



TEDCO Policy on Spin-out, Subsidiary Companies

Consistent with its mission, TEDCO has established a variety of funding programs for early-stage, technology-based companies. These programs generally have eligibility requirements that preclude certain companies from applying based on their size and maturity as measured by the number of employees, amount of prior investment, amount of revenue, or other factors. Under certain circumstances, companies ineligible for TEDCO's programs might spin out wholly-owned or majority-owned subsidiary companies ("Spin-out Companies") that would meet TEDCO's eligibility requirements for a funding program. In such cases, it is not clear whether the eligibility of Spin-out Companies should be based on the Spin-out Company itself or based on the Spin-out Company in combination with its parent company. TEDCO has established this Policy on Spinout, Subsidiary Companies (the "Policy") to clarify which Spin-out Companies might be eligible for TEDCO's funding programs to ensure that TEDCO's awards to Spin-out Companies are consistent with the spirit of its mission.

Eligibility decisions for Spin-out Companies will be left to the sole discretion of TEDCO; however, to be considered for TEDCO's funding programs, a Spin-out Company must meet the following criteria:

1. The Spin-out Company must have management separate and distinct from the parent company or a clear and convincing plan that addresses the recruitment of management independent of the parent company;
2. The Spin-out Company must have exclusive rights to intellectual property for the products/services that it will market; and
3. The Spin-out Company must have funding sources separate and distinct from its parent company and from TEDCO (or must be diligently pursuing such funding sources).

In addition to the criteria listed above, TEDCO may consider additional criteria including, but not limited to:

- a) The ownership interests of the Spin-out Company – Spin-out Companies with ownership interests independent of the parent company will be considered more favorably for eligibility;

- b) The amount of investment in the Spin-out Company by angels or other entities independent of the parent company will be considered more favorably for eligibility;
and
- c) The strategic justification for creating the Spin-out Company – those that are created for clear strategic business purposes will be considered more favorably for eligibility.