

Private Equity/Venture Capital Investments in Maryland Technology with TEDCO  
Fiscal Year 2022

**Maryland State Retirement and Pension System**

Annual Report required pursuant to § 21-123.2(f)(1) of the State Personnel and Pensions Article of the  
Maryland Annotated Code of Maryland  
Ch. 459 of the Acts of 2016

- (i) **a list of the investments, if any, made under this;**

**Investments through Fiscal Year ended June 30, 2022**

<b>Investment</b>	<b>Invested Amount</b>
Stay N Touch	1,100,000
HomeCare.com	499,934
Graybug	1,028,572
Aledade	1,488,996
Ashvattha	600,000
Xometry	2,649,989
PGDX	1,530,763
Apkudo	1,250,000
iLearningEngines	1,000,000
RackTop	1,399,998
<b>Total Invested</b>	<b>12,548,252</b>

- (ii) **the recommendations, if any, made under this section;**

A recommendation was made that the System contract with TEDCO to manage a \$25,000,000 mandate under this section.

- (iii) **the actions, if any, taken by the Board of Trustees on the recommendations made under this section;**

The System issued an RFI on September 28, 2016, to solicit proposals to administer the program as mandated under this section. Three responses were submitted by the November 10, 2016, deadline. TEDCO was selected to manage this mandate and an agreement between the System and TEDCO was finalized on November 3, 2017. TEDCO made ten investments totaling \$12,548,252 under the mandate.

In May of 2019, staff was notified that the Executive Director of TEDCO and all of the investment staff responsible for investing MIOF would be submitting their resignations. On May 29, 2019, MSRA sent a letter to TEDCO, exercising its right under our management agreement with TEDCO to *suspend new portfolio investments* and to *terminate TEDCO's ability to make capital calls*. This action was prompted by the fact that the entire investment team at TEDCO was leaving, and the System had no visibility on the ability of TEDCO to continue to manage assets on the System's behalf.

Subsequent to the letter of May 29, 2019, MSRA sent an additional letter to TEDCO on June 27, 2019, which reminded TEDCO management and its board of their fiduciary responsibilities to MSRA for the management of MIOF. The letter reiterated that MSRA still retained the right to request a dissolution and liquidation of MIOF. MSRA requested a written transition plan from TEDCO on how they intended to fulfil their fiduciary duties.

TEDCO responded with a written transition plan on July 22, 2019. TEDCO indicated that Stephen Auvil will assume the position of Acting Executive Director of TEDCO and that he will be supported in oversight of the MIOF portfolio by TEDCO employees Frank Glover and Brian Corbett. It is not TEDCO's intent to hire an interim 3<sup>rd</sup> party advisor to assist in managing the MIOF and Maryland Venture Fund (MVF) assets. At that time, TEDCO's Board initiated a search to hire permanent replacements for the departed TEDCO investment staff.

On August 2, 2019, MSRA staff met with Brian Corbett and Frank Glover of TEDCO and with Myra Norton from Arena who is currently the TEDCO Board Chairperson. They updated staff on their plans to fill vacant positions and to manage the MIOF and MVF portfolios in the near term.

On September 19, 2019, the System amended its Operating Agreement with TEDCO to allow for follow-on investments in existing investments only to protect the value of the System's existing investments. The follow-on investments will only be allowed with approval from the System following a presentation by TEDCO detailing the business case for the follow-on investments. No follow-on investments have been presented by TEDCO under this revised Operating Agreement. TEDCO is still prohibited from making any new investments on behalf of the System.

On October 2, 2019, the System was notified by TEDCO that Brian Corbett had submitted his resignation effective October 8<sup>th</sup>.

On December 6, 2019, the System was notified that Elizabeth Good Mazhari had been hired as a part-time Interim Managing Director for MVF and would also assist with overseeing MIOF.

On April 15, 2020, the System was notified that TEDCO had hired Amy Walsh of Walsh Accounting as an outsourced CFO to work on financial reporting for MIOF.

As of the June 30, 2020, financial statements for MIOF, the \$1,000,000 investment in iLearningEngines was written down to a value of \$0. TEDCO is in the process of pursuing litigation on the behalf of MIOF against the company for alleged fraud.

On July 21, 2020, MIOF received a distribution of \$3,153,354.88 for the sale of its interest in Xometry representing a \$503,366 gain on its investment of \$2,649,989.

On July 22, 2020, the System was notified that Troy LeMaile-Stovall had been named the new CEO of TEDCO and that Michael Hauser had been named Managing Director replacing Elizabeth Good Mazhari, acting Managing Director. Subsequently, the System was notified on September 22, 2020, that Michael Hauser was no longer employed by TEDCO and that Elizabeth Good Mazhari would resume her role as acting Managing Director until a permanent replacement could be hired.

On July 28, 2020, MIOF made a small follow-on investment of \$31,533.68 in PGDx to prevent dilution of its investment during a follow-on fundraising. This was the first follow-on investment made since the system approved the ability to fund follow-on investments in September 2019.

On November 20, 2020, MIOF received a distribution of \$2,444,264 for the sale of its interest in Aledade representing a gain of \$955,269 on its investment of \$1,488,996.

On January 4, 2021, MIOF received a distribution of \$1,162,411 representing \$1,000,000 in return on investment and \$162,411 in interest for iLearningEngines. This investment had been written down to \$0 as of June 30, 2020, however legal efforts by TEDCO resulted in a repayment of principal and accrued interest on the investment.

On March 4, 2021, the System had an introductory meeting with Jack Miner who had just been hired as CIO for TEDCO.

On August 19, 2021, the system received a partial distribution on its investment in HomeCare of \$337,841.07.

On June 10, 2022, the system received \$1,825,188.14 as a distribution on the investment in PGDx.

(iv) **the investment performance of any investments made under this section;**

As of June 30, 2022, the investments had generated a 9.76% IRR.

(v) **to the extent possible, an accounting of the fees and expenses incurred under this section; and**

External legal fees of \$52,000 were incurred to complete the agreement with TEDCO.

(vi) **to the extent possible, the ratio of funds invested in projects under this section to the total percentage of venture capital funds raised in the State by all sources.**

Based upon our best available knowledge, the \$12.5 million invested under this program represents 0.88% of the total venture capital investments of \$1.42 billion invested in the State from January 1, 2018, through June 30, 2019 (investment period for MIOF I).