



**Maryland Technology Development Corporation
(TEDCO)**

**Annual Report
and
Financial Statements**

Fiscal Year 2020

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Introduction

Technology continues to be the driving force for the New Economy and it is critical to Maryland's future. Maryland is richly endowed with technology assets – the largest concentration of federal laboratories of any State in the nation, nationally recognized research universities, a federal contractor base with a specialty in science, security and communications, and an emergent biotechnology cluster.

The Maryland Technology Development Corporation (TEDCO) was created by the General Assembly to:

“assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by colleges, universities, and federal research institutions; assist in the commercialization of technology developed in the private sector; foster the commercialization of research and development to create and sustain businesses throughout all regions of the State; invest in Maryland-based technology companies and promote the commercialization and growth of technology companies and jobs in the State; build a long-term entrepreneurial capacity and sustained venture capital presence in the State; create pathways to follow-on financing; and foster inclusive and diverse entrepreneurship and innovation throughout the State.”

TEDCO, a “body politic and corporate and constituted as a public instrumentality of the State,” is governed by a 15-member Board of Directors, appointed by the Governor with the approval of the Senate and includes the Secretary of the Department of Commerce as a member.

Mission

Enhance economic development by fostering an inclusive entrepreneurial and innovation ecosystem. Identify, invest in, and help grow technology companies in Maryland.

Vision

TEDCO will be the recognized national leader for supporting translational research, and technology-based, economic and entrepreneurial development while being the hub of Maryland's innovation ecosystem.

Core Values

TEDCO's core values unite us and guide our efforts and interactions with people inside and outside of TEDCO. They are critical in TEDCO's commitment to excellence in carrying out its mission and serving its stakeholders:

- **Accountability** – We take responsibility for our actions and for adherence to our mission, and we ensure that this responsibility is ingrained throughout the organization. We

measure our activities and report our outcomes to our stakeholders. We do the right thing.

- **Collaboration** – We focus on building trust and credibility across the organization and with our customers. We are transparent in the exchange of ideas and our encouragement of one another. We value teamwork in our pursuit of supporting innovation and entrepreneurial excellence.
- **Integrity** – We provide the best quality service to our customers and strive to exceed expectations. We pursue innovation and entrepreneurial success with the highest regard for moral and ethical standards. We stand by what we say and what we do, and we always act in an honest and open way.
- **Respect** – We uphold a culture of respect at work, within our communities, and nationally. We embrace diversity and value our employees for their individuality and the unique perspectives that they bring to the organization.
- **Stewardship** – We take seriously our responsibility to manage scarce resources and to serve as stewards of State, Federal, and private funds. We value our ability to carry out our mission and to serve our customers in an efficient and fiscally responsible manner. We encourage and empower TEDCO's staff to act in accordance with our culture.

Technology Transfer and Commercialization

Maryland Technology Commercialization Fund

TEDCO's primary initiative in technology transfer and commercialization is the Maryland Technology Commercialization Fund (TCF). TCF supports technology and product development by start-up companies often deemed too early in their development to gain the interest of traditional venture capital investments. TCF's investments are intended to defray the cost of the additional research and development activities that would move a specific technology or technology package to the threshold of commercialization.

FY2020 TCF Statistics

- # of investments - 3
- # of jobs in funded companies - 15
- Total \$ invested - \$600,000

Maryland Innovation Initiative

Chapter 450 of 2012 created the Maryland Innovation Initiative (MII). This program is intended

to increase the rate of commercializing technologies developed in Maryland's research universities (Johns Hopkins, Morgan State, University of Maryland-College Park Campus, University of Maryland-Baltimore Campus, and University of Maryland-Baltimore County). The program achieves this goal through de-risking technologies through grant awards, startup creation, and investments. The MII program is governed by its own statute and independent Board of Directors.

FY2020 MII Statistics

- # of proposals - 71
- # of awards/investments - 44
- # of start-up companies formed - 14
- # of start-up companies funded - 11
- Total amount granted and invested - \$5,494,782

Cybersecurity Investment Fund

Chapter 535 of 2014 created the Cybersecurity Investment Fund (CIF). The CIF is targeted to cyber security technologies and builds on TEDCO's Technology Commercialization Fund.

FY2020 CIF Statistics

- # of investments - 4
- # of jobs in funded companies - 4
- Total \$ invested - \$800,000

Life Science Investment Fund

The Life Science Investment Fund provides funding to companies developing products for human health that require FDA approval. This fund was transferred to TEDCO from the Department of Commerce's BioMaryland program. This program previously provided awards under the names Biotechnology Development Awards and the Translational Research Awards. TEDCO modified the funding program to better meet the demand of those life science companies with the most challenging commercialization pathways.

FY2020 LSIF Statistics

- # of investments - 4
- # of jobs in funded companies - 10
- Total \$ invested - \$800,000

Gap Investment Fund

The Gap Investment Fund seeks to make disbursements to start-up technology-based companies that are in need of capital to grow their businesses in Maryland. The disbursements are matched by investments the company has received from other sources. The purpose of this Fund is to help bridge the gap to traditional institutional venture capital. Companies must use Gap Investment Funds to employ new staff to grow and become more firmly established in Maryland.

FY2020 Gap Investment Fund Statistics

- # of investments - 2
- # of jobs in funded companies - 19
- \$ awarded - \$900,000

Coordinating Emerging Nanobiotechnology Research in Maryland Fund

Chapter 446 of 2008 created the Coordinating Emerging Nanobiotechnology Research in Maryland Fund. This program has never received an appropriation, and as such there is no program activity to report.

Technology Incubator Program

Incubator Development Fund

On June 1, 2001, TEDCO's enabling legislation was modified to create the Incubator Development Fund (IDF). To date, capital appropriations for the fund total \$8,267,500. No new projects were funded in FY2020. The IDF summary is shown below:

Incubator	Funding Awarded
techcenter@UMBC	\$1,000,000
Silver Spring Innovation Center	\$1,000,000
ETC@Johns Hopkins Eastern	\$1,000,000
Frederick Innovative Technology Center@Hood	\$425,000
Prince George's County Technology Assistance Center	\$230,000
Rockville Innovation Technology Center	\$1,000,000
Frederick Innovative Technology Center@Monocacy	\$562,500
Hagerstown Technical Innovation Center	\$450,000
University of Maryland-Baltimore	\$1,000,000
Germantown Innovation Center	\$600,000
Dorchester County	\$1,000,000
Subtotals	\$8,267,500

Incubator Feasibility Studies

In order to identify appropriate opportunities for the creation of new or expanded incubator facilities, TEDCO will partner to sponsor independent, professional studies of the feasibility of potential incubator projects. Each study is sponsored by a local government, college, university, or non-profit corporation, and provides at least a 1:1 cash match. No feasibility studies were undertaken in FY 2020.

Business Assistance Fund

To support the incubator network in Maryland, TEDCO provides certain incubators with business assistance funding to assist them in providing innovative programming to their tenant and affiliate companies. The individual incubator grant amounts are determined through a competitive application process.

The funding is used for a variety of business assistance services that these incubators would not have been able to provide in-house. This includes but is not limited to the following types of assistance:

- negotiating strategic investments or partnerships
- raising venture funding
- recruiting top management
- reviewing business plans
- analyzing cash flow projections
- developing marketing strategies
- reviewing budget assumptions, cost structure and financial statements
- discussing potential public relations opportunities and researching media coverage
- identifying business opportunities with the federal government

Gateway Services

TEDCO Gateway Services, established in fiscal 2018, are intended to assist a promising start-up company accelerate its path toward key milestones. Our Gateway Services take several different forms, depending on the stage of the company and an assessment of its likely path forward. The TEDCO Gateway Team collaborates with the start-up company and its other advisors to create an advisory solution that complements and augments the other assistance being received by the entrepreneur. The types of services provided are described below.

Rural Business Innovation Initiative

Studies conducted by the United States Small Business Administration (SBA) have shown that high-tech companies based in rural areas are often impeded by the absence of infrastructure necessary to support technical commercial enterprises, and the inability to recruit critical masses of people with the appropriate education and skill sets to fully staff such enterprises. However, the same studies show that when rural policy initiatives are enacted to provide small business assistance through non-profits and rural development centers, economic development in those areas is enhanced.

To this end, the Maryland Congressional delegation supported a federal SBA award to TEDCO to address the needs of small businesses in the rural areas of Maryland (Western MD, Southern MD, Northeastern MD, Upper Eastern Shore and Lower Eastern Shore) through the Rural Business Innovation Initiative (RBII). This funding was augmented by TEDCO funds to ensure a complete reach of the rural parts of the State. TEDCO brought on Business Mentors from the local areas to enhance technology commercialization activities by providing technical and business assistance to incubator-stage companies and incubators in the targeted counties.

The RBII program has been well-received by the rural businesses and elected officials and has been successful in providing technical assistance to the entrepreneurs in the rural areas. The hands-on involvement of the Business Mentors and the technical assistance of third-party consultants have been key factors in furthering the growth of these start-up companies.

In fiscal 2020, Business Mentors actively supported, with on-going mentoring, 104 companies resulting in 1537 hours of mentoring, and 1 company received pre-seed investments and 10 companies received grant funding.

Examples of business assistance included:

- Market studies
- Competitive analysis
- Funding source identification assistance
- Funding for infrastructure development
- Funding for technical assistance
- Funding for product development

In addition, the RBI program also organized Intellectual Property and Investor Readiness Workshops as well as sponsored and participated in a number of rural entrepreneurship-oriented events. RBI also partnered with a local university to build and sponsor an eight-week interactive rural iCorp course for rural companies.

Advisory Services

Growing great companies takes more than money and Maryland's entrepreneurs repeatedly express the need for assistance in certain very specific areas. To help meet that need TEDCO has partnered with a series of consultants that have current, relevant experience in one or more of these specific areas. This curated set of Network Advisors brings its broad and diversified depth of experience to bear on the unique needs of Maryland's start-up companies – the entire effort is dedicated to helping the State's technology-based entrepreneurs reach their full potential.

Prelude Pitch

Each month, TEDCO invites start-up companies to give their pitch in front of our team members and experienced mentors to receive valuable feedback and an introduction to TEDCO. In fiscal 2020, TEDCO held several Prelude Pitch events which provided 32 companies an opportunity to pitch their ideas. A total of 30 Network Advisors volunteered their time for these events, which were held at TEDCO, a range of local incubators, as well as, a local university and business.

Roundtables

The CEO Roundtable groups 10 to 12 non-competitive portfolio entrepreneurs around a common theme – industry vertical, demographic, or stage of development. It is expected that each roundtable will continue to operate as long as it remains relevant. Participants are asked to make a soft commitment of one year to the roundtable, but turnover is anticipated and, once established, the facilitator and roundtable group will approve new members. There are 4 other roundtables

aside from the CEO Roundtable: Women's Roundtable, AI Roundtable, SaaS Roundtable, and ED Tech Roundtable.

Builder Fund

The Pre-seed Builder Fund (or Builder Fund) was created to financially and operationally support the development of startup companies run by entrepreneurs who demonstrate a socially or economically disadvantaged background that hinders access to traditional forms of capital and executive networks at the pre-seed stage. Companies selected for Builder Fund support receive either executive management assistance, direct investment, or both, to accomplish specified milestones that better position the company for follow-on, professional investment. The Builder Fund differentiates itself by identifying exceptional investment opportunities statewide operated by anyone who can exert proof of their disadvantaged status (e.g., women, minorities, rural-based, disabled, veteran, etc.) by collaboratively advancing the development of those opportunities in ways that can lead to the next stage of investment. This program supports TEDCO's overall mission of discovering, investing in, and helping to build great, Maryland-based companies that grow and last. In FY 2020, the program provided funding to 8 companies.

To provide additional support, TEDCO advises companies of other State programs for minority and women-owned businesses. Specifically, all companies are informed of the services and investment programs under the Maryland Small Business Development Financing Authority (MSBDFFA). TEDCO will systematically make referrals to MSBDFFA for all companies that express an interest in other resources.

On-line Educational Resources

There are a lot of educational materials on entrepreneurship that can be found on-line. The current thinking around best practices in entrepreneurship revolves around the lean start-up approach. TEDCO believes strongly that entrepreneurs in most technology sectors should follow these practices when working to establish a company. Here you can find resources that may be helpful with accomplishing those goals. The TEDCO website links entrepreneurs to a variety of available and accessible on-line educational resources.

Market Search Databases

Many start-up companies fail due to a lack of understanding of their market. While there is no substitute for talking to potential customers, entrepreneurs first need to assess their potential market at a general level. An understanding of competitors, industry trends, and market segments through secondary research is an important part of developing a plan to launch a business. Moreover, entrepreneurs that do not have a solid understanding of their market will find it difficult to raise funding from TEDCO and other investors.

The Market Search Services provided by TEDCO are available at three locations. The services are a resource to help entrepreneurs address the challenges of conducting market assessments. The goal is to improve the market assessment and opportunity analysis associated with the development of business plans and applications for TEDCO's funding programs.

Federal Laboratory Technology Initiatives

NIST-Science and Technology Entrepreneurship Program

The overall objective of N-STEP (NIST – Science and Technology Entrepreneurship Program) is to provide opportunities for motivated researchers to build upon the experience gained while working at National Institute of Standards and Technology (NIST) as they explore entrepreneurial careers. The Program is focused on commercialization of research performed at NIST by employees nearing the end of their term of employment (including graduating post docs) that are interested in forming companies to independently pursue further translational research and development of technologies specifically related to NIST’s mission, so that the technologies can be commercialized as products or services to benefit the public. Ten awards have been made with funding available for ten more. Since this is supported with federal funds the program is national in scope. Of the ten awards, seven have been to Maryland startup companies.

FAST Grant – SBIR/STTR Proposal Lab

The Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) Proposal Lab is a new series of workshops funded, in part, by the Small Business Administration beginning in 2018 with a TEDCO match of cash and in-kind effort. TEDCO teamed with the GovCon Incubator and the Small Business Development Center (SBDC). The output of the program will be an increase in the win rate for first time SBIR/STTR proposals from Women Owned, Small Disadvantaged, and Rural Maryland businesses. The SBA’s goal is to double the national win rate for first time proposals from 16% to 32%. Not only does the SBIR/STTR Proposal Lab help with the SBIR/STTR win rate, it also provides business skills that improve the entrepreneur’s overall business acumen. The initial effort had a training cohort of 22 companies. The results are preliminary, but promising. To build on the program, TEDCO applied for and received a second FAST program award to repeat the SBIR/STTR Proposal Lab incorporating the lessons learned in the first effort. The results of these two efforts may be seen as a Federally subsidized pilot program for future TEDCO consideration. For FY 2021, TEDCO will receive another federal award to ensure that the program continues for an additional two years.

TEDCO Administration – Salaries and Incentives

In accordance with § 10-415(a)(2)(iii) of the Economic Development Article, the following exhibit provides the salaries and incentives as approved by the Board for TEDCO employees for fiscal 2020. The data represents approved positions and compensation, not actual expenditures, as several positions were vacant for at least a portion of the fiscal year.

Fiscal 2020 Positions – Salary and Incentive Summary

<u>Title</u>	<u>Number of Positions</u>	<u>Total Salaries</u>	<u>Total Incentives*</u>	<u>Total Annual Compensation</u>
Executive Management	3	\$238,481	\$0	\$238,481
Vice President	4	\$669,068	\$111,257	\$780,325
Program Director	10	\$1,000,430	\$140,252	\$1,140,682
Assistant Director	4	\$354,615	\$40,000	394,615
Associate	5	\$213,836	\$19,300	\$233,136
Administration	5	\$258,787	\$22,010	\$280,797
Total		\$2,735,218	\$332,819	\$3,068,037

*Total incentives represent FY 2019 incentives paid in FY 2020. There were no incentives authorized in FY 2020

The Board of Directors and the executive staff of TEDCO are currently reviewing TEDCO's compensation policy, including the use of bonuses, to ensure that the compensation structure conforms to existing state practices; while encouraging recruitment and retention. For FY 2020, the Board decided to eliminate bonuses.

Current TEDCO Investments

In accordance with § 10-415(a)(2) of the Economic Development Article, Appendix B of this report includes detailed information on all entities that have current investments from TEDCO programs. Specifically, the report includes information on the place of principal business operations, the number of employees in and outside of the State, capital investments; job creation; and a determination of which entities are qualified businesses as established by Chapter 487 and 488 of 2019.

The information contained in Appendix B reflect investments made prior to the enactment of Chapter 487 and 488 of 2019. As such, some portfolio companies fall outside of the new definition of qualified business. This is due, in most cases, to the growth of the company's staff (sales staff, technical staff, etc.) outside of Maryland. In other instances, the Maryland company is acquired by an out-of-state company and therefore falls outside the designation of qualified business. In a smaller number of cases, the company failed to prosper and decided to shutter its operations. It should be noted that some companies fail to report this data to TEDCO; however, TEDCO continues to encourage accurate and timely reporting of data. Despite these challenges, the majority of portfolio companies meet the reporting standards and meet the newly adopted requirements in the statute for qualified businesses.

The statute also requires that TEDCO report on the creation of; appointments to, and

responsibilities of any advisory committee related to its investments. At this time, TEDCO has not created, nor does it have plans to create, an advisory committee for its investments. TEDCO's Investment Committee and the Maryland Venture Fund Authority have been reconstituted and have begun meeting in accordance with statute.

Maryland Stem Cell Research Fund

A more detailed report regarding the project summary and financial support will be provided in the 2020 Stem Cell Annual Report to the Governor as indicated in section § 10-442 of the Economic Development Article. This report is due on or before January 1.

Maryland Venture Fund

The Maryland Venture Fund was transferred from the Department of Business and Economic Development to TEDCO on October 1, 2015. A more detailed report regarding this program will be provided in the 2020 Maryland Venture Fund Annual Report to the Governor, the Senate Budget and Taxation Committee and the House Ways and Means Committee as required by § 10-499 of the Economic Development Article. This report is due on or before January 1.