



**Maryland Technology Development Corporation
(TEDCO)**

**Annual Report
and
Financial Statements**

Fiscal Year 2018

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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 and universities; assist in the commercialization of technology developed in the private sector; and foster the commercialization of research and development to create and sustain businesses throughout all regions of the State.” TEDCO administers the Maryland Technology Incubator Program, which promotes entrepreneurship and the creation of jobs in technology-related industry by establishing and operating effective incubators throughout the State that provide adequate programs and physical space designed and intended to increase or accelerate business success in the field of technology.

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 an ex-officio member.

Mission

Enhance economic development growth through the fostering of an inclusive entrepreneurial and innovation ecosystem. Discover, invest in, and help build great Maryland based technology companies.

Vision

TEDCO will be the recognized leader for supporting entrepreneurial and innovation development while being the critical central hub of Maryland's Innovation Ecosystem.

This will be accomplished by administering an integrated platform of success-based programs that support advanced technology development and commercialization from research stages through company formations and growth.

We will collaborate with best-in-class partners and be inclusive of minorities, women and veterans.

We will establish and maintain an investment philosophy that supports both economic development goals and meaningful returns for our stakeholders, and we will help build great Maryland-based companies that grow and last.

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 of up to \$200,000 per project 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.

FY2018 TCF Statistics

- # of opportunities-310
- # of investments-14
- # of jobs in funded companies-91
- Total \$ invested-\$1,999,800

Maryland Innovation Initiative

The General Assembly passed HB442 during its 2012 legislative session creating 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, University of Maryland-Baltimore, and University of Maryland-Baltimore County).

FY2018 MII Statistics

- # of proposals-86
- # of awards/investments-45
- # of start-up companies funded-10

Cybersecurity Investment Fund

The General Assembly passed HB740/SB603 during its 2014 legislative session creating the Cybersecurity Investment Fund (CIF). The CIF is targeted to cyber security technologies and builds on TEDCO's Technology Commercialization Fund.

FY2018 CIF Statistics

- # of opportunities-38
- # of investments-6
- # of jobs in funded companies-38
- Total \$ invested-\$900,000

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 (formerly DBED) 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.

FY2018 LSIF Statistics

- # of opportunities-114
- # of investments-4
- # of jobs in funded companies-16
- Total \$ invested-\$700,000

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 between seed funding and venture capital investments. Companies must use Gap Investment Funds to employ new staff to grow and become more firmly established in Maryland.

FY2018 Gap Investment Fund Statistics

- # of opportunities-24
- # of investments-4
- # of jobs in funded companies-21
- \$ awarded-\$2,000,000

Coordinating Emerging Nanobiotechnology Research in Maryland Fund

The General Assembly passed HB1409/SB735 during its 2008 legislative session creating 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 projects were funded in FY2018. 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 performed in FY2018.

Business Assistance Fund

To support the incubator network in Maryland, TEDCO provides business assistance funding 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 FY2018, 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. Examples of services are:

Rural Business 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 (RBI). 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 RBI 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 FY2018, Business Mentors actively supported, with on-going mentoring, 124 companies resulting in 1333 hours of mentoring, and 5 companies have received pre-seed investments.

Examples of business assistance included:

- Marketing strategy development
- Contract analysis
- Funding source identification assistance
- Funding for infrastructure development
- Funding for technical assistance
- Funding for product development

mdPACE

mdPACE is a program jointly funded by TEDCO and a Federal Department of Commerce EDA i6 Grant. The output of the program will be an increased flow of FDA cleared devices from the Central Maryland region. The desired outcome of this increased flow will be heightened visibility among financial and strategic investors, and manufacturers such that the increase is sustainable. A reliable critical mass of medical device clearances in the Central Maryland region will eventually lead to the businesses formed around those devices remaining in the region – once that happens, all the indirect and non-scientific job creation surrounding medical devices (QA/QC, supply chain support, manufacturing, etc.) will flow into the region with attendant economic development benefits.

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.

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.

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 a Builder Fund investment will also receive executive support to better position the company to receive follow-on, professional investment in 12–18 months. The Builder Fund differentiates itself by identifying exceptional investment opportunities in markets that are often overlooked by traditional funding organizations, by advancing the development of those opportunities, and by making valuable introductions 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.

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.

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 NIST as they explore entrepreneurial careers. The Program is focused on commercialization of research that has been done at NIST by 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.

Maryland Stem Cell Research Fund

A more detailed report regarding the project summary and financial support will be provided in the 2017 Stem Cell Annual Report to the Governor as indicated in section § 5-2B-09 of the 2006 Stem Cell Research Act. 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 2017 Maryland Venture Fund Annual Report to the Governor in accordance with § 2-1246 of the State Government Article, the Senate Budget and Taxation Committee and the House Ways and Means Committee. This report is due on or before January 1.