

THE STATE OF THE START-UP



Looking Back at 2013
and Ahead to 2014



TEDCO
LEADING INNOVATION TO MARKET

A LETTER FROM THE TOP

Maryland is a national entrepreneurial and innovation force thanks to the talent and promise of Maryland companies. Maryland's prominent university research is world renown – fundamental and ground-breaking science is discovered, tested and invented in our laboratories. Innovation takes place outside those labs as well—with a rich foundation of incubator, federal lab space and the highest per capita academic workforce, we are fortunate to have a wealth of great ideas. However, you can't feed a family on great ideas alone. That's where TEDCO comes in—working on next steps and commercializing those visions. Over the years, we have learned that successful commercialization of new innovations is achievable with the right combination of attention, funding and management in a rich innovative economy. We work hard at TEDCO to deliver our programs, people and leadership to foster and build Maryland's economy. In this way, we believe that TEDCO ensures our State will continue to support, encourage, attract and retain top talent and entrepreneurs which fuel not only our local economy, but technologies and breakthroughs of tomorrow.

Inside this report you will learn firsthand just how many resources TEDCO invests into making Maryland a premier location for innovation, entrepreneurship and company formation. Nothing demonstrates this commitment more than the results of a recent Battelle Technology Partnership Practice economic impact study which determined that in FY 2013 alone, three of TEDCO's core programs (the Technology Commercialization Fund, the Maryland Innovation Initiative and the Maryland Stem Cell Research Fund) contributed more than \$565.9 million towards Maryland's economy. Considering TEDCO has more than 12 funding, support and venture capital programs, the significance of TEDCO is crystal clear.

As technology and the very nature of doing business changes, TEDCO continues to evolve. We've come a long way since our inception in 1998 and our funding opportunities and educational and networking events allow us to support more entrepreneurs and start-up companies than ever before. We take great pride in monitoring and invigorating the pulse of Maryland's entrepreneurial community and sharing our insights. The State of the Maryland Start-Up is strong, and thanks to TEDCO, will be for years to come.

Sincerely,



Jack Lewin
Chair
TEDCO Board of Directors

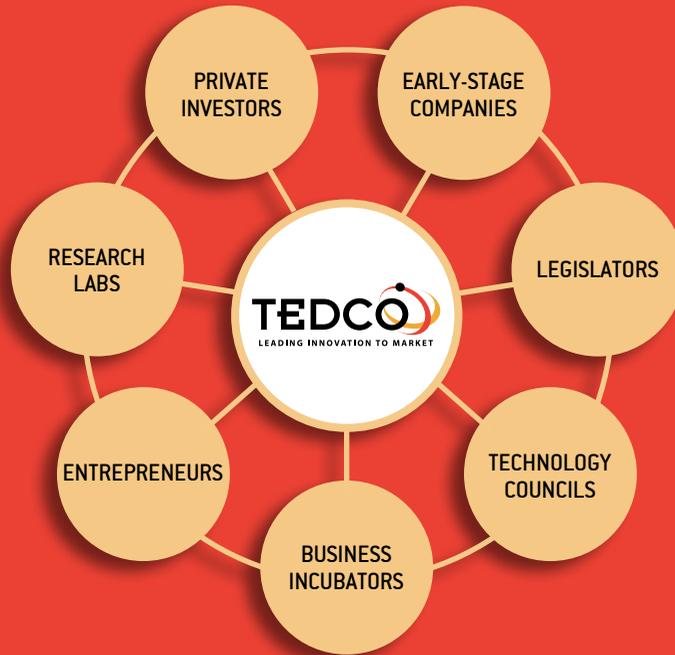


Rob Rosenbaum
President and Executive Director
TEDCO

OUR MISSION

TEDCO was created by the Maryland State Legislature in 1998 to facilitate the transfer and commercialization of technology from Maryland's research universities and federal labs into the marketplace and to assist in the creation and growth of technology-based businesses in all regions of the State. Today, TEDCO is more than an early-stage funding resource: it is the hub of Maryland's entrepreneurial network where start-ups find mentors, organizational assistance, facilities for daily operations and a roadmap for success. TEDCO does it all:

- Establishes and manages programs that support innovation
- Establishes and manages programs that promote entrepreneurship
- Provides funding for technology transfer development
- Provides funding for business formation, growth and expansion



OUR VISION FOR THE FUTURE

TEDCO is a public corporation that serves as Maryland's lead source for entrepreneurial business assistance and seed funding for the development of start-up companies in our innovation economy. We believe that Maryland will be internationally recognized as a premier location for innovation, entrepreneurship and company formation. This includes multiple innovation clusters, a large and established entrepreneurial community and a thriving venture capital network.

2013 / THE YEAR IN REVIEW

For fifteen years, TEDCO has provided Maryland entrepreneurs with the resources, networks and mentoring they need to succeed, contributing to a culture of innovation in the State. Following rebranding and restructuring efforts initiated in 2012, TEDCO continued to generate new sources of income and streamlined management of several programs, making for an impactful FY 2013.

Under the leadership of Rob Rosenbaum and John Wasilisin, TEDCO continued to build on its reputation as the go-to source for entrepreneurial support across the State and at the federal level in 2013, while simultaneously incorporating financial sustainability efforts that will increase the organization's ability to provide critical assistance to start-up companies. Notable highlights of the past year include:

● GENERATION OF INCOME

TEDCO made several structural changes at the end of 2012 to create opportunities for generating income pursuant to the organization's goal of fiscal sustainability. In FY2013, these efforts contributed to **\$1.2 million in income**. These revenues were generated through proactive collection of monies due from portfolio companies and grantees, the conversion of Technology Commercialization Fund (TCF) investments into traditional venture type investments, income from a family of four focused investment funds collectively called TEDCO Capital Partners and non-Maryland grant income.

● IMPLEMENTATION OF THE MARYLAND INNOVATION INITIATIVE (MII)

Implementation of the Maryland Innovation Initiative (MII): In FY2012, TEDCO proudly accepted administrative and management responsibility of MII, a **\$5.8 million program** created by Governor O'Malley and the Maryland General Assembly and targeted directly at technology transfer from five universities (Johns Hopkins, Morgan State, University of Maryland College Park, University of Maryland Baltimore County and University of Maryland Baltimore).

As the largest new program TEDCO has launched since the stem cell fund in 2007, MII's implementation included hiring staff, recruiting the academic and political board appointees, educating the universities about the role and importance of the program, and designing, with board consensus, what exactly the program would look like. TEDCO is proud to report that MII is at an award run rate greater than the **40 deals** per year that were promised to the legislature.

● CONNECTING ENTREPRENEURS WITH CRITICAL RESOURCES

Providing Maryland entrepreneurs with funding, networking and mentoring has always been the core of TEDCO's mission. This year, TEDCO augmented these efforts with the following statewide programs and resources:

Patent Assistance Program

To assist start-up companies seeking patents for technologies licensed from Maryland's universities, TEDCO launched the Patent Assistance Program.

Through this program, start-ups can apply for matching funding to pay ongoing patent expenses. The program creates an incentive for entrepreneurs to license

technologies from Maryland's universities and for those universities to license technology to entrepreneurs at an earlier stage in a company's development.

Maryland Entrepreneur Resources List (MERL)

In 2012, TEDCO launched MERL, a list of mentors and advisors willing to advise and support entrepreneurs, and the program expanded significantly in 2013. MERL currently features more than **85 mentors** and is queried on a regular basis. In addition to the many mentoring relationships that have been built, at least one CEO has been hired.

The 2013 Entrepreneur Expo

Held during Global Entrepreneurship Week, this unique educational and networking event attracted more than **525 participants** in its third year. The event brought together aspiring and seasoned entrepreneurs to celebrate entrepreneurship and highlight the assets that Maryland offers to businesses.

Fund Selector Tool

TEDCO added an interactive Fund Selector tool to its website, **tedco.md**, which enables entrepreneurs to quickly and easily identify the funding programs most appropriate for their company or research endeavor.

BUILDING ON LOCAL, STATE AND FEDERAL RELATIONSHIPS

TEDCO interfaced with government agencies, legislators and administrators extensively in 2013. The organization provided briefings to a joint House and Senate technology committee regarding the effectiveness and progress of the State's technology programs, the Legislative Black Caucus on efforts to directly support their constituents and Speaker Busch's Business Climate Work Group. At the federal level, TEDCO has worked with the trade organization State Science & Technology Institute (SSTI) to educate members of Congress in support of the re-authorization of the America Competes Act. Finally, TEDCO participated as a subject matter expert on a White House-sponsored panel focused on improved tech transfer and commercialization of federal technologies.

TEDCO saw record highs of applications submitted and deals approved in 2013, having reviewed **344 applications**, approved **93 projects** and awarded **\$15.6 million** to Maryland researchers and entrepreneurs. More than ever before, the organization is reducing the friction that innovators encounter when looking for resources in Maryland while contributing to the entrepreneurial ecosystem in the State.

TEDCO'S RECORD OF ACHIEVEMENT

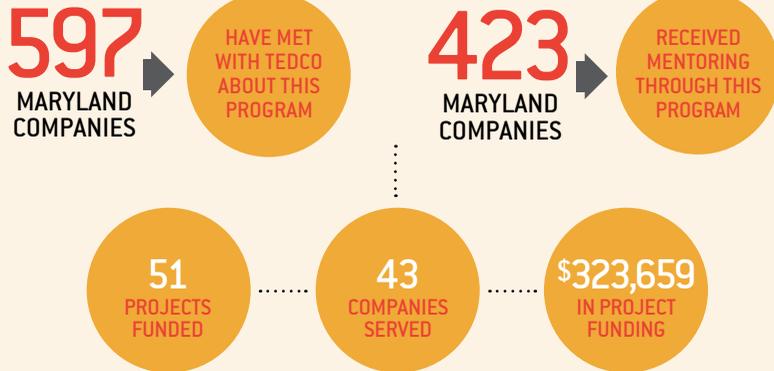
TEDCO plays the lead role in Maryland's efforts to expand commercialization and is involved in all stages of the commercialization process, from supporting research, to facilitating technology transfer, to supporting entrepreneurship, to investing in companies. A recent economic impact study conducted by Battelle Technology Partnership Practice highlights the importance of TEDCO and its crucial contributions to Maryland's economy.

TCF • MSCRF • MII INNOVATION IMPACT



RBI² SUCCESS

The Rural Business Innovation Initiative (RBI²) assists start-up and small businesses in the rural areas of Maryland to advance the company to a higher level of success. The program offers professional ongoing mentoring and targeted projects to help companies succeed at no cost to the company. **Since 2010—**



PORTFOLIO COMPANY SUCCESS

- **\$25 million**
IN ENTREPRENEURIAL INNOVATION
- **More than 230**
THRIVING PORTFOLIO COMPANIES
- **\$601 million**
IN FOLLOW-ON FUNDING
- **\$111 million**
IN RESEARCH INNOVATION
- **More than 315**
RESEARCH PROJECTS FUNDED

AN EDITORIAL

INSIGHTS ON INCUBATION: WHERE MARYLAND'S BUSINESS INCUBATORS ARE HEADED IN 2014

By Rob Rosenbaum

Maryland business incubators are evolving and the rate of change is increasing. Because TEDCO plays a critical role in mentoring and supporting incubator tenants across the state, we're noticing these changes firsthand.

Currently, Maryland has approximately 28 incubators in all shapes and sizes, both publicly subsidized and privately owned, offering an array of services. As incubators started proliferating in the State they differentiated themselves by specializing around an expertise or service such as wet lab space for life-science companies, rapid prototyping (or additive manufacturing), industry expertise like cyber-security or clean energy, educational programs or socially conscientious companies. In addition, several of the incubators also have recently added accelerator programs, affiliate programs or are completely virtual. One truth has been proven through the incubator evolution to date: The invaluable sense of community created in and around incubators allows entrepreneurs to benefit from being able to learn from peers in a high-energy, fast-paced motivating environment.

A more significant change in 2014 will be the increased emphasis on community. In Maryland, geography has driven the primary sense of community to date, with groups and tech councils clustering by region. There are many interest-based communities that already thrive in Maryland as well, including medical devices in Baltimore, life science in the 270 corridor, breakfast meet-ups, cyber security in the 95 corridor, angel investor groups in Western Maryland and the Eastern Shore and the 28 plus incubators which all view themselves as communities.

With all of this neighborly activity, why do I think 2014 will be the year of accelerated community? Simple—all of these disparate communities are driving it. Consider this: Baltimore is not the only place for a medical device company, Montgomery County is not the only place for cutting-edge drug research, IT companies are working without any physical boundaries, Southern Maryland has an emerging entrepreneurial ecosystem, the Eastern Shore and Western Maryland need high paying technology jobs as much as any other region, and of course, no single incubator can have the expertise to support the variety of companies that exist in Maryland. TEDCO will continue to be a part of these communities and work in tandem with them to create opportunities and networks for entrepreneurs.

Why will incubators be the driving force of community? Another simple answer: Each already has a strong nucleus from which to build, community members that already interact with others based upon technology and most importantly, supporting interaction with peers, mentors and advisors, which is the most valuable contribution an incubator can make to assure the success of its companies. This spirit of collaboration and community building has already been evidenced by the sharing of best practices among the incubators and an annual awards ceremony celebrating incubator companies from around the State. With this spirit of collaboration and community building, it's hard not to get excited. TEDCO certainly is!

Rob Rosenbaum is President and Executive Director of TEDCO

LUKE'S PREMIER FOODS— A TEDCO SUCCESS STORY

Luke's Premier Foods, LLC, makes heirloom tomato products, including Heirloom Tomato Juice, Heirloom Tomato Nectar™ and its award winning Bloody Delicious Mary Mix™. The company's juices are unique in that they are the only tomato juices in the U.S. made from natural, fresh-picked heirloom tomatoes and not from available juice concentrates. Other tomato products available in today's marketplace lack the bold, rich taste of heirloom tomatoes because they are made with hybrid tomato paste and water with a lot of added salt.

Jim Hudson, owner of Luke's Premier Foods, started making heirloom tomato juice from dozens of varieties of heirloom tomatoes he grew on his two and a half acre farm in Johnston, Iowa. In 2009, when ready to go from kitchen to commercial, Luke's Premier Foods had a need for several hundred thousand pounds of heirloom tomatoes for commercial production. A broadcast email found them with several master tomato growers in Marion, Md.

Tomato farmers often discard up to 60 percent of their crop each year, simply because they are not "pretty" or are slightly too ripe, and Luke's Premier Foods provides them with a new revenue stream, with virtually no expense. Luke's Premier Foods has developed a "Micro-Batch" version of the traditional tomato canning industry that has left Maryland and moved to California and Florida. Hudson's concept is to first prove its basic business model works, then begin manufacturing "Micro-Batch" mobile processing plants that may be replicated all across the U.S., and then internationally.

With assistance from TEDCO, the University of Maryland Eastern Shore, MIPS, Maryland Hawk Corporation and Salisbury University SBDC, Luke's Premier Foods, utilizing its "Micro-Batch" technology, is now processing several delicious heirloom tomato juices in Princess Anne, Md. TEDCO, through its Rural Business Innovation Initiative (RBI2), is helping Luke's Premier Foods achieve a higher level of success in several ways, including the development of a market strategy and competitive analysis for the company. Through TEDCO, Luke's Premier Foods received an RBI2 assistance grant to create a competitive analysis to help determine how best to focus the company's marketing energies; large chain grocery stores such as Giant, gourmet grocery stores such as Whole Foods or smaller independent private grocery stores. TEDCO is continually introducing the company to funding opportunities and connecting it to other successful food business owners for insights and networking opportunities. "TEDCO provides Luke's Premier Foods with excellent support in its mentorship role on a regular basis, including networking opportunities and industry insights to help our business grow within the marketplace," said Hudson. "TEDCO continues to exceed my expectations, and we greatly appreciate all the time and energy they have devoted to help us succeed."

Luke's Premier Foods was named a finalist for the prestigious sofi Award from the Specialty Food Show in New York City and was included as one of the Top 5 Trends in 2013.



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Rural Business Innovation Initiative



Maryland Entrepreneur Resource List



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Veterans' Opportunity Fund™



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