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TEDCO launching fund to serve the young startups VCs often overlook

MORGAN EICHENSEHR
Reporter, Baltimore Business Journal

Maryland Technology Development Corp. is launching a new fund that will offer early stage investments of \$50,000 to startups that may be overlooked by other funding organizations.

The new Pre-Seed Builder Fund will build on and replace a funding effort TEDCO piloted last year that was specifically aimed at helping African American-owned startups get access to early capital. The Minority Business Pre-Seed Fund awarded 10 black-owned firms in its pilot year with about \$40,000 each.

Stephen Auvil, senior vice president of technology transfer and commercialization, said the state-backed investment organization now wants to expand the scope of the pre-seed fund, to include not only minority-owned companies but any company that could face some social or economic disadvantage.

Angela Singleton, program manager of the pre-seed fund, said there are several groups that face clear capital access problems. As few as 1 percent of venture funding goes to African American-owned or Hispanic-owned companies, she said, or Hispanic companies, and less than 2.5 percent goes to female-run companies.

“We saw that an opportunity exists for us to help all companies with backgrounds that might hinder their access to capital,” Singleton said. “Venture capitalists and private investors tend to invest in people that are already close or familiar to them. We want to help companies that don’t fit that mold increase their touch points with the investor community.

The Builder Fund will not focus on funding any particular demographic groups, she said. Instead, applicant companies will be able to self-identify as “socially or economically disadvantaged” and explain how they qualify – whether their disadvantage is geographical, racial, gender-based or something else – and what problems they have faced in searching for funding. The fund’s goal is to help startups grow to a place where they may have a better chance at accessing follow-on funding from other sources, so they can continue to grow.

The program will provide not only funding, but tailored business training and resources for startups chosen to receive investments. Startups will participate in events and will have access to executives through TEDCO, who will help the companies scale and grow their teams.

It will run in two cohorts, with five companies each. The



Maryland Technology Development Corp. wants to offer funding and educational support to any startup that may face disadvantages in trying to access capital.

first 24-week cohort will start in September, and interested startups can apply online now until July 15. Auvil said TEDCO is looking for corporate partners to co-invest or help with other operational aspects of the program.

McKeever “Mac” Conwell, who ran the Minority Business Pre-Seed Fund, said the new fund will apply some of the lessons learned from last year’s pilot. He said it was made clear there was an “enormous need” for this kind of funding among businesses in Maryland that has difficulties accessing capital. The pilot saw more than 100 applications for just the first round of funding awards.

But TEDCO has learned these companies do not only need training, but real hands-on support from experienced and entrepreneurs, Conwell said. It is also important that founders be “all-in,” so TEDCO is requiring at least one full-time founder on every funded startup’s staff.

“The bottom line is, we think there’s a real investment need and opportunity among many of these companies that are being overlooked,” Auvil said. “There are a lot of really good ideas out there that we believe could be fundable and scalable, and we want to take advantage of that.”