



## TEDCO SOCIAL IMPACT FUNDS

### *Getting Started - Q and A about the TEDCO Investment Process*

We suggest that you read through this Q and A and the other on-line resources before approaching TEDCO for investment. This Q and A is only a general summary and overview of the requirements for investment and does not constitute legal advice or legal instructions. The Pre-Seed Builder Fund (Builder Fund) and the Inclusion Fund are the first of several expected funds in the Social Impact Funds.

### **Application**

**Q:** How does my company apply?

**A:** Submit an application through the [Social Impact Funds application](#).

### **Basic Requirements for Investment**

**Q:** What are the requirements for investment?

**A:** Generally early-stage technology Maryland companies can get investment from TEDCO investment programs. These programs are subject to Maryland laws and there are some basic legal requirements for all investment programs as well as additional requirements for specific investment programs. The statute and regulations can be found here: ([TEDCO Statute](#); [InvestMaryland Program Statute](#); and [COMAR](#)).

- **Early-stage, technology-based companies**

- **Early-Stage**

Companies applying to the Social Impact Funds cannot have received over \$15,000,000 in dilutive funding (not including funding from TEDCO) to be considered early-stage. Applicants must have less than 251 employees. Some of these requirements do not apply to follow-on funding from TEDCO.

- **Technology-Based**

A technology company is one that applies science for practical purposes and includes products and processes that are or will be protectable as intellectual property. Your company must rely on the technology to provide a competitive advantage in the market. [Click here](#) for more info.

- **Maryland-based companies**

To determine if your company is a Maryland-based company (called a “qualified business” under Maryland law), it must meet the requirements below.

- **More than half the workforce must work from a physical location in Maryland.**

In calculating whether your company meets this requirement, please count all the natural persons who are W-2 employees (full-time and part-time) and founders active in the business of the company. The total number of individuals will be your workforce. More than half must work from Maryland. Please see TEDCO’s [workforce policy](#).

- **Headquarters in Maryland.** Your company’s principal business operations must be conducted from a physical location in Maryland. This location is the headquarters from which your company’s officers run the business.

- **Commitment to Maryland.** TEDCO invests in companies that are committed to Maryland and intend to stay. Your company will need to be willing to sign a five-year agreement commonly called a claw back. The basic concept of a claw back is to allow TEDCO to divest itself of a company that no longer meets the requirements of a Maryland-based business.

### **Types of Maryland-based Companies that Cannot Receive TEDCO Investment**

In general, TEDCO cannot invest in the following types of companies:

- Sole proprietorships (your company must be formed as an entity such as a corporation or limited liability company)
- Companies with more than 250 employees

And, TEDCO cannot invest in companies primarily engaged in:

- Retail sales
- Real estate development
- Insurance, banking, or lending
- Professional accounting, law, or medical services

### **Additional Requirements for Specific Social Impact Funds Investment**

**Q:** What are the additional requirements for specific investment programs?

**A:** See below:

- **Builder Fund**

This Fund supports early-stage Maryland technology-based companies, as described

above with, with the following restrictions.

- At least one full-time employee
- The founder, officers, or managers of the Company agree to receive executive support
- No less than 50% ownership of founders demonstrate social and economic disadvantage

- **Inclusion Fund**

This Fund supports early-stage Maryland technology-based companies, as described above with, with the following restrictions.

- At least one full-time employee
- The founder, officers, or managers of the Company agree to receive executive support
- At least 30% ownership of the Company owned by one or more individuals who have demonstrated social and economic disadvantage
- For at least one year after receiving TEDCO's investment, will the Company be controlled and managed by one or more individuals who have demonstrated social and economic disadvantage

### **TEDCO's Investment Discretion**

**Q:** If my company meets the basic requirements, does that guarantee funding?

**A:** No. Meeting the requirements means that TEDCO's investment team gets the green light to evaluate the merits of the investment. The final decision on investment belongs to TEDCO after analysis of your company, considering a variety of criteria. [Click here](#) for criteria from the regulations.

Because, TEDCO has limited dollars for investment. TEDCO must make hard choices about investing in some really promising companies. If TEDCO determines that the Company is eligible but chooses not to invest, the company is encouraged to reapply no sooner than 6 months after the initial application if significant commercial progress is made. The same eligibility requirements will be re-evaluated at the time of each application.

### **For Companies that Do Not Meet the Requirements**

**Q:** What happens if my company doesn't meet the requirements for funding? What are my options?

**A:** Failure to meet the eligibility requirements for funding generally means that TEDCO cannot make the investment. TEDCO will let you know if your company does not meet the requirements. And, if appropriate, TEDCO may provide some helpful advice for your company.

## Approved Investments

**Q:** If TEDCO decides to invest in my company, what happens next?

**A:** TEDCO commences additional diligence for the investment. Your companies' lawyers or your company (if it is not represented by lawyers for the investment) can expect to work with TEDCO's lawyers to draft investment documents, confirm information regarding eligibility and other matters necessary to complete an investment. There are also required provisions for investment agreements. For information about those provisions, please see TEDCO's more detailed instructions. [Click here](#) to view Practical and Legal Considerations for TEDCO and [click here](#) for InvestMaryland Program.