the debt in 2019.

The WHIC currently serves 34 companies, 29 of which are biotechnology companies. The facility has 60,000 gross square feet (37,945 leasable square feet). The facility has 76 office spaces and 24 wet labs.

- Today there are 34 companies with offices or labs at Shady Grove. These companies employ approximately 200 employees (mix of full and part time).
 - Of the 34 companies, 21 have been there for more than 3 years, and 11 for more than 5 years.
 - As of February 12, the average incubation period for the companies was 3 years, 10 days. The median incubation time is 4 years, 72 days. The longest incubation time of any current tenant is 10 years, 104 days.
- The facility contains 37,945 square feet of leasable space, of which 4,265 square feet (11.2%) is currently vacant.

Germantown Innovation Center

The Germantown Innovation Center (GIC) opened in 2008. The center is located at Montgomery College's campus in Germantown, and the County leases the facility from the College Foundation. The lease runs until 2026.

The facility encompasses 33,000 square feet, of which 17,513 is leasable. The facility contains the only "clean room" facilities in the Business Innovation Network (BIN) system. In addition, the GIC contains 11 wet labs and 50 office spaces. The GIC is currently home to 29 companies, 15 of which are biotechnology companies, along with 9 information technology firms.

Historically, incubation times/graduation rates have been higher in this facility than in the County's other incubators. The current projected graduation schedule includes the following: 4 companies moving out between December, 2013 and February, 2014; up to 6 other companies slated to graduate or move out by June, 2014; and 2 other tenants to graduate in December, 2014.

- Today there are 21 companies with offices or labs at Germantown. These companies employ approximately 125 employees (mix of full and part time).
- The facility contains 18,755 square feet of leasable space, of which 1,242 square feet (6.6%) is currently vacant.
- The facility contains 11 wet labs, all of which are currently occupied.
- The facility contains 2 "clean rooms," both of which are currently occupied.

According to DED, vacant offices in the lab corridor of the Germantown facility could be converted into as many as 4 additional wet labs at a cost of approximately \$550,000.

NATIONAL CYBERSECURITY CENTER OF EXCELLENCE²

The following history/summary is taken from the NCCoE Statement of Work for a Federally Funded Research and Development Center (FFRDC):

In February 2012, NIST, the State of Maryland, and Montgomery County, MD established the National Cybersecurity Center of Excellence (NCCoE), which is dedicated to furthering innovation through rapid identification, integration, and adoption of practical cybersecurity solutions, via a Memorandum of Understanding (MOU). The NCCoE brings experts together from industry, government and academia under one roof to develop practical, interoperable cybersecurity approaches that address the real world needs of complex information technology (IT) systems. By accelerating dissemination and use of these integrated tools and technologies for protecting IT assets, the NCCoE enhances trust in U.S. IT communications, data and storage systems; lowers risk for companies and individuals in the use of IT systems; and encourages development of innovative, job-creating cybersecurity products and services.

Montgomery County and the State of Maryland agreed to contribute land to the partnership. DED's contractor (Scheer Partners) surveyed the local real estate market³ and found that large (50,000-68,000 square foot) chunks of office space in the Rockville-Germantown office market would be cost prohibitive. Scheer's December 2012 estimate was that the cost of financing the improvements and leasing the space would cost between \$2.4 million and \$3.1 million annually, meaning that the County's 50% share of the cost would be \$1.2 million to \$1.5 million annually.

² The NCCoE is not an incubator. The NCCoE is being discussed at the same time as the incubator transition due to the relationship of both initiatives to one piece of real estate. However, it is possible that the NCCoE could include an incubator at some point in the future—in fact, DED has been in negotiations with DBED and NIST regarding how such an incubator might be structured.

³ The largest block of County-owned vacant space in the I-270 corridor is the police station on Seven Locks Road (17,944 gross square feet).

Comparative costs of locating the NCCoE at the Shady Grove incubator

The following factors shape the analysis of alternatives: (1) For the Shady Grove incubator to remain operating as an incubator will require a total investment of roughly \$2.5 million⁴ in 2016; (2) For the County and State to finance improvements and lease space for the NCCoE would cost roughly \$3.4 million in the first year, and \$2.4 million annually each year thereafter (split 50/50); and (3) For the current Shady Grove incubator to be re-used for the NCCoE will require that the County split the debt service costs with MEDCO on \$9 million in construction debt.

Using these assumptions, the lowest cost alternative would be to maintain the current Shady Grove incubator without paying to either acquire real estate in fee or leasehold for the NCCoE. A close second would be to use the current Shady Grove incubator for the NCCoE. The other alternative modeled (acquiring a leasehold for use as the NCCoE and financing improvements) is significantly more expensive.

Alternative 1: Continue to operate Shady Grove facility as an incubator, no NCCoE. Projected nominal cost of \$5.3 million.

- Assume \$250,000 annual operating subsidy through FY19 (could be higher or lower depending on vacancy rate, loss from unpaid rent, etc.), with County taking ownership in FY19.
- Do not assume any operating surplus after the debt service is paid (assuming instead that either rents would be reduced or operating expenses would be increased).
- Assume \$79,000 annual allocated personnel costs throughout the 20 year period.
- Assume \$2,500,000 HVAC-related expenditures in FY16.

Alternative 2: Use the Shady Grove facility for the NCCoE. Projected nominal cost of \$6.7 million.

- Assume total cost of \$9 million, to be financed over 10 years with debt service obligations split 50/50 between the County and the State.
- Assume no operating subsidy or personnel costs.
- Assume \$50,000 annual reserve for maintenance during life of the bonds.

Alternative 3: Continue to operate Shady Grove facility as an incubator, lease space for the NCCoE. Projected nominal cost of \$29.8 million.

- Assume \$250,000 annual operating subsidy through FY19 (could be higher or lower depending on vacancy rate, loss from unpaid rent, etc.), with County taking ownership in FY19.
- Do not assume any operating surplus after the debt service is paid (assuming instead that either rents would be reduced or operating expenses would be increased).
- Assume \$79,000 annual allocated personnel costs throughout the 20 year period.
- Assume \$2,500,000 HVAC-related expenditures in FY16.
- Assume County share of debt service and lease costs is \$1.7 million in FY15 and \$1.2 million annually for the remainder of the 20 year period.
- No County costs associated with the relocation of current incubator tenants have been assumed, because those costs have not yet been determined.

Regardless of which inflation and discount rate assumptions are used, continuing to operate the Shady Grove facility as an incubator and paying to find an alternative site is not a cost-competitive option.

⁴ DED estimates that the cost of the HVAC replacement is \$2.0 million to \$2.5 million, and there will be some loss of revenue or additional operating costs associated with the disruption (abatement, mitigation, vacancy).

Other avenues of support for the current incubator tenants

DED is currently working with private real estate companies to identify potential space in their portfolios for companies currently located in the incubator. Director Steve Silverman has indicated that, later this week, the Council will receive an update regarding the status of those negotiations and DED's efforts to secure a "soft landing" for current incubator tenants. One way that the County could facilitate a soft landing would be to provide some current incubator tenants with relocation reimbursement, fund a portion of the tenant's tenant improvement costs, or provide grants to partially offset rent costs during the first year of the lease.

DED has several tools available to assist these companies, including economic development grants and loans through the Economic Development Fund.⁵ In addition, the local biotech investor tax credit has provided financial assistance to several current incubator tenants⁶—the Executive will propose FY15 funding for that tax credit in his March 15 operating budget.

Attachments:

Silverman Letter to Council President Rice © 1

DED Fact Sheet © 4

DED E-mail to tenants (February 18th) © 6

Appendix 8 from Orion Report © 9

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⁵ According to DED, the County has provided 85 grants to life sciences companies, for a total investment of \$9.5 million. See © 2. Economic development awards since 2010 include \$1,000,000 to Zyngenia, \$750,000 to Emergent Biosolutions, \$250,000 to Sucampo, \$200,000 to Precision for Medicine and a commitment of up to \$1,982,000 to Meso Scale Diagnostics.

⁶ The Council has already appropriated \$500,000 for the Local Biotech Investor Tax Credit Program. In the last 3 years, seven companies currently located at the facility have received financial assistance through the Biotech Investor Tax Credit: Neogenix (\$36,127); Rafagen (\$27,951); Alper Bio (\$138,152); Clarassance (\$64,818); Otraces (\$8,417); American Gene Technologies International (\$70,884); and SynAm Vaccine (\$19,493).

BUD, FIN &
ECON DEV



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DEPARTMENT OF ECONOMIC DEVELOPMENT

Isiah Leggett
County Executive

Steven A. Silverman
Director

January 14, 2014

The Honorable Craig Rice
Montgomery County Council President
100 Maryland Avenue
Rockville, Maryland 20850

RECEIVED
MONTGOMERY COUNTY
COMMUNITY DEVELOPMENT

2014 JAN 15 AM 9:39

Dear Council President Rice:

As we approach the public signing of the Partnership Intermediary Agreement (PIA) between NIST, the state and the county, to expand the National Cybersecurity Center of Excellence (NCCoE) here in Montgomery County, I want to summarize our journey to date and assure that the council is fully informed.

Through the combined efforts of the County Executives and County Councils over the past 14 years, Montgomery County has earned a well-deserved reputation as a welcoming location for start-ups, especially those in the technology sectors. Our program has included and will continue to include financial incentives, creation and support for BioHealth Innovation, a DED staff focus on the development of high-growth technology sectors, and a highly-regarded incubator system.

Each of these program components was reviewed, augmented or created beginning in 2011. By far the most complex component is the incubator system, known as the Business Innovation Network (BIN). The BIN review began in 2011 and concluded in mid-2013. The review resulted in recommendations to shift our emphasis from providing space to providing more substantive programmatic, financial and mentoring support in conjunction with the private sector.

Cybersecurity emerged as a high-growth sector during the same period. In Maryland, it was spurred initially by the growth of NSA and Fort Meade, with a focus on the needs of the national defense community. In 2011, however, Senator Barbara Mikulski created an opportunity for Montgomery County to become the national center for civilian cybersecurity, where approaches to protect the nation's infrastructure, health information, financial transactions, etc., would be developed through the National Cybersecurity Center of Excellence. The County and State agreed to provide the space for the center, recommending the William E. Hanna, Jr. Innovation Center as its location. The Center's age, its need for renovation, and



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location fit with NIST's current programmatic needs, expansion requirements and overall cost considerations.

The NCCoE has agreements to work on projects with nationally-known companies (Intel, Google, Symantec, etc.) that are not currently located in the county. Over time we expect the NCCoE will have a very positive impact on the local economy, much as the National Security Agency has for Howard and Anne Arundel Counties. The NCCoE also has space for and a programmatic focus on incorporating start-ups into the projects in an incubator-like environment.

As you know, Montgomery County has been a national leader in our support for the life sciences and our record bears out that point. There are over 300 life sciences companies in Montgomery County. The county has provided 85 grants to life sciences companies—34% of the total Economic Development Fund grants—for a total investment of almost \$9.5 million, representing 22% of the EDF funds. We expect that record to continue.

The county was instrumental in creating BioHealth Innovation and is investing \$500,000 annually into this public/private partnership promoting the commercialization of federal and university laboratory technologies. Approximately 35% of the companies in our incubator system are in the life sciences sector and we expect that ratio to continue. Further, our innovative biotech investor tax credit program has gained traction and led to several attractions of early stage companies. Ours is a strong record, a proud record and a continuing record of support for the life sciences in Montgomery County which with your continued support, we intend to expand.

Work on the renovation of the William E. Hanna Jr. Innovation Center (WHIC) is expected to start mid-summer. Today there are 34 companies with offices and/or labs at the WHIC. Of these, 21 have been in the center for more than three years and 11 of those for more than five years. A number are ready for graduation. We are working with each of them individually, based on their circumstances and needs, for their transition to new space. Some will be accommodated in the Germantown Innovation Center (GIC), some will take commercial space and some are considering various other options. All will continue to be connected to the BIN through our programming, events and communications. We are in discussion with the state on ways to provide relief for company transition costs and will keep you informed as that plan comes together.

The GIC is the county's state-of-the-art life sciences incubator, its newest facility and includes 11 wet labs and four clean rooms. It serves as an anchor in the county's newest life sciences development, which also includes an about-to-open hospital, a recently-opened Montgomery College science building, access to a corps of eager interns, and a technology park across the street with another planned on land adjacent to the GIC. We believe that the decision to focus life science activities in Germantown is consistent with our charge to lead and support development in new areas.

We are very excited by the possibilities that these changes offer. With the NCCoE we add a nationally recognized facility to the county's impressive portfolio of assets and create a hub of activity around one of the newest, most critical and fastest-growing business sectors. We

are able to consolidate our life sciences start-ups in the county's newest development area. We have the opportunity to refocus on programming, mentoring and financial resources for our technology start-ups. And throughout the process, we remain committed to working with our WHIC tenant companies as they transition to new space.

Please contact either me or Sally Sternbach with questions. Thank you for your on-going support.

Sincerely,

A handwritten signature in black ink, appearing to read 'S.A. Silverman', with a long horizontal line extending to the right.

Steven A. Silverman
Director

cc: Montgomery County Councilmembers
Timothy Firestine, Chief Administrative Officer
Joy Nurmi, Special Assistant to the County Executive

13 February 2014

**National Cybersecurity Center of Excellence and Shady Grove Incubator
Transition Fact Sheet
Montgomery County Department of Economic Development**

National Cybersecurity Center of Excellence (NCCoE)

- Partnership between National Institute of Standards and Technology (NIST), State of Maryland and Montgomery County.
- NCCoE brings together experts from industry and academia to demonstrate integrated solutions to the nation's most pressing cybersecurity challenges.
- NCCoE funded through FY2013 appropriation of \$10M, and FY2014 appropriation of \$15M.
- County Executive Isiah Leggett and Governor Martin O'Malley committed to NIST partnership with MOU signed in 2012 and most straightforward way to support center is to provide space for NCCOE.

Why Shady Grove Incubator?

- DED contracted with local real estate firm to assess market for 65,000 sf to meet NIST program of requirements – data indicated that annual lease costs would total ~\$2.5M - \$3.0M – total cost for 10 year partnership - \$25M - \$30M
- Leased space wouldn't provide flexibility for contiguous expansion space and it would require DBED and DED to seek annual appropriations.
- Renovation cost to meet NIST NCCoE program of requirements at WHIC- ~\$9M financed over 20 years for annual financing cost of \$750k.

WHIC, Life Sciences and Business Innovation Network

- Currently, 33 companies located at WHIC – 27 life science, and 11 that have lab and office space totaling ~11k sf – total employees ~200.
- More than half of companies have been in incubator for more than 4 years. License agreements are for 1 year.

13 February 2014

- County is focusing life science activities at state of the art Germantown Innovation Center in Montgomery College Life Science Park where 14 life science companies are located. Evaluating possible additional lab space conversion from offices.
- County is working with local commercial real estate companies to develop broader partnership to provide space to small life science companies and help transition all incubator tenants. County is exploring how best to support companies in new space (i.e. lease subsidy, build-out financing). County will also pay for companies moving costs.

Support for Life Sciences

- 300+ life science companies in Montgomery County.
- 85 grants to life science companies from County Economic Development Fund (34%) totaling \$9.5 million (22% of EDF).
- \$500,000 local biotech investor tax credit program – only local credit in Country.
- \$500,000 amount committed to BioHealth Innovation leveraging millions in private \$ to support tech transfer – partners include MedImmune, Qiagen, Emergent, GSK, United Therapeutics, USG and JHU.

For more information, please contact Steve Silverman, Director for the Montgomery County Department of Economic Development at 240-777-2005 or via email at Steve.Silverman@montgomerycountymd.gov

From: Silverman, Steve
Sent: Wednesday, February 19, 2014 6:42 AM
To: Sesker, Jacob
Subject: Fwd: William E. Hanna Jr. Innovation Center update

Jacob pls attach to memo. This is copy of what was sent to all WHIC tenants yesterday. Tnx SS

Steve Silverman Director, Dept. of Economic Development 111 Rockville Pike #800 Rockville Md. 20850.
240-777-2005
www.choosemontgomerymd.com

Begin forwarded message:

From: "Silverman, Steve" <Steve.Silverman@montgomerycountymd.gov>
Date: February 18, 2014, 4:30:47 PM EST
To: <d.wolf@ac-discovery.com>
Cc: "Sternbach, Sally" <Sally.Sternbach@montgomerycountymd.gov>, "Korpela, John A." <John.Korpela@montgomerycountymd.gov>, "Semple, Ruth" <Ruth.Semple@montgomerycountymd.gov>
Subject: William E. Hanna Jr. Innovation Center update

Dear Mr. ___:

Since my last letter to you, much has happened and I want to keep you abreast of events.

I know that you and your colleagues have been meeting with Ruth Semple and John Korpela from my office, as well as the BioMaryland representatives, Linda Ellerton and Judy Costello, to develop transition plans that can best meet your needs going forward. This is important, since June 30, 2014 continues to be the date on which the building must be vacant and the conversion of the center will begin immediately after. Although you will be receiving notification to this effect from MEDCO in the coming weeks, the required 60-day notice for license termination is not sufficient time to assess your needs, review the facility options available to you, make a choice and move into the new space. So, please don't wait for the official notification from MEDCO to begin this process.

For those of you needing laboratory space, I am aware that one of the impediments to relocating has been the absence of smaller, commercially available labs. As a result, my staff and I have met with each of the major owners of laboratory space in the Rockville/Gaithersburg area and asked each of them to offer both smaller laboratories and more flexible terms than they have in the past. The county has agreed to work with the real estate sector on tenant improvements needed to subdivide larger spaces, and their response has been very positive. To

date, we have met with Alexandria Real Estate, BioMed Realty, Jones Lang LaSalle, Rickman Properties and Scheer Partners.

We will continue to undertake these meetings to facilitate access to as many facilities and organizations as we can for your benefit. DED representatives will be in direct contact with you to work with you on your specific space needs. It may also be worthwhile for you to discuss with your colleagues and other licensees the benefits of "co-location" in a particular space that may be too large for one company but could work quite well for 2 – 3 companies.

As I indicated in my last letter, we are committed to helping you and your company work through this transition period successfully and grow into the future. In addition to working with real estate companies in creating more small labs with flexible lease terms, the county will provide funding for relocation within Montgomery County to licensees in good standing. We recognize that even though the license arrangement allows either party to make a change with 60 days notice, this is not something that you were anticipating and we want to lessen some of the burden during this transition period. Therefore, the county will provide reimbursement for your reasonable, documented moving expenses.

We also realize that there can't be a "one-size fits-all" approach to companies that are in such varying stages of development. Therefore, the county is also willing to consider additional assistance on a case-by-case basis in order to address extraordinary expenses that may exist for a given licensee. Please work with my staff to articulate your needs so that we can provide you with a timely answer on the assistance you can expect.

In the coming weeks you will see more communications from me and other important organizations that play a role in the administration of the William Hanna Innovation Center. The staffs from the County, BioMaryland and MEDCO meet weekly to coordinate these communications as much as possible. That being said, each organization has different requirements that need to be met, so it is very important that you read and respond to each communication as required in order to make sure that you are informed and prepared.

I know that change can be challenging and stressful. This is an important time for your organization and we are committed to working with you to help you address whatever issues we can. The one thing we can't do is make more time. As we sit here looking at snow on the ground, it is difficult to imagine that the warmth of June 30th is right around the corner, but it is. So, I would urge you to engage in the transition process for your company now. Staff is available to meet with you and understand your needs and help identify options for you to consider.

Finally, it is important to note that this transition for you is moving from one space to another, not out of the Innovation Network. We are working to increase the programmatic, mentoring and resource support for life sciences in the coming months to help you and your colleagues bring innovative new products to market as quickly as possible.

Sincerely,

A handwritten signature in black ink that reads "Steven A. Silverman". The signature is fluid and cursive, with the first name "Steven" written in a larger, more prominent script than the last name "Silverman".

Steven A. Silverman
Director, Montgomery County Department of Economic Development