



**TESTIMONY PRESENTED TO THE
HOUSE WAYS AND MEANS COMMITTEE**

**HOUSE BILL 1211 –
ECONOMIC DEVELOPMENT – MARYLAND TECHNOLOGY
DEVELOPMENT CORPORATION – PRE-SEED BUILDER
FUND**

POSITION: SUPPORT

FEBRUARY 26, 2021

The Maryland Technology Development Corporation (TEDCO) is dedicated to economic growth through the fostering of an inclusive entrepreneurial and innovation ecosystem. TEDCO discovers, invests in, and helps build great Maryland based technology companies. TEDCO has an obligation, both economic and moral, to create a more equitable entrepreneurial economy by providing investment opportunities and advisory services to not only create and sustain jobs, but also to expand wealth creation. And to expand wealth, we must tap into the creativity and ingenuity of Maryland's diverse population and its entrepreneurial ecosystem.

It is well documented that early-stage ventures founded by individuals from socially and economically disadvantaged groups lack access to funding. A 2017 *Pitchbook* study reveals that of the \$40 billion in venture funds raised that year, less than 3% was used to fund entities started by economically disadvantaged individuals. The study further showed that startups founded by a black man had less than a 1% chance of being funded, whereas for a black woman the chances of funding was 0.2%. Due to the significant and growing wealth gap, economically disadvantaged individuals have fewer opportunities to leverage friends & family and lack the access to personal credit lines to provide pre-seed/startup funding. Therefore, many of these entrepreneurs resort to bank debt, which has less than a 20% chance of being approved.

House Bill 1211 would codify TEDCO's Builder Fund, established in 2018, which was designed to provide pre-seed funding and advisory services to very early-stage technology companies founded by economically disadvantaged entrepreneurs. The Builder Fund invests with the goal of helping companies reach meaningful milestones and becoming attractive investments to larger institutional investors. Since its inception, and with limited funding, TEDCO has invested in 17 companies and has provided over 3,000 hours of executive coaching and peer to peer

collaboration. This includes companies like: JuneBrain of Montgomery County which is developing a wearable headset to help neurologists remotely track Multiple Sclerosis flare-ups; Emergency Medical Innovation of Howard County which is developing a patented nosebleed treatment device; ClearMask of Baltimore City which produces and sells FDA-approved fully transparent medical face masks; and IPGen of Prince George's County which is developing a patented software service which predicts whether a claim will be allowed by an examiner at the patent office. To date, 6 of our Builder companies have gone on to raise over \$7 million in seed and venture capital.

House Bill 1211 would give TEDCO the tools necessary to expand this successful program. The demand for funding from the Builder program far exceeds current funding levels. For example, in fiscal 2020, the program received 40 applications, but could only fund 7 companies. Addressing this gap in demand will allow the program to make meaningful steps toward a more equitable innovation economy and wealth expansion for all Marylanders.

For these reasons, TEDCO encourages a favorable report on House Bill 1211.