Climate Technology Founder’s Fund (CTFF) Fund Oversight Committee

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ARTICLE I DEFINITIONS

“Act” means Sections 10-801 et seq. of the Economic Development Code of the Annotated Code of Maryland, as amended.

“Board” means the Board of Directors of the Center.

“Center” means the Maryland Clean Energy Center.

“Chairperson” means the Chairperson of the CTFF Oversight Committee appointed pursuant to these Guidelines.

“Climate technology” means climate technology as defined in Economic Article §10-858(b).

“Committee” means the Climate Technology Founder’s Fund Oversight Committee established by the Center and appointed by the Board to manage the Climate Technology Founder’s Fund.

“Cost” means (i) the purchase price of a project; (ii) the cost to acquire any right, title, or interest in a program or project; (iii) the cost of any improvement; (iv) the cost of any property, right, easement, and franchise; (v) cost of demolition, removal, or relocation of structures; (vi) the cost of acquiring land to which the structures may be moved; (vii) the cost of equipment; (viii) financing charges; (ix) interest before and during construction and, if the Center determines, for a limited period after the completion of construction; (x) reserves for principal and interest and for improvements; (xi) the cost of revenue and cost estimates, architectural, engineering, financial, and legal services, plans, specifications, studies, surveys, and other expenses necessary or incident to determining the feasibility of improving a program or project; and (xii) other expenses as necessary or incident to financing a program or project, acquiring and improving a project within a program, and placing a project or program in operation.

“CTFF” means the Climate Technology Founder’s Fund.

“Fiscal Year” means the fiscal year of the Center which begins on July 1 and ends on June 30 in the following calendar year.

“General Assembly” means the General Assembly of the State of Maryland.

“Governor” means the Governor of the State of Maryland.

"Guidelines" means these Maryland Clean Energy Center CTFF Guidelines, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"MEIA" means the Maryland Energy Innovation Accelerator ("MEIA") established under Economic Development Article 10-834(c).

"MEII" means the Maryland Energy Innovation Institute which is part of the A. James Clark School of Engineering of the University of Maryland.

"Low-to moderate-income household" means a household located in a census tract with an average median income at or below 80% of the average median income for the State.

"Qualified Program or Project" means a program or project related to the purposes specified in Section 6.3 of these Guidelines.

"Start-up" means a newly established company or small business working to develop or advance a Qualified Program or Project.

"State" means the State of Maryland.

"Statute" means Maryland Economic Development §10-858/89, as amended.

"Vice Chairperson" means the Vice Chairperson elected by the Committee pursuant to these Guidelines.

ARTICLE II: CTFF PURPOSE

2.1 Purpose and Function of the CTFF.

(a) The Climate Technology Founder's Fund (CTFF) was established under Senate Bill 960 (codified as Economic Development Article §10-858 - 89) with the aim of accelerating Maryland's transition to a clean energy economy by supporting early-stage companies developing climate technologies. The purpose of the CTFF is to provide early-stage funding for start-up companies focused on qualified projects in climate technologies.

The Statute mandates that the CTFF allocates resources to emerging businesses that show potential to address critical environmental challenges, particularly those related to emissions reductions, energy efficiency, and sustainable technology solutions.

The Statute mandates that the fund award at least 40% of funds to companies that are minority, women-owned and veteran-owned in the clean energy industry. By supporting these technologies, the Fund plays a pivotal role in advancing Maryland's ambitious climate goals and enhancing the state's economic resilience in the face of climate change in an inclusive way.

To further its purpose CTFF may be used to:

(i) evaluate and coordinate financing for qualified projects related to the purpose of the Fund;

(ii) provide financing to qualified projects;

(iii) secure private investment capital for financing of qualified projects; and

(iv) administer the CTFF and activities of the Center consistent with the following allocation:

1. Up to $1,720,00 for direct investments
2. Up to $3,280,000 for the Center and the MEIA tech support programs
3. Up to $2,000,000 for MEII seed grants.

(b) The function of the CTFF is to achieve the objectives listed above to the fullest extent permitted by the Act or any other applicable provisions of the laws of the State of Maryland or regulations of the State's agencies, in each case, pertaining to the purpose or investments of the CTFF.

(c) In addition to the purposes outlined in subsection (a) above, any allocation of monies from the CTFF may take into consideration the State climate change policies and programs and any climate mitigation and adaptation measures.

2.2 Annual Report.

The Center shall report to the Governor and the General Assembly on the use of the CTFF and outcomes of investments made from the CTFF on or before October 1 of each year.

ARTICLE III: CTFF OVERSIGHT

COMMITTEE

3.1 Name of Committee.

The name of the Committee shall be the "CTFF Oversight Committee."

3.2 Purpose of CTFF Oversight Committee.

The purpose of the Committee is to manage the CTFF. Expenditures from the CTFF may be made only with the approval of the Committee and for the purposes outlined in Section 5.1.

3.3 Membership and Term.

(a) The Board shall appoint the members of the Committee. The Committee shall consist of at least four (4) members, but not more than eleven (11) members, and shall be comprised as follows:

(i) at least one (1) member shall be a current member of the MCEC Board of Directors;

(ii) at least one (1) member shall be a current staff member of the Maryland Clean Energy Center, with a preference for someone with a background in finance;

(iii) at least one (1) member shall have a background in finance (including debt, equity, grants, and program and project level finance) relating to climate change, clean energy, and sustainable technologies and/or industries and including large and smaller scale standardized and aggregated transactions;

(iv) at least one (1) member, shall have a background in clean energy technologies and/or sustainable industries;

(v) at least one (1) member shall have a background in climate justice and equity practices, policies and programs, ideally from a finance perspective;

(vi) two (2) members shall be determined in the sole discretion of the Board.

(b) In making appointments to the Committee, the Board may consider diversity and all geographic regions within and outside the State.

(c) The term of an appointed member is three (3) years and begins on July 1 of each year. For the initial terms, the Board shall ensure that the members have staggered terms, with appointments being required for the first three years of the Committee. At the end of a term, an appointed member continues to serve until a successor is appointed and qualifies. A member who is appointed after a term has begun serves only for the rest of the term and until a successor is appointed and qualifies.

3.4 Chairperson.

The Committee shall elect from its members a Chairperson who shall serve a term of one (1) year or until a successor is chosen by the Committee, whichever is longer. The Chairperson shall preside at all meetings of the Committee which he or she attends.

3.5 Vice Chairperson.

The Committee shall elect from its members a Vice Chairperson who shall serve a term of one (1) year or until a successor is chosen by the Committee, whichever is longer. In the absence or incapacity of the Chairperson, the Vice Chairperson shall perform all the duties and responsibilities of the Chairperson. In the absence or incapacity of the Vice Chairperson, or in case of his or her resignation or death, the Committee shall elect from among its members an acting Vice Chairperson during the time of such absence or incapacity or until such time as the Committee shall elect a new Vice Chairperson.

3.6 Removal.

One or more Committee members may be removed, with or without cause, by the affirmative vote of a quorum of the Board.

3.7 Compensation.

No Committee member shall at any time receive compensation for the performance of his or her duties, but a Committee member may be reimbursed by the Center for expenses under the Standard State Travel Regulations, as provided in the State budget.

ARTICLE IV: COMMITTEE

MEETINGS

4.1 Meetings of the Committee.

The Committee shall determine the times and places of its meetings.

4.2 Regular Meetings.

The Committee shall hold regular meetings for the transaction of any lawful business of the Committee related to the CTFF. The regular meetings shall be held in accordance with a schedule of meetings established by the Committee, provided that the Committee shall meet at least four (4) times per calendar year.

4.3 Special Meetings.

The Chairperson may, when the Chairperson deems it appropriate, call a special meeting of the Committee for the purpose of transacting any business designated in the notice of such meeting.

4.4 Order of Business.

The order of business of any meeting of the Committee shall be as set forth in the agenda for such meeting. The Committee may vary the order of business in its discretion.

4.5 Organization.

At each meeting of the Committee, the Chairperson, or in the absence of the Chairperson, the Vice Chairperson, shall act as presiding officer. The presiding officer shall prepare or direct the preparation of a record of the business transacted at such a meeting. Such record, when adopted by a quorum of the Committee members in attendance at the next meeting, shall be the official minutes of the Committee meeting.

4.6 Attendance.

Any member of the Committee may participate in a meeting of the Committee by means of teleconference, videoconference, or similar communications equipment, enabling all Committee members participating in the meeting to hear one another, and participation in a Committee meeting shall constitute presence in person at such a meeting.

4.7 Quorum.

A quorum of the Committee shall consist of a majority of the Committee members.

4.8 Enactment.

When a quorum is present, an affirmative vote of a majority of voting members attending the Committee meeting shall be sufficient for action, including the passage of any resolution for investment approval, except as may otherwise be required by these Guidelines or applicable law.

4.9 Report of Committee Actions.

The Committee shall report to the Board on the Committee's actions and activities at the Board meeting next following each Committee meeting.

4.10 Legal Requirements.

All meetings of the Committee shall be noticed and conducted in accordance with the applicable requirements of the Public Information Act and the Open Meetings Act.

ARTICLE V FUNDING AND FINANCING

5.1. CTFF Funding Allocations and Use

(a) CTFF may be used only to:

(i) evaluate and coordinate financing for qualified projects related to the purpose of the Fund;

(ii) provide financing to qualified projects;

(iii) secure private investment capital for financing of qualified projects; and

(iv) administer the CTFF and activities of the Center consistent with the following allocation:

1. Up to $1,720,00 for direct investments of CTFF made by the Center
2. Up to $3,280,000 for the Center and the Maryland Energy Innovation Accelerator tech support programs
3. Up to $2,000,000 for MEII seed grants.

(b) To the extent possible awarding at least 40% of the awarded CTFF to the Center for equity investments in minority, women-owned, and veteran-owned business start-up companies provided.

(c)To the extent possible awarding up to forty percent (40%) of the Center's CTFF funds for equity investments in minority, women-owned, and veteran-owned business start-up companies.

(d) Financial assistance from the CTFF must be matched by funds equal to the amount of financial assistances awarded from the CTFF by the Center.

5.2 Types of Funding and Financing

The Committee is responsible for establishing criteria that ensure Tech Support Program recipients and Direct Investments are made in companies that are well-positioned to succeed and scale. 10-858-59 specifies that a focus should be placed on companies led by qualified and diverse leadership, with a preference for minority, women, and veteran-owned businesses. There are two (2) types of programs:

A. Start-up Tech Support Program

The MEIA Start-up Tech Support Program includes those qualified projects that do not involve any monetary or financial assistance. Through the Start-up Tech Support program the start-up receives assistance in the form of services provided by MEIA. To ensure staff can effectively deliver programming while respecting the limited time commitment of Committee members, the Committee will set and maintain baseline requirements for Tech Support Program applicants rather than reviewing individual applicants. These programs include:

- MEIA Phase 0 Tech Support Program: For entrepreneurs and start-ups that are in their earliest stages of formation and customer discovery, MEIA would provide ideation and cohort-based course work to advance basic concepts and help recipients gain an understanding of the start-up ecosystem and lay out their next steps to commercialize their technology. These programs may include up to $1,000 of services provided by a mentor.
- MEIA Phase 1 Tech Support Program: For startups in the company formation phase, which are getting off the ground and setting up key team leaders and founders. This program funds $10,000 of Tech Support Services provided by Energy Executives in Residence (EEIRs) to explore joining the company as a founder or advisor.
- MEIA Phase 2 Tech Support Program: For startups entering the Product Development phase, building their prototypes and pilots for testing with customers. This program funds up to $30,000 of Tech Support Services provided by Manufacturing Executives in Residence (MEIRs) to get the startup to the point they can position themselves for sales or fundraising.

B. Start -up Direct Investments

The MEIA Direct Investment Financing program investment in start-up companies that are ready for investment and growth. In accordance with 10-835 (b)(2) the Center can use the MEII funds it receives to (i) make a grant or loan under 10-835, (ii) provide equity investment financing, (iii) guarantee a loan, an equity, an investment or other private financing to expand capital resources of a business. Under 10-859(e) financing is broad and relates to use for funding qualified projects as well as to secure private investment for financing qualified projects.

Investments should meet State of Maryland regulations, be standard across all investments for lowering traction costs, and structured to attract additional private capital, leverage public funds efficiently, and yield a viable return on investment while recognizing the inherent risks of early-stage clean technology investments. These investments would be primarily in the form of convertible notes or equity investments for example in the form of preferred or non-voting common stock.

Investment terms include:

A. Investment Size:
   a. Minimum Investment: $50,000 subject to Committee approval
   b. Maximum Investment: $100,000, subject to Committee discretion based on funding requirements and alignment with Fund objectives.
B. Investment Approach/Requirements:
   a. A catalyst fund to bring additional private sector capital into Climate technology in the state of Maryland.
   b. As required by 10-585(h)(2), co-investment with a minimum of $1 to $1 with private investors to maximize leverage and capitalize on external due diligence.
   c. Expected return on investment should be competitive with industry norms for venture investments in clean technology, with an ROI target of 8-12% over 5-7 years.
C. Risk Tolerance:
   a. Anticipate a high-risk investment profile, with a target failure rate of approximately 50% to account for the experimental nature of climate technology.

5.3 CTFF Funding Sources

(a) CTFF Funding sources specifically authorized by the Statute include:

(i) money appropriated in the State budget to the CTFF;
(ii) money made available to the CTFF through private contributions and federal grants or programs;
(iii) proceeds from the sale, disposition, lease, or rental of collateral related to financing made from the CTFF;
(iv) repayment of financing made from the CTFF;
(v) returns from or recovery of any financing made from the CTFF;
(vi) proceeds from the sale of any financing made or assets acquired with proceeds, from the CTFF;
(vii) money transferred from the Maryland Strategic Energy Investment Fund under 9-20B-05 of the State Government Article;
(viii) interest earnings on money in the CTFF; and
(ix) any other money from any other source accepted for the benefit of the CTFF.

5.4 Procures of General Applicability to Investments

(a) The Committee shall make information regarding the rates, terms, and conditions for all its investment transactions available to the public for inspection, provided that public disclosure shall be restricted for patentable ideas, trade secrets, proprietary or confidential commercial or financial information, and disclosure of which may cause commercial harm to a non-governmental recipient of such financing support.

(b) Any entity that receives investment shall provide the Committee with an annual statement during the time period that CTFFs funds are dispersed, certified as correct by the chief financial officer or authorized representative of the recipient of such investment, setting forth all sources and uses of CTFFs funds for such investment or project in such detail as may be required.

ARTICLE VI APPLICATION PROCEUDRES & REPORTING REQUIREMENTS

6.1 Competitive Selection and Award

MEIA staff will post applications online for applicants to apply for both the Tech Support Programs and the Start-up Direct Investments. The applicants will go through 2 stages:

1. Submitting an expression of interest form on the website. The Start-up team will then undergo an initial interview with MEIA staff. MEIA staff will determine whether or not the Start-up is a fit for Tech Support Programs or Direct Investment based on the stage of the startup and the criteria set out below.

Applicants for the Direct Investment will be reviewed and graded as part of the Investment Rubric based on criteria set by the Committee. The scores will be tallied and the top applicants will be presented to the Committee for review. The top applicants will undergo Level I due diligence. The Committee will then approve to advance those companies to Level II due diligence.

2. During Level II due diligence, terms and investment conditions will be formed. MEIA staff will present Level II due diligence to the Committee for deliberation and approval. The Committee may then approve, deny, or request additional information. There is no limit to the number of times a Start-up can apply for the program.

6.2 Minority, Women-owned, and Veteran-owned Applicants

The Committee will prioritize minimum of 40% allocation of funds for companies owned by minorities, women, or veterans. The Committee will prioritize investments in projects that demonstrate significant benefits to underserved and historically disadvantaged communities, including measurable improvements in economic opportunities, environmental outcomes, and community well-being. Preference will be given to proposals that clearly articulate how they address inequities and provide tangible, equitable impacts to these populations.

As part of this preference, applications to the CTFF will include space for applicants to identify their status as regards to minority, women-owned or veteran-owned businesses. The Committee will track this as part of their impact metrics as laid out in Sec. 6.5.

6.3 Programmatic Selection and Award

The Committee will consider, including, but not limited to, the following selection criteria under the programmatic selection process:

1. Technology Investment Criteria
    a. Eligible Technologies: Financing should align with the Statutory requirements for clean and climate technologies which include:
        1. Solar Energy
        2. Wind Energy
        3. Energy Storage Devices
        4. Grid Modernization
        5. Carbon capture, utilization, and sequestration (CCUS); and
        6. Any other technology defined by the Center that:
            a. Reduces greenhouse gas emissions;
            b. Mitigates the impacts of climate change; or
            c. Provides a negative emission benefit in the electric, oil, or gas sector.
    b. Technology defined by the Center as reducing greenhouse gas emission, mitigating impacts of climate change and providing negative emission benefit in the electric, oil or gas sector include:

i. Solar Photovoltaic Technology

ii. Solar Heating

iii. Geothermal

iv. Wind

v. Biofuels

vi. Ethanol

vii. Other qualifying biomass as defined in Section 7-701 of the Public Utility Companies Article

viii. Ocean, including energy from waves, tides, currents, and thermal difference

ix. A fuel cell that produces energy from biofuels, ethanol or other qualifying biomass

x. Energy efficiency and conservation

xi. Any other technology or service that the Center determines will contribute directly or indirectly to the production of energy from renewable or sustainable sources, or to the improvement of efficiency in the use of energy; and

xii. Deployment of any of the technologies or services listed in items i through xi.[1]

2. Company Eligibility Criteria

i. Stage of Company: Phase 1: No minimum stage for Phase 1. Phase 1 acceptance can be for just entrepreneurs with no company established or incorporated.

ii. Phase 2: A company must be incorporated in order to receive Phase 2 program funding.

iii. Phase 3: Preference for companies at least at the pilot stage, with some revenue or verifiable prototype testing.

b. Company Characteristics:

[1] "Advanced Clean Energy" technologies included in Eco.Dev.Art.10-801(c)

i. The founding team should have shown commitment to making the venture successful. Minimum threshold is dedication to spend time for commercialization of their technology. For each phase, some of the characteristics we are seeking for funding includes:

1. Phase 1: Entrepreneurial Leader with a minimum commitment to work on venture for 10 hours per week to support recruitment and MEIA activities.

2. Phase 2: Preference for teams of at least 2 members with one leader to be committed to venture full-time.

3. Phase 3 preferences will be graded according to a rubric. Preferences include:

    a. CEO or leadership qualifications should reflect relevant experience in the climate technology or clean energy sectors, particularly with a focus on creditworthiness.

    b. The founding team should have shown commitment to making the venture successful.

    c. The technology should have a clear marketplace and growth strategy

    d. The Company can demonstrate significant prior investment into technology and its development for market; including prior grants, awards, development costs or investment.

    e. The venture needs to be investable in the future and founders must be committed to looking for investment.

    f. MWVOB Preference: Target a minimum of 40% allocation of funds for companies owned by minorities, women, or veterans, per Maryland's diversity and inclusion goals. The Committee will prioritize investments in projects that demonstrate significant benefits to underserved and historically disadvantaged communities, including measurable improvements in economic opportunities, environmental outcomes, and community well-being. Preference will be given to proposals that clearly articulate how they address inequities and provide tangible, equitable impacts to these populations.

ii. Location. Entrepreneur/Team Leader is required to be in Maryland and make commitment to build company in Maryland.

6.4 Strategic Selection and Award

The Fund Oversight Committee will evaluate due diligence findings and recommend investments based on scoring against selection criteria, as part of this effort they will provide final approval. Once approved by the Committee, investments will be finalized upon approval by the Maryland Clean Energy Center (MCEC) Board.

For award notification, successful applicants will receive a formal award letter outlining funding terms, conditions, and disbursement schedules.

6.4.1 Funding Disbursement & Compliance

i. Funding Structure: CTFF investments may be structured as grants, equity investments, convertible notes, or other financial instruments as deemed appropriate by the Committee.

ii. Reporting Requirements: Recipients must provide periodic progress reports, financial updates, and impact assessments as required by the Fund.

iii. Monitoring & Compliance: The Fund Oversight Committee will monitor project performance and adherence to fund requirements. Non-compliance may result in funding suspension or termination.

6.4.2 Post-Award Support & Accountability

i. Technical Assistance: Awardees may receive additional support through MCEC and the Maryland Energy Innovation Accelerator (MEIA) for mentorship, commercialization assistance, and networking opportunities.

ii. Performance Metrics & Impact Measurement: All investments will be tracked for impact on emissions reduction, economic development, and industry growth.

iii. Annual Review & Adjustments: The Fund Oversight Committee will conduct an annual review of awarded projects to assess outcomes and adjust strategies as needed.

6.5 Reporting Requirements

(a) Award recipients shall report to the Committee concerning the Qualified Program or Project financed with the proceeds from the CTFF depending on the level of financing at minimum annually. The report shall include the following:

a. Leverage Ratio: Target a leverage ratio of 1:4 or higher to ensure that public funds attract significant private investment.

b. Environmental Impact: Annual reports detailing CO_2 emissions reduced, renewable energy produced, or energy savings achieved.

c. Job Creation and Economic Impact: Job creation metrics, focusing on high-quality employment within Maryland.

d. Inclusion: 40% of funds allocated to founders who are minorities, women, or veterans..

(b) If an event occurs that may delay or present adverse conditions which may materially impair the ability of the award recipient to meet the objectives of the Qualified Program or Project, the award recipient shall report to the Committee as soon as the impairment arises.

ARTICLE VII MISCELLANEOUS

7.1 Procurement

The Committee shall follow MCEC procurement policies in procurement of goods and services for administration of the fund and when providing Phase 0, Phase 1 and Phase 2 Tech Support Program to start-up companies under the CTFF.

7.2 Ethics

To the extent applicable the Committee will comply with the General Provisions Article Tittle 5 Public Ethics particularly as it relates to conflicts of interest.

7.3 Amendment of Guidelines.

These Guidelines may be altered, amended or repealed by the affirmative vote of at least a quorum of the Board.