

Chapter 580

**(Senate Bill 747)**

AN ACT concerning

**Economic Development – Maryland Technology Development Corporation – Revision**

FOR the purpose of revising, restating, and recodifying the laws of the State relating to the Maryland Technology Development Corporation; making certain technical and stylistic changes; requiring the Maryland Technology Development Corporation to review certain provisions of the Annotated Code of Maryland and report to the General Assembly on or before a certain date; providing for the construction of this Act; authorizing the publisher of the Annotated Code to make certain corrections in a certain manner; and generally relating to the Maryland Technology Development Corporation.

BY repealing and reenacting, with amendments,

Article – Economic Development

Section 10–401, 10–403, 10–409, 10–432, 10–454, 10–457, 10–459, and 10–463; 10–468 through 10–470 to be under the amended part “Part VII. Enterprise Fund”; 10–473 through 10–478 to be under the new subtitle “Subtitle 4A. Invest Maryland Program” and the new part “Part I. General Provisions”; 10–481 through 10–484 to be under the amended part “Part II. Designated Capital”; 10–487 through 10–494 to be under the amended part “Part III. Venture Firms and Investments”; and 10–496 through 10–499 to be under the amended part “Part IV. Miscellaneous”

Annotated Code of Maryland

(2018 Replacement Volume and 2019 Supplement)

BY repealing and reenacting, without amendments,

Article – Economic Development

Section 10–402, 10–404 through 10–408, 10–410 through 10–415, 10–418 through 10–426, 10–429 through 10–431, 10–434 through 10–442, 10–445 through 10–451, 10–455, 10–456, 10–458, 10–460, 10–464, and 10–465

Annotated Code of Maryland

(2018 Replacement Volume and 2019 Supplement)

BY repealing

Article – Economic Development

The part designation “Part VIII. Maryland Venture Fund Authority” immediately preceding Section 10–473

Annotated Code of Maryland

(2018 Replacement Volume and 2019 Supplement)

**SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,**

That the Laws of Maryland read as follows:

## **Article – Economic Development**

### Subtitle 4. Maryland Technology Development Corporation.

#### Part I. General Provisions.

10–401.

- (a) In this subtitle the following words have the meanings indicated.
- (b) “Board” means the Board of Directors of the Corporation.
- (c) “Corporation” means the Maryland Technology Development Corporation.
- (d) “Improve” means to add, alter, construct, equip, expand, extend, improve, install, reconstruct, rehabilitate, remodel, or repair.
- (e) “[“Improvement” means addition, alteration, construction, equipping, expansion, extension, improvement, installation, reconstruction, rehabilitation, remodeling, or repair.
- (f) “[“Investment committee” means a committee appointed by the Board to advise on and approve investments as required under this subtitle.
- [[(g)] (F) “Principal business operations” means the headquarters from which the business’s officers direct, control, and coordinate the business’s activities.
- [[(h)] (G) “Qualified business” means a business that, at the time of the first investment in the business under a program of the Corporation, except as otherwise provided in this subtitle:
  - (1) (i) has its principal business operations located in the State, has over half its workforce working in the State, and intends to maintain its principal business operations in the State after receiving an investment under the program; or
    - (ii) is a business or start-up business that is approved by the investment committee and will, as a result of the investment, have a substantial economic impact in the State through job creation, capital investment, and contribution to the State’s technology ecosystem;
  - (2) has agreed to use the investment primarily to:
    - (i) support business operations in the State; or

(ii) in the case of a start-up company, establish and support business operations in the State;

(3) has not more than 250 employees; and

(4) is not primarily engaged in:

(i) retail sales;

(ii) real estate development;

(iii) the business of insurance, banking, or lending; or

(iv) the provision of professional services by accountants, attorneys,

or physicians.

10-402.

(a) There is a Maryland Technology Development Corporation.

(b) The Corporation is a body politic and corporate and is an instrumentality of the State.

(c) The purposes of the Corporation are to:

(1) assist in transferring to the private sector the results and products of scientific research and development conducted by colleges, universities, and federal research institutions in the State;

(2) assist in commercializing those results and products;

(3) assist in commercializing technology developed in the private sector;

(4) foster the commercialization of research and development conducted by colleges, universities, and the private sector to create and sustain businesses throughout all regions of the State;

(5) generally assist early-stage and start-up businesses in the State;

(6) invest in Maryland-based technology companies and promote the commercialization and growth of technology companies and jobs in the State;

(7) build a long-term entrepreneurial capacity and sustained venture capital presence in the State;

(8) create pathways to follow-on financing in the State; and

(9) foster inclusive and diverse entrepreneurship and innovation throughout the State, which may include initiatives to raise awareness of programs to assist small, minority, and women-owned businesses through marketing and other efforts.

10–403.

(a) (1) A Board of Directors shall manage the Corporation and its units and exercise its corporate powers.

(2) (i) [A] THE Board of Directors may appoint members of an advisory committee.

(ii) If [a] THE Board of Directors appoints an advisory committee, the Board shall adopt policies establishing the responsibilities of the advisory committee.

(b) The Board consists of the following 15 members:

(1) the Secretary or the Secretary's designee; and

(2) fourteen members appointed by the Governor with the advice and consent of the Senate:

(i) two representing the nonprofit research sector of the State;

(ii) two with expertise in venture capital financing;

(iii) five with experience in technology-based businesses;

(iv) two representing colleges and universities; and

(v) three members of the general public.

(c) A member of the Board shall reside in the State.

(d) In making appointments to the Board, the Governor shall consider:

(1) diversity; and

(2) all geographic regions of the State.

(e) A member of the Board:

(1) may not receive compensation as a member of the Board; but

(2) is entitled to reimbursement for expenses under the Standard State

Travel Regulations, as provided in the State budget.

(f) (1) The term of an appointed member is 4 years.

(2) The terms of the appointed members are staggered as required by the terms provided for members on October 1, 2008.

(3) At the end of a term, an appointed member continues to serve until a successor is appointed and qualifies.

(4) 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.

(g) The Governor may remove an appointed member for incompetence, misconduct, or failure to perform the duties of the position.

(h) The Board shall elect a chair from among its members.

(i) The Board may act with an affirmative vote of nine Board members.

10-404.

(a) The Corporation shall employ an Executive Director.

(b) The Executive Director shall have experience with and possess qualifications relevant to the activities and purposes of the Corporation.

10-405.

(a) The Attorney General is the legal advisor to the Corporation.

(b) (1) The Attorney General shall assign to the Corporation assistant Attorneys General.

(2) The Attorney General shall designate one assistant Attorney General as general counsel to the Corporation.

(3) (i) The general counsel to the Corporation shall:

1. advise the Executive Director, Board of Directors, and any other official of the Corporation as requested by the Corporation;

2. supervise the other assistant Attorneys General assigned to the Corporation; and

3. perform for the Corporation other duties the Attorney

General assigns.

(ii) The general counsel may not provide any other assistance not specified in subparagraph (i) of this paragraph.

(c) With the approval of the Attorney General, the Corporation may retain any additional necessary lawyers.

10–406.

The Corporation may retain any necessary accountants, engineers, financial advisors, or other consultants.

10–407.

(a) Except as provided in subsections (b), (c), and (e) of this section, the Corporation is exempt from:

(1) Title 10 and Division II of the State Finance and Procurement Article; and

(2) §§ 3–301 and 3–303 of the General Provisions Article.

(b) The Corporation is subject to the Public Information Act.

(c) The Board, the officers and employees of the Corporation, members of the investment committee, and members of any advisory committee appointed are subject to the Public Ethics Law.

(d) The officers and employees of the Corporation are not subject to the provisions of Division I of the State Personnel and Pensions Article that govern the State Personnel Management System.

(e) (1) The Corporation, its Board, and employees are subject to Title 12, Subtitle 4 of the State Finance and Procurement Article.

(2) The Board, the officers and employees of the Corporation, the members of the investment committee, and the members of any advisory committee appointed shall disclose to the State Ethics Commission whether they are employed by or have a financial interest in an entity that currently has or will apply for funds or an investment in a program administered by the Corporation.

10–408.

(a) The Corporation shall adopt regulations establishing:

- (1) the investment committee;
  - (2) the responsibilities of the investment committee; and
  - (3) the procedures for the appointment of investment committee members.
- (b) The Corporation may:
- (1) adopt bylaws for the conduct of its business;
  - (2) adopt a seal;
  - (3) maintain offices at a place it designates in the State;
  - (4) accept loans, grants, or assistance of any kind from the federal or State government, a local government, a college or university, or a private source;
  - (5) enter into contracts and other legal instruments;
  - (6) sue or be sued;
  - (7) acquire, purchase, hold, lease as lessee, and use:
    - (i) a franchise, patent, or license;
    - (ii) any real, personal, mixed, tangible, or intangible property; or
    - (iii) an interest in the property listed in this item;
  - (8) sell, lease as lessor, transfer, license, assign, or dispose of property or a property interest that it acquires;
  - (9) fix and collect rates, rentals, fees, royalties, and charges for services and resources it provides or makes available;
  - (10) create, own, control, or be a member of a corporation, limited liability company, partnership, or other entity, whether operated for profit or not for profit;
  - (11) exercise power usually possessed by a private corporation in performing similar functions unless to do so would conflict with State law; and
  - (12) do all things necessary or convenient to carry out the powers granted by this subtitle.

(a) Except as provided in subsection (c) of this section, the Corporation may make grants to or provide equity investment financing for technology-based businesses, if:

- (1) the investments are made to a qualified business;
- (2) the investments are made on review and approval of a written application that:

(i) contains sufficient information to verify that the qualified business has its principal business operations in the State or will have a substantial economic impact on the State; and

(ii) contains a certification of the veracity of the information by an authorized signatory of the qualified business; and

(3) at least the number of members that constitutes a quorum of any fund or authority has been appointed under the requirements for that fund or authority.

(b) In regard to any and all programs of the Corporation, except as otherwise provided in this subtitle **AND SUBTITLE 4A OF THIS TITLE**, the Corporation shall adopt regulations to govern investments under this subsection that specify:

- (1) the types of qualified businesses in which an investment may be made;
- (2) the basic standards an enterprise shall meet to qualify for an investment;
- (3) the amount of money available for investment;
- (4) the investment policy statement of the Corporation that describes the procedures, criteria, investment philosophy, and guidelines for how the Corporation's investment decisions will be made; and
- (5) a process for the consideration of whether investments help to foster inclusive and diverse entrepreneurship, including the Corporation's support for marketing and other efforts to raise awareness of programs to assist small, minority, and women-owned businesses.

(c) The Corporation may make investments under an agreement with the Board of Trustees for the State Retirement and Pension System under § 21-123.2 of the State Personnel and Pensions Article.

10-410.

The Corporation may:

(1) acquire, develop, improve, manage, market, license, sublicense, maintain, lease as lessor or lessee, or operate a project in the State to carry out its purposes;

(2) acquire, directly or indirectly, from a person or political subdivision, by purchase, gift, or devise any property, rights-of-way, franchises, easements, or other interests in land, including submerged land and riparian rights:

(i) as necessary or convenient to improve or operate a project to carry out its purposes; and

(ii) on the terms and at the prices that it considers reasonable; and

(3) enter into a project with a manufacturer to carry out its purposes.

10-411.

A debt, claim, obligation, or liability of the Corporation or any subsidiary is not:

(1) a debt, claim, obligation, or liability of the State, a unit or instrumentality of the State, or of a State officer or State employee; or

(2) a pledge of the credit of the State.

10-412.

Colleges and universities may:

(1) contract with the Corporation or its subsidiaries;

(2) assign to the Corporation or its subsidiaries intellectual property and other resources to assist in its development and activities; and

(3) assign faculty and staff to the Corporation.

10-413.

The Corporation is exempt from State and local taxes.

10-414.

The books and records of the Corporation are subject to audit:

(1) at any time by the State; and

(2) each year by an independent auditor.

10–415.

(a) (1) On or before October 1 of each year, the Corporation shall report to the Governor, the Maryland Economic Development Commission, and, in accordance with § 2–1257 of the State Government Article, the General Assembly.

(2) The report required under this subsection shall include:

(i) a complete operating and financial statement covering the Corporation's operations;

(ii) a summary of the Corporation's activities during the preceding fiscal year;

(iii) information on all salaries and any incentives approved by the Board for Corporation employees;

(iv) information on outreach, training, mentorship, support, and investment in minority and women-owned qualified businesses, including support for marketing by the Maryland Small Business Development Financing Authority;

(v) information on entities that have current investments and entities that received funding or investments in the current year on the:

1. principal business operations;

2. number of employees in the State and the number of employees outside the State;

3. capital or other investments made in the State; and

4. proposed and actual job creation or capital investment in the State as a result of the investment or support;

(vi) a list of businesses that have received funding that would no longer qualify as a qualified business; and

(vii) information on the creation of and appointments made to an advisory committee and the responsibilities of the advisory committee and members of the committee.

(b) (1) On a quarterly basis, the Corporation shall report to the Governor, the Maryland Economic Development Commission, and, in accordance with § 2–1257 of the State Government Article, the Joint Audit and Evaluation Committee and the General Assembly.

(2) The report required under this subsection shall include a list of the qualified businesses or other businesses receiving support through programs administered by the Corporation, including those receiving investments made under § 21–123.2 of the State Personnel and Pensions Article.

(3) The list of qualified businesses or other businesses receiving support shall include for each business:

- (i) the number of employees in the State;
- (ii) the number of employees outside the State;
- (iii) the capital or other investments made in the State; and
- (iv) proposed job creation or capital investment in the State as a result of the investment or support.

## Part II. Maryland Technology Incubator Program.

10–418.

- (a) In this part the following words have the meanings indicated.
- (b) “Financial assistance” means a grant, loan, credit enhancement, or similar assistance.
- (c) “Program” means the Maryland Technology Incubator Program.

10–419.

- (a) There is a Maryland Technology Incubator Program.
- (b) The Corporation shall administer the Program.

10–420.

The purpose of the Program is to promote entrepreneurship and the creation of jobs in technology-related industry by establishing and operating effective incubators throughout the State that provide adequate physical space designed, and programs intended, to increase or accelerate business success in the field of technology.

10–421.

To carry out the purposes of the Program, the Board shall award financial assistance under this part.

10–422.

The Board may award financial assistance using money provided by the State, the federal government, or a nongovernmental entity.

10–423.

(a) After consulting with the Secretary, the Board shall adopt standards to award financial assistance.

(b) The standards shall authorize the award of financial assistance to:

(1) support the development and use of best practices in the incubation process;

(2) provide strategic planning, needs assessments, and feasibility studies; or

(3) help acquire or improve new or expanded space or improve existing space for an incubator, including providing or helping another with:

(i) acquisition of land;

(ii) acquisition of architectural or engineering services;

(iii) payment of administrative costs;

(iv) development or upgrading of communications infrastructure;

(v) acquisition of furnishings or equipment; or

(vi) acquisition of other items associated with tenant build-out.

10–424.

The Board may award financial assistance to:

(1) a local government;

(2) an agency, instrumentality, or nonprofit corporation that the local government designates;

(3) a public or private college or university;

(4) the Maryland Economic Development Corporation; or

- (5) a nonprofit entity operating an incubator in the State.

10-425.

(a) A recipient of financial assistance under § 10-423(b)(3) of this subtitle shall provide matching funds or in-kind contributions for the project at least equal to the financial assistance awarded.

(b) The Board may waive the requirement of subsection (a) of this section for good cause shown.

10-426.

Unless two-thirds of the membership of the Board approve, the Board may not award financial assistance within a single county under § 10-423(b)(3) of this subtitle that exceeds a total of \$1,000,000 in a single fiscal year.

### Part III. Stem Cell Research.

10-429.

(a) In this part the following words have the meanings indicated.

(b) “Adult stem cell” means a stem cell that is:

(1) derived from human tissue; and

(2) obtained after birth.

(c) “Commission” means the Stem Cell Research Commission.

(d) “Committee” means the independent scientific peer review committee that contracts with the Commission under § 10-436 of this subtitle.

(e) “Fund” means the Maryland Stem Cell Research Fund established under § 10-434 of this subtitle.

(f) “Human cloning” means the replication of a human being through the production of a precise genetic copy of nuclear human DNA or any other human molecule, cell, or tissue in order to create a new human being or to allow development beyond an embryo.

(g) “Institutional review board” has the meaning stated in the federal regulations on the protection of human subjects.

(h) “Oocyte” means a female germ cell or egg.

(i) “State–funded stem cell research” means stem cell research conducted with State money and using:

- (1) material obtained in accordance with § 10–438 of this subtitle; or
- (2) adult stem cells.

(j) “Stem cell” means a human cell that has the ability to:

- (1) divide indefinitely;
- (2) give rise to many other types of specialized cells; and
- (3) give rise to new stem cells with identical potential.

(k) “Valuable consideration” means financial gain or advantage in connection with material obtained in accordance with § 10–438 of this subtitle.

10–430.

Nothing in this part may be construed to prohibit the creation of stem cell lines to be used for therapeutic research purposes.

10–431.

(a) There is a Stem Cell Research Commission.

(b) The Commission is an independent commission that functions in the Corporation.

(c) The Commission consists of the following members:

- (1) the Attorney General or the Attorney General’s designee;

(2) three patient advocates, one appointed by the Governor, one appointed by the President of the Senate, and one appointed by the Speaker of the House of Delegates;

(3) three individuals with experience in biotechnology, one appointed by the Governor, one appointed by the President of the Senate, and one appointed by the Speaker of the House of Delegates;

(4) two individuals who work as scientists for the University System of Maryland and do not engage in stem cell research, appointed by the University System of Maryland;

(5) two individuals who work as scientists for the Johns Hopkins University and do not engage in stem cell research, appointed by the Johns Hopkins University;

(6) two bioethicists, one appointed by the University System of Maryland and one appointed by the Johns Hopkins University; and

(7) two individuals with expertise in the field of biomedical ethics as it relates to religion, appointed by the Governor.

(d) (1) The term of an appointed member is 2 years.

(2) The terms of the appointed members are staggered as required by the terms provided for members on October 1, 2008.

(3) At the end of a term, an appointed member continues to serve until a successor is appointed and qualifies.

(4) An appointed member may not serve more than three consecutive full terms.

(5) An appointed 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.

(e) Each member of the Commission shall disclose to the State Commission on Ethics whether the member is employed by or has a financial interest in an entity that may apply to conduct State-funded stem cell research.

(f) The members of the Commission shall elect a chair from among the appointed members of the Commission.

(g) A majority of the full authorized membership of the Commission is a quorum.

(h) The Commission shall meet at least twice a year.

(i) A member of the Commission:

(1) may not receive compensation as a member of the Commission; but

(2) is entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget.

(j) The Commission may employ a staff, including contractual staff, in accordance with the State budget.

(a) The Commission shall:

(1) adopt regulations that ensure that adult stem cell and stem cell research financed by the Fund complies with State law;

(2) develop criteria, standards, and requirements for the initial review of grant and loan applications by the Commission;

(3) review grant and loan applications to ensure that each application is complete and satisfies the criteria, standards, and requirements developed by the Commission, including approval by an institutional review board;

(4) establish procedures and guidelines to be used by the committee for the review, evaluation, ranking, and rating of research proposals for State–funded stem cell research;

(5) ensure that the procedures and guidelines established under item (4) of this subsection are based on the guidelines of the National Institutes of Health Center for Scientific Review;

(6) establish criteria, standards, and requirements for consideration of grant and loan applications based on the rankings and ratings of the committee;

(7) make recommendations consistent with the criteria, standards, and requirements established by the Commission and based on the rankings and ratings of the committee regarding the award of grants and loans from the Fund;

(8) establish standards for the oversight and use of awards;

(9) conduct progress oversight reviews of recipients;

(10) notify the Corporation regarding the submission by a recipient, or failure of a recipient, to submit institutional review board approval for a grant or loan awarded under this [subtitle] PART; and

(11) develop guidelines on disclosure and recusal to be followed by members of the Commission when considering grant and loan applications.

(b) The Commission may consult with experts in performing its duties.

10-434.

(a) There is a Maryland Stem Cell Research Fund.

(b) The purpose of the Fund is to promote State–funded stem cell research and

cures through grants and loans to public and private entities in the State.

(c) The Corporation shall administer the Fund.

(d) (1) The Fund is a special, nonlapsing fund that is not subject to reversion under § 7-302 of the State Finance and Procurement Article.

(2) The Treasurer shall hold the Fund separately, and the Comptroller shall account for the Fund.

(e) The Fund consists of:

(1) appropriations as provided in the State budget; and

(2) any other money from any other source accepted for the benefit of the Fund.

(f) Money in the Fund may only be used to:

(1) award grants and loans for State-funded stem cell research, in accordance with the recommendations of the Commission;

(2) award grants and loans for facilities, capital leases, and capital equipment where State-funded stem cell research is conducted, in accordance with the recommendations of the Commission; and

(3) pay the costs necessary to administer the Fund.

(g) (1) The Treasurer shall invest the money in the Fund in the same manner as other State money may be invested.

(2) Any investment earnings shall be paid into the Fund.

(h) (1) The Governor may include in the State budget bill each fiscal year an appropriation to the Fund.

(2) Expenditures from the Fund may only be made in accordance with an appropriation approved by the General Assembly in the State budget or by an approved budget amendment.

10-435.

(a) A grant or loan awarded under this part is contingent on the recipient:

(1) submitting to the Commission approval from an institutional review board; and

(2) entering into a memorandum of understanding with the Corporation that:

(i) establishes the scope of the State's ownership or other financial interest in the commercialization and other benefits of the results, products, inventions, and discoveries of State–funded stem cell research; and

(ii) to the extent consistent with federal and State law, reflects the intellectual property policies of the institution.

(b) A recipient shall submit the approval required under subsection (a)(1) of this section within 6 months after the award of the grant or loan.

(c) The Corporation may not disburse grant or loan money to a recipient until:

(1) the recipient has obtained the approval required under subsection (a)(1) of this section; and

(2) the recipient and the Corporation have entered into the memorandum of understanding required under subsection (a)(2) of this section.

10–436.

(a) The Commission shall contract with an independent scientific peer review committee composed of scientifically recognized experts in the field of stem cell research.

(b) The committee shall:

(1) review, evaluate, rank, and rate research proposals for State–funded stem cell research:

(i) based on the procedures and guidelines established by the Commission; and

(ii) in a manner that gives due consideration to the scientific, medical, and ethical implications of the research; and

(2) make recommendations to the Commission, based on the rankings and ratings awarded to research proposals by the committee, for the award and disbursement of grants and loans under the Fund.

(c) A member of the committee:

(1) is not eligible to receive a grant or loan for State–funded stem cell research from the Fund;

(2) may not reside in the State; and

(3) shall be subject to conflict of interest standards that are at least as stringent as the standards on conflict of interest adopted by the National Institutes of Health.

10-437.

(a) A person who conducts State-funded stem cell research shall conduct the research in a manner that considers the ethical and medical implications of the research.

(b) A person who conducts State-funded stem cell research may not engage in any research that intentionally and directly leads to human cloning.

10-438.

(a) A health care practitioner licensed under the Health Occupations Article who treats individuals for infertility shall:

(1) provide individuals with information sufficient to enable them to make an informed and voluntary choice regarding the disposition of any unused material; and

(2) present to individuals the option of:

(i) storing or discarding any unused material;

(ii) donating any unused material for clinical purposes in the treatment of infertility;

(iii) except as provided in subsection (b) of this section, donating any unused material for research purposes; and

(iv) donating any unused material for adoption purposes.

(b) Any unused material donated for State-funded stem cell research may not be an oocyte.

(c) An individual who donates any unused material for research purposes under subsection (a)(2) of this section shall provide the health care practitioner with written consent for the donation.

10-439.

(a) A person may not purchase, sell, transfer, or obtain any material donated in accordance with § 10-438 of this subtitle for valuable consideration.

(b) A person may not give valuable consideration to another to encourage the production of material donated in accordance with § 10–438 of this subtitle for the sole purpose of medical research.

(c) A person who violates this section is guilty of a misdemeanor and on conviction is subject to imprisonment not exceeding 3 years or a fine not exceeding \$50,000 or both.

10–440.

(a) A person may not conduct or attempt to conduct human cloning.

(b) A person who violates this section is guilty of a felony and on conviction is subject to imprisonment not exceeding 10 years or a fine not exceeding \$200,000 or both.

10–441.

The Corporation, in consultation with the Commission, shall adopt regulations to establish procedures for making the disbursement of a grant or loan contingent on obtaining the approval of an institutional review board.

10–442.

(a) On or before January 1 of each year, the Corporation and the Commission shall report to the Governor and, in accordance with § 2–1257 of the State Government Article, the General Assembly on the progress of State–funded stem cell research conducted in accordance with this part.

(b) The report shall identify:

(1) each recipient of money from the Fund;

(2) the amount of money awarded to each recipient; and

(3) a description of the type of stem cell research performed by the recipient.

#### Part IV. Coordinating Emerging Nanobiotechnology Research in Maryland Program.

10–445.

(a) In this part the following words have the meanings indicated.

(b) “CENTR Maryland Program” or “Program” means the Coordinating Emerging Nanobiotechnology Research in Maryland Program established under § 10–447 of this subtitle.

(c) “Fund” means the Coordinating Emerging Nanobiotechnology Research in Maryland Fund established under § 10–448 of this subtitle.

(d) “Nanobiotechnology” means the application of nanotechnology to the life sciences including research relating to the characterization of nanomaterials for health and environmental safety implications.

10–446.

The General Assembly finds and declares that:

(1) nanobiotechnology offers tremendous potential to revolutionize medical and life science research and to enable discoveries that will enrich and improve the quality of life for the people of the State;

(2) the provision of funds for nanobiotechnology projects is vital to supporting this emerging technology; and

(3) fostering partnerships among federal institutions, private sector entities, and institutions of higher education will help secure the State’s position as a leader in nanobiotechnology research and assist in securing the State’s economic future.

10–447.

(a) There is a Coordinating Emerging Nanobiotechnology Research in Maryland Program.

(b) The purpose of the CENTR Maryland Program is to:

(1) support and promote advanced research in nanobiotechnology in the State;

(2) support nanobiotechnology research activities at postsecondary education institutions; and

(3) establish the State as a key location for nanobiotechnology research and industry.

(c) The Corporation shall foster public–private partnerships as feasible to carry out the purpose of the CENTR Maryland Program.

10–448.

(a) There is a Coordinating Emerging Nanobiotechnology Research in Maryland Fund in the Corporation.

(b) (1) The Fund is a special, nonlapsing fund that is not subject to reversion under § 7–302 of the State Finance and Procurement Article.

(2) The Treasurer shall hold the Fund separately, and the Comptroller shall account for the Fund.

(c) The Fund consists of:

(1) appropriations as provided in the State budget; and

(2) any other money from any other source accepted for the benefit of the CENTR Maryland Program.

(d) The Executive Director of the Corporation, or the Executive Director's designee, shall administer the Fund in accordance with this part and other applicable law.

(e) The Fund shall be used to cover the costs of the Program, including any grants that are awarded to eligible recipients.

(f) (1) The Treasurer shall invest the money of the Fund in the same manner as other State money may be invested.

(2) Any investment earnings of the Fund shall be credited to the Fund.

(g) The Legislative Auditor shall audit the accounts and transactions of the Fund as provided in § 2–1220 of the State Government Article.

10–449.

(a) Within the CENTR Maryland Program, subject to available funding, the Corporation shall award capital and operating grants from the Fund to private sector entities and institutions of higher education in the State to:

(1) leverage federal funding for the establishment or construction of research centers in the State;

(2) provide pilot funding for faculty at institutions of higher education in the State to develop initial research data for the development of larger grant funding proposals;

(3) foster public–private partnerships between private industry and institutions of higher education in the State; and

(4) assist with the transfer of nanobiotechnology research into commercial applications.

(b) Within the CENTR Maryland Program, the Corporation may award operating grants from the Fund to institutions of higher education that shall include:

(1) discovery educational grants to support postdoctorate or graduate-level collaboration with private sector entities on nanobiotechnology projects that:

(i) shall be subject to supervision by faculty members; and

(ii) require a matching sum, either direct or in-kind, from a private sector entity equivalent to the grant amount;

(2) collaborative grants to support research teams from institutions of higher education working with private sector entities on collaborative research projects that:

(i) focus on specific application development; and

(ii) require a matching sum from the private sector entity equivalent to the grant amount; and

(3) prototype grants to enable institutions of higher education and private sector entities to engage in projects that:

(i) demonstrate whether a prototype is functional and manufacturable;

(ii) demonstrate the cost effectiveness of nanotechnology-related applications; and

(iii) shall be matched with an industry grant in an amount of at least \$2 for every \$1 of the prototype grant.

10-450.

(a) The Corporation shall adopt regulations to establish:

(1) a competitive application process; and

(2) criteria and procedures for awarding grants from the Fund to eligible recipients.

(b) (1) In accordance with this part, all private sector entities in the State and all institutions of higher education in the State may be eligible recipients of grants.

(2) Priority for the award of any grant shall be given to those projects that

are most likely to:

- (i) attract significant investment in the State;
- (ii) leverage significant additional grant or research funding from federal or private sector sources; or
- (iii) establish the State as a key location for nanobiotechnology research and industry.

10-451.

The Corporation shall include, as part of its annual report to the Governor and General Assembly under § 10-415 of this subtitle, a detailed description of the grants awarded under this part.

#### Part V. Maryland Innovation Initiative.

10-454.

- (a) In this part the following words have the meanings indicated.
- (b) “Commercialization” means the process of introducing a new product or technology into the market.
- (c) “[Corporation]” means the Maryland Technology Development Corporation.
- (d) “[Fund]” means the Maryland Innovation Initiative Fund established under § 10-457 of this [part] SUBTITLE.
- [**(e)**] (**D**) “Initiative” means the Maryland Innovation Initiative established under § 10-455 of this [part] SUBTITLE.
- [**(f)**] (**E**) “Participating members” means the representatives described in § 10-455(b) of this [part] SUBTITLE.
- [**(g)**] (**F**) “Qualifying university” means a public or private university that meets the requirements set forth under § 10-455(c) of this [part] SUBTITLE.
- [**(h)**] (**G**) “Technology transfer” means the process of converting scientific and technological advances into marketable goods and services.
- [**(i)**] (**H**) “University” means a nonprofit, research university located in Maryland.

10-455.

- (a) There is a Maryland Innovation Initiative.
- (b) The Initiative consists of the following participating members:
  - (1) one official of State government not affiliated with Maryland higher education, or the official's designee, appointed by the Governor;
  - (2) two individuals from the private sector not affiliated with Maryland higher education with experience in commercializing technology in the State, one appointed by the President of the Senate, and one appointed by the Speaker of the House of Delegates; and
  - (3) subject to subsection (c) of this section, the following members appointed by the respective universities:
    - (i) one representative of the Johns Hopkins University;
    - (ii) one representative of Morgan State University;
    - (iii) one representative of University of Maryland Baltimore County; and
    - (iv) two representatives of the University of Maryland, one from the College Park Campus and one from the Baltimore Campus.
- (c) (1) Subject to paragraph (2) of this subsection, only the universities listed under subsection (b)(3) of this section may qualify for participation in the Initiative.
  - (2) To qualify for participation in the Initiative, a university shall provide, as specified in paragraph (3) of this subsection, a contribution annually to the Initiative to carry out the purposes set forth under this part.
  - (3) (i) To qualify for participation in the Initiative, the following universities shall pay an annual contribution of at least \$200,000:
    - 1. Johns Hopkins University;
    - 2. University of Maryland, Baltimore Campus; and
    - 3. University of Maryland, College Park Campus.
  - (ii) To qualify for participation in the Initiative, the following universities shall pay an annual contribution of at least \$100,000:

1. Morgan State University; and
2. University of Maryland Baltimore County.

(4) A university listed under subsection (b)(3) of this section may elect to withdraw as a participating member for future years on providing 60 days' written notice to the Chair or Executive Director of the Initiative.

(d) The participating members of the Initiative shall select a chair from among their members.

(e) A participating member of the Initiative:

- (1) may not receive compensation as a member of the Initiative; but
- (2) is entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget or under the applicable travel regulations of a university if the university reimburses the participating member.

(f) The Initiative may employ staff, including an Executive Director.

10-456.

The purpose of the Initiative is to:

- (1) promote the commercialization of research conducted in universities in the State;
- (2) encourage qualifying universities to partner on commercialization and other activities, including with federal laboratories located in Maryland; and
- (3) facilitate the transfer of technology from universities to commercial industries, by:
  - (i) assessing the viability and value of the technology;
  - (ii) defining and exploiting potential markets for the technology;
  - (iii) identifying funding sources to support the development of the technology; and
  - (iv) developing commercialization strategies.

10-457.

(a) There is a Maryland Innovation Initiative Fund.

(b) The purpose of the Fund is to provide funding for the purposes described in § 10–456 of this [part] **SUBTITLE**.

(c) The Corporation shall administer the Fund.

(d) The Fund consists of:

(1) appropriations as provided in the State budget;

(2) contributions by the qualifying universities under § 10–455 of this [part] **SUBTITLE**;

(3) grants or funds from federal laboratories located in Maryland;

(4) interest or other income earned on the investment of money in the Fund; and

(5) any other money accepted for the benefit of the Initiative.

(e) Money in the Fund may be used only to:

(1) award grants or provide equity investment financing to promote the commercialization of research in accordance with the terms of this part; and

(2) pay the costs necessary to administer the Initiative.

(f) (1) The Fund is a special, nonlapsing fund that is not subject to § 7–302 of the State Finance and Procurement Article.

(2) The State Treasurer shall hold the Fund separately, and the Comptroller shall account for the Fund.

(3) The State Treasurer shall invest the money in the Fund in the same manner as other State money may be invested.

(4) Any investment earnings of the Fund shall be credited to the Fund.

10–458.

(a) The Initiative may:

(1) provide grant funding or equity investment financing to a qualifying university, qualifying university-based entrepreneur, or other start-up entity, to promote the commercialization of technology developed in whole or in part by a qualifying university;

(2) pursue grants, other funds, and in-kind contributions for the Initiative or its qualifying universities;

(3) develop and implement guidelines for technology transfer; and

(4) identify projects at qualifying universities that may be viable for commercialization.

(b) The grant funding or equity investment financing in subsection (a) of this section shall be awarded:

(1) to support pre-commercial research on intellectual property to increase the likelihood of commercializing the intellectual property;

(2) to defray costs of evaluating the feasibility of a technology becoming commercialized through a start-up company;

(3) to defray the direct costs of developing early stage technology through a start-up entity;

(4) to assess intellectual property issues, including licensing and patents; or

(5) for any other costs that the Initiative's participating members determine are appropriate to promote technology transfer and commercialization in the State.

10-459.

(a) Only qualifying universities[ , as provided under § 10-455 of this part,] may submit proposals for grant funding from the Initiative.

(b) The participating members of the Initiative may establish a committee composed of experts in the areas of research considered for commercialization.

(c) The Initiative may establish the committee under service contracts with independent reviewers.

(d) The committee shall:

(1) review, evaluate, and rate proposals for funding from the Initiative, based on:

(i) the viability of commercializing the technology; and

(ii) the relative costs associated with commercializing the technology; and

(2) make recommendations to the participating members of the Initiative for the award and disbursement of grants from the Initiative.

(e) A member of the committee is not eligible to receive funding from the Initiative.

10-460.

The Corporation shall include, as part of its annual report to the Governor and the General Assembly under § 10-415 of this subtitle, a detailed description of:

(1) the number of technology transfer transactions or projects for which the Initiative provided funding;

(2) the amount and source of funds the Initiative identified to assist in the development of technologies;

(3) the qualifying universities or entities for which funding was awarded;

(4) the commercial value of technology that was transferred to the commercial industry; and

(5) any recommendations for improving the overall effectiveness of technology transfer through the Initiative.

#### Part VI. Cybersecurity Investment Fund.

10-463.

(a) In this part the following words have the meanings indicated.

(b) “Commercialization” means the process of introducing a new product or technology into the market.

(c) “[“Corporation” means the Maryland Technology Development Corporation.

(d)] (1) “Cybersecurity” means information technology security.

(2) “Cybersecurity” includes the protection of networked devices, networks, programs, and data from unintended or unauthorized access, change, or destruction.

[(e)] (D) “Fund” means the Cybersecurity Investment Fund established under § 10-464 of this [part] SUBTITLE.

10-464.

(a) There is a Cybersecurity Investment Fund.

(b) The purpose of the Fund is to:

(1) provide seed and early-stage funding for emerging technology companies located in the State focused on cybersecurity and cybersecurity technology product development;

(2) maximize Corporation investments by supporting funded emerging technology companies to enable corporate growth and to obtain third-party downstream funding for commercialization; and

(3) leverage Corporation investments in early-stage cybersecurity companies by taking advantage of economic development opportunities throughout the State.

(c) The Corporation shall administer the Fund.

(d) The Fund consists of:

(1) appropriations as provided in the State budget;

(2) money made available to the Fund through federal programs or private contributions;

(3) repayment of capital or principal or payment of interest on any debt or equity investments from the Fund;

(4) investment earnings of the Fund; and

(5) any other money accepted by the Corporation for the Fund.

(e) The Corporation may use the Fund to:

(1) carry out the purposes of the Fund related to the commercialization of cybersecurity research and cybersecurity technology product development in accordance with the terms of this part; and

(2) pay the costs necessary to implement this part and to administer the Fund.

(f) (1) The Fund is a special, nonlapsing fund that is not subject to § 7-302 of the State Finance and Procurement Article.

(2) The State Treasurer shall hold the Fund separately, and the Comptroller shall account for the Fund.

(3) The State Treasurer shall invest the money in the Fund in the same manner as other State money may be invested.

(4) Any investment earnings of the Fund shall be credited to the Fund.

10–465.

The Corporation shall include, as part of its annual report to the Governor and the General Assembly under § 10–415 of this subtitle, a detailed description of:

(1) the number of Fund proposals received by the Corporation during the preceding fiscal year;

(2) the number of Fund transactions or projects for which the Corporation provided funding during the preceding fiscal year;

(3) the amount of money awarded by the Fund in the preceding fiscal year; and

(4) the total amount of third-party downstream funding of completed investments since Fund inception.

## Part VII. Enterprise Fund [and Invest Maryland Program].

10–468.

[(a)] In this [part the following words have the meanings indicated.

(b) “Corporation” means the Maryland Technology Development Corporation.

(c)] **PART**, “Fund” means the Enterprise Fund established under § 10–469 of this subtitle.

10–469.

(a) There is an Enterprise Fund in the Corporation.

(b) The Corporation may use the Fund to:

(1) make a grant or loan, at the rate of interest set by the Corporation;

(2) provide equity investment financing for a qualified business;

(3) guarantee a loan, equity, investment, or other private financing to expand the capital resources of a qualified business;

(4) purchase advisory services and technical assistance to better support economic development;

(5) pay the Corporation's obligations to a venture firm under the Invest Maryland Program, as provided under § [10-492(c)(2)(i)] **10-4A-20(C)(2)(I)** of this [subtitle] **TITLE**; and

(6) pay the administrative, legal, and actuarial expenses of the Corporation.

(c) The Corporation shall manage and supervise the Fund.

(d) (1) The Fund is a special, nonlapsing revolving fund that is not subject to reversion under § 7-302 of the State Finance and Procurement Article.

(2) The Treasurer shall hold the Fund and the Comptroller shall account for it.

(e) The Fund consists of:

(1) money appropriated by the State to the Fund;

(2) money made available to the Fund through federal programs or private contributions;

(3) repayment of principal of a loan made from the Fund;

(4) payment of interest on a loan made from the Fund;

(5) proceeds from the sale, disposition, lease, or rental by the Corporation of collateral related to financing that the Corporation provides under this subtitle **OR SUBTITLE 4A OF THIS TITLE**;

(6) premiums, fees, royalties, interest, repayments of principal, and returns on investments paid to the Corporation by or on behalf of:

(i) a qualified business in which the Corporation has made an investment under this subtitle **OR SUBTITLE 4A OF THIS TITLE**; or

(ii) an investor providing an investment guaranteed by the Corporation under this subtitle **OR SUBTITLE 4A OF THIS TITLE**;

(7) recovery of an investment made by the Corporation in a qualified business under this subtitle **OR SUBTITLE 4A OF THIS TITLE**, including an arrangement under which the Corporation's investment in the qualified business is recovered through:

(i) a requirement that the Corporation receive a proportion of cash flow, commission, royalty, or payment on a patent; or

(ii) the repurchase from the Corporation of any evidence of financial participation, including a note, stock, bond, or debenture;

(8) repayment of a conditional grant extended by the Corporation;

(9) money deposited into the Fund under § [10–492(c)(2)(i)] **10–4A–20(C)(2)(I)** of this [subtitle] **TITLE**; and

(10) any other money made available to the Corporation for the Fund.

(f) (1) The Treasurer shall invest money in the Fund in the same manner as other State money.

(2) Any investment earnings of the Fund shall be credited to the Fund.

10–470.

(a) The Corporation may require that all or part of a grant be repaid, with interest at a rate the Corporation sets, when conditions specified by the Corporation occur.

(b) (1) Whenever the Corporation is authorized by law to make a grant, including a grant from the Economic Development Opportunities Program Account authorized under § 7–314 of the State Finance and Procurement Article, the Corporation may use money appropriated for the grant to make an equity investment in a qualified business.

(2) (i) Except as provided in subparagraph (ii) of this paragraph **AND SUBTITLE 4A OF THIS TITLE**, in making an equity investment under this subtitle **OR SUBTITLE 4A OF THIS TITLE**, the Corporation may not acquire an ownership interest in an enterprise that exceeds 25%.

(ii) In making an equity investment under this subtitle **OR SUBTITLE 4A OF THIS TITLE** in one or more venture or private equity firms, the Corporation may acquire an ownership interest exceeding 25%.

(3) Within 15 years after making an equity investment under this subtitle **OR SUBTITLE 4A OF THIS TITLE**, the Corporation shall divest itself of that investment.

(4) The liability of the State and the Corporation in making an equity

investment under this subtitle **OR SUBTITLE 4A OF THIS TITLE** is limited to the amount of that investment.

## **SUBTITLE 4A. INVEST MARYLAND PROGRAM.**

[Part VIII. Maryland Venture Fund Authority.]

### **PART I. GENERAL PROVISIONS.**

#### **[10-473.] 10-4A-01.**

(a) In this subtitle the following words have the meanings indicated.

(b) (1) “Affiliate” means:

(i) a person who, directly or indirectly, beneficially owns, controls, or holds power to vote 15% or more of the outstanding voting securities or other voting ownership interests of a venture firm or an insurance company; or

(ii) a person, 15% or more of whose outstanding voting securities or other voting ownership interests is directly or indirectly beneficially owned, controlled, or held with power to vote by a venture firm or an insurance company.

(2) “Affiliate” does not include an insurance company that becomes a purchaser in accordance with an allocation of investment tax credits under the Program solely by reason of the allocation.

(c) “Allocation amount” means the total amount of tax credits allocated to a purchaser.

(d) “Allocation date” means the date on which tax credits are allocated to a purchaser under § [10-483] **10-4A-11** of this subtitle.

(e) “Authority” means the Maryland Venture Fund Authority established under § [10-474] **10-4A-02** of this subtitle.

(f) “Corporation” means the Maryland Technology Development Corporation.

(g) “Designated capital” means the amount of money that a purchaser invests under the Program.

(h) “Enterprise Fund” means the Enterprise Fund under [this part] **§ 10-469 OF THIS TITLE.**

(i) “Financing Authority” means the Maryland Small Business Development

Financing Authority under Title 5, Subtitle 5 of this article.

(j) "Insurance premium tax liability" means:

(1) any liability incurred by an insurance company under Title 6, Subtitle 1 of the Insurance Article as of October 1, 2011; or

(2) if the liability referred to in item (1) of this subsection is eliminated or reduced, any other tax liability that has been imposed by the State on the insurance company as of October 1, 2011, not to exceed the amount of the liability eliminated or reduced.

(k) "Premium tax credit" means a credit against insurance premium tax liability offered to a purchaser under the Program.

(l) "**PRINCIPAL BUSINESS OPERATIONS**" HAS THE MEANING STATED IN § 10-401 OF THIS TITLE.

(M) "Program" means the Invest Maryland Program under this subtitle.

[(m)] (N) "Purchaser" means:

(1) an insurance company that:

(i) is authorized to do business in the State;

(ii) has insurance premium tax liability; and

(iii) contributes designated capital to purchase an allocation of premium tax credits under the Program; or

(2) a holding company that:

(i) has at least one insurance company subsidiary authorized to do business in the State; and

(ii) is contributing designated capital on behalf of one or more of these subsidiaries.

[(n)] (O) "Qualified business" means a business that, at the time of the first investment in the business under the Program:

(1) has its principal business operations located in the State and intends to maintain its principal business operations in the State after receiving an investment under the Program;

- (2) has agreed to use the qualified investment primarily to:
  - (i) support business operations in the State; or
  - (ii) in the case of a start-up company, establish and support business operations in the State;
- (3) has not more than 250 employees; and
- (4) is not primarily engaged in:
  - (i) retail sales;
  - (ii) real estate development;
  - (iii) the business of insurance, banking, or lending; or
  - (iv) the provision of professional services by accountants, attorneys, or physicians.

**[(o)] (P)** (1) “Qualified distribution” means a distribution or payment by a venture firm of the State’s proportionate allocation of costs in connection with:

(i) the reasonable costs and expenses of organizing and syndicating the venture firm, including fees paid for professional services, up to a maximum aggregate amount of \$125,000;

(ii) reasonable and necessary fees paid for ongoing professional services, including legal and accounting services, related to the operation of the venture firm, up to a maximum aggregate amount of \$50,000 in a single year; and

(iii) a yearly management fee in an amount that does not exceed 2.5% of the designated capital allocated to the venture firm.

(2) “Qualified distribution” does not include any costs and expenses related to lobbying or government relations.

**[(p)] (Q)** (1) “Qualified investment” means the direct or indirect investment of cash by the Enterprise Fund or the Financing Authority in a qualified business for the purchase of any of the following:

- (i) a share of stock or other equity interest;
- (ii) a debt instrument that is convertible into equity; or
- (iii) an equity participation instrument such as an option or warrant.

(2) A qualified investment includes the direct or indirect investment of cash by a venture firm based on the investment criteria set forth in this subtitle.

**[(q)] (R)** “Side car affiliate” means an entity controlled by or under common control with a venture firm that is formed solely for the purpose of investing alongside the venture firm.

**[(r)] (S)** “Venture firm” means a partnership, corporation, trust, or limited liability company, whether organized on a profit or a nonprofit basis, that is certified by the Corporation as meeting the criteria established under § [10-484] **10-4A-12** of this subtitle.

**[10-474.] 10-4A-02.**

There is a Maryland Venture Fund Authority in the Corporation.

**[10-475.] 10-4A-03.**

(a) The Authority consists of the following nine members:

(1) seven members appointed by the Governor with the advice and consent of the Senate;

(2) one member appointed by the President of the Senate; and

(3) one member appointed by the Speaker of the House.

(b) (1) Of the seven members appointed by the Governor:

(i) 1. at least four shall have experience in working with companies that have raised investment capital for seed-stage to venture-stage companies or in providing professional services to the venture capital industry; and

2. one of the four members selected under item 1 of this item shall have experience in higher education research and development and technology transfer projects;

(ii) at least one shall have experience as a small business owner;

(iii) at least one shall have experience as a business executive that has raised venture capital investments; and

(iv) at least one shall be a resident of a rural county in the State.

(2) The Governor shall consider the geographic diversity of the State when

appointing members.

(c) The members appointed by the President and the Speaker:

(1) may not be elected officials; and

(2) shall have experience and expertise in venture capital investments.

(d) Each member shall be a resident of the State.

(e) (1) The term of a member is 4 years.

(2) At the end of a term, a member continues to serve until a successor is appointed.

(3) A member who is appointed after a term has begun serves only for the rest of the term and until a successor is appointed.

(4) A member appointed by the Governor may be removed by the Governor with or without cause.

(5) The terms of the members are staggered as required by the terms provided for members of the Authority on July 1, 2011.

(f) In addition to the requirements of Title 5 of the General Provisions Article, a member of the Authority may not be employed by or have any financial interest in a purchaser, qualified business, or venture firm or hold any other employment relationship or financial interest that would impair the impartiality and independent judgment of the member.

(g) The Authority may not have additional advisors or advisory boards, whether acting informally or formally constituted, other than as appointed or designated in this subtitle.

#### **[10-476.] 10-4A-04.**

(a) The Governor shall appoint a chair from among the members.

(b) The Authority shall determine the manner of election of officers and their terms of office.

#### **[10-477.] 10-4A-05.**

(a) (1) Five members of the Authority are a quorum.

(2) An act of the Authority must be approved by a majority vote of the

members attending a meeting at which a quorum is present.

(b) A member of the Authority:

(1) may not receive compensation as a member of the Authority; but

(2) is entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget.

(c) A member of the Authority shall file a public disclosure of financial interests as required under the Maryland Public Ethics Law.

**[10-478.] 10-4A-06.**

The Authority shall:

(1) provide advice to and consult with the Corporation in connection with the administration of the Program under this subtitle; and

(2) meet at least quarterly to review the Corporation's investment policies, investment decisions, and adherence to the statutory and regulatory requirements imposed on the Corporation.

**10-4A-07. RESERVED.**

**10-4A-08. RESERVED.**

**Part [IX.] II. Designated Capital.**

**[10-481.] 10-4A-09.**

(a) All designated capital from purchasers shall be deposited into the Enterprise Fund to be invested as provided in this subtitle.

(b) The Corporation shall allocate designated capital as follows:

(1) 67% to one or more venture firms to fund the making of qualified investments based on the criteria set forth in this subtitle, provided, that not more than 20% of this amount may be invested in the side car fund affiliates of the venture firms; and

(2) 33% to the Enterprise Fund, to be allocated:

(i) \$250,000 to the Rural Maryland Council for its operational expenses;

(ii) 75% of the remaining amount to fund the making of qualified

investments in qualified businesses under the existing policies and procedures of the Enterprise Fund; and

(iii) 25% of the remaining amount to the Financing Authority Equity Participation Investment Program, to be invested in qualified businesses in accordance with the policies and procedures of the Financing Authority under Title 5, Subtitle 5, Part V of this article.

(c) It is the goal of the State that a portion of the designated capital received under subsection (b)(2)(ii) of this section be used to make qualified investments in qualified businesses located in rural areas of the State.

(d) As soon as practicable after the Corporation receives each installment of designated capital, the Corporation and each venture firm that has been allocated designated capital shall enter into a contract under which the allocated amount of designated capital will be transferred by the Corporation to the venture firm for investment as provided in this subtitle.

(e) The Corporation shall secure the commitment of the purchasers in accordance with § [10-482] **10-4A-10** of this subtitle.

**[10-482.] 10-4A-10.**

(a) The Authority shall obtain the services of an independent third party to conduct a bidding process in order to secure purchasers for the Program as provided in this section.

(b) Using the procedures adopted by the independent third party, each potential purchaser shall make a timely and irrevocable offer, subject only to the Corporation's issuance to the purchaser of tax credit certificates, to make specified contributions of designated capital to the Corporation on the dates specified in § [10-483(a)] **10-4A-11(A)** of this subtitle.

(c) The offer shall include:

(1) the requested amount of tax credits, which may not be less than \$1,000,000;

(2) the potential purchaser's specified contribution for each tax credit dollar requested, which may not be less than the greater of:

(i) 70% of the requested dollar amount of tax credits; or

(ii) the percentage of the requested dollar amount of tax credits that the Secretary, on the recommendation of the independent third party, determines to be consistent with market conditions as of the offer date; and

- (3) any other information the independent third party requires.
- (d) (1) The deadline for submission of applications for tax credits is February 1, 2012.
  - (2) Each potential purchaser shall receive a written notice from the Corporation not later than May 1, 2012, indicating whether or not it has been approved as a purchaser and, if so, the amount of tax credits allocated.
  - (e) The maximum amount of premium tax credits that may be allocated under this subtitle for all years in which premium tax credits are allocated is \$100,000,000.
- [10-483.] **10-4A-11.**
  - (a) Designated capital committed by a purchaser shall be paid to the Enterprise Fund in three equal yearly installments due on June 1 of 2012, 2013, and 2014.
  - (b) On receipt of each installment of designated capital, the Corporation shall issue to each purchaser a tax credit certificate representing a fully vested credit against insurance premium tax liability equal to one-third of the total premium tax credits allocated to the purchaser.
  - (c) The Corporation shall issue tax credit certificates to purchasers in accordance with the bidding process selected by the independent third party on behalf of the Authority under § [10-482] **10-4A-10** of this subtitle.
  - (d) The tax credit certificate shall state:
    - (1) the total amount of premium tax credits that the purchaser may claim;
    - (2) the amount of designated capital that the purchaser has contributed in return for the issuance of the tax credit certificate;
    - (3) the dates on which the tax credits will be available for use by the purchaser;
    - (4) any penalties or other remedies for noncompliance;
    - (5) the procedures to be used for transferring the tax credits; and
    - (6) any other requirements the Corporation considers necessary.
  - (e) (1) A tax credit certificate may not be issued to any purchaser that fails to make a contribution of designated capital within the time the Corporation specifies.

(2) A purchaser that fails to make a contribution of designated capital within the time the Corporation specifies shall be subject to a penalty equal to 10% of the amount of designated capital that remains unpaid, payable to the Corporation within 30 days after demand by the Corporation.

(3) The Corporation may offer to reallocate the defaulted designated capital among the other purchasers, so that the result after reallocation is the same as if the initial allocation had been performed without considering the premium tax credit allocation to the defaulting purchaser.

(4) If the reallocation of designated capital results in the contribution by another purchaser or purchasers of the amount of designated capital not contributed by the defaulting purchaser, then the Corporation may waive the penalty provided under this subsection.

(5) (i) A purchaser that fails to make a contribution of designated capital within the time specified may avoid the imposition of the penalty by transferring the allocation of tax credits to a new or existing purchaser within 30 days after the due date of the defaulted installment.

(ii) Any transferee of an allocation of tax credits of a defaulting purchaser under this section shall agree to make the required contribution of designated capital within 30 days after the date of the transfer.

(6) (i) The Corporation in its sole discretion may purchase insurance or make other financial arrangements in order to ensure the availability of the full amount of designated capital committed by purchasers.

(ii) The Corporation shall disclose any purchase of insurance or other similar financial arrangement under this paragraph in the annual report required under § [10-499] **10-4A-28** of this subtitle.

## [10-484.] **10-4A-12.**

(a) (1) Subject to the restriction in paragraph (2) of this subsection, a purchaser may claim the premium tax credit on a premium tax return filed after December 31, 2014, for a taxable year that begins on or after January 1, 2014.

(2) In each calendar year from 2015 through 2019, a purchaser may claim up to 20% of the premium tax credit allocated to that purchaser.

(b) (1) The credit to be applied against insurance premium tax liability in any 1 year may not exceed the insurance premium tax liability of the purchaser for that taxable year.

(2) Any unused credit against insurance premium tax liability may be:

(i) carried forward indefinitely until the premium tax credits are used; and

(ii) used by the purchaser without restriction during any calendar year after 2019.

(3) On 30 days' advance notice to the Corporation, premium tax credits allocated to a purchaser under this subtitle may be transferred without further restriction to any other entity that:

(i) meets the definition of a purchaser;

(ii) is in good standing with the Maryland Insurance Administration; and

(iii) agrees to assume all of the transferor's obligations under the Program.

(c) A purchaser claiming a credit against insurance premium tax liability earned through an investment under the Program is not required to pay any additional tax as a result of claiming the credit.

(d) A purchaser is not required to reduce the amount of premium tax included by the purchaser in connection with rate-making for any insurance contract written in the State because of a reduction in the purchaser's insurance premium tax derived from the credit granted under this subtitle.

#### **10-4A-13. RESERVED.**

#### **10-4A-14. RESERVED.**

#### **Part [X.] III. Venture Firms and Investments.**

#### **[10-487.] 10-4A-15.**

(a) Subject to the approval of the Corporation, the Authority shall obtain the services of an independent third party to:

(1) establish application procedures for an entity to be certified as a venture firm; and

(2) review and evaluate applications for venture firm certification under this section.

(b) The independent third party selected by the Authority shall:

(1) review and evaluate the application, organizational documents, and business history of each applicant;

(2) evaluate whether the applicant is likely to achieve the investment criteria set forth in this subtitle; and

(3) recommend to the Authority which venture firms should receive allocations of designated capital under the Program.

(c) (1) On receiving the recommendations of the independent third party selected under subsection (a) of this section and subject to § [10–488] **10–4A–16** of this subtitle, the Authority shall select venture firms to receive allocations of designated capital that are consistent with the investment criteria set forth in this subtitle.

(2) The Authority shall ensure that the venture firms receiving designated capital for investment under this subtitle make investments in the State that equal or exceed the amount of designated capital received under this subtitle.

(3) Subject to the approval of the Corporation, the Authority may enter into written agreements, including partnership agreements and side agreements, that are necessary to carry out the purposes of this part.

### **[10–488.] 10–4A–16.**

(a) In selecting applicants for venture firm certification, the Authority shall consider:

(1) the management structure of the applicant, including:

(i) the investment experience of the principals;

(ii) the applicant's reputation in the venture firm industry and the applicant's ability to attract co-investment capital and syndicate investments in qualified businesses in the State;

(iii) the knowledge, experience, and capabilities of the applicant in subject areas relevant to venture-stage businesses in the State;

(iv) the tenure and turnover history of principals and senior investment professionals of the applicant; and

(v) whether the State's investment in the applicant under this program would exceed 15% of the total invested in the applicant by all investors, including investments in any side car fund affiliates;

- (2) the applicant's investment strategy, including:
  - (i) the applicant's track record of investing in venture-stage businesses;
  - (ii) the applicant's history of attracting co-investment capital and syndicate investments;
  - (iii) the soundness of the applicant's investment strategy and the compatibility of that strategy with business opportunities in the State; and
  - (iv) the applicant's history of job creation through investment;
- (3) the applicant's commitment to making investments, that, to the fullest extent possible:
  - (i) create employment opportunities in the State;
  - (ii) lead to the growth of the State economy and qualified businesses in the State;
  - (iii) complement the research and development projects of State academic institutions; and
  - (iv) foster the development of technologies and industries that present opportunities for the growth of qualified businesses in the State; and
- (4) the applicant's commitment to the State, including:
  - (i) the applicant's presence in the State through permanent local offices or affiliation with local investment firms;
  - (ii) the local presence of senior investment professionals;
  - (iii) the applicant's history of investing in venture-stage businesses in the State;
  - (iv) the applicant's ability to identify investment opportunities through working relationships with State research and development institutions and State-based businesses;
  - (v) the applicant's relationship with other venture firms in the region;
  - (vi) the applicant's history of investing in areas relevant to venture-stage businesses in the State; and

(vii) the applicant's commitment to investing a similar or greater amount of designated capital received under this subtitle in State-based ventures and qualified businesses.

(b) To ensure the Corporation has continued access to the best available and qualified venture firms as well as to provide for the replacement of venture firms that have been disqualified under § [10-494] **10-4A-22** of this subtitle:

(1) an applicant shall file an application with the Corporation in the form required by the Corporation;

(2) the application shall include the applicant's most recent financial statements;

(3) the Corporation shall accept applications for certification for a period of 3 months at the Corporation's choosing, at the same time each year; and

(4) notwithstanding the requirements of § [10-494(b)] **10-4A-22(B)** of this subtitle, when one or more venture firms have been disqualified under § [10-494] **10-4A-22** of this subtitle, the Corporation may receive applications, for a period of not less than 2 months, at any time during the calendar year.

(c) To be certified as a venture firm:

(1) the applicant must have, at the time of application, an equity capitalization, net assets, or written commitments of at least \$500,000 in the form of cash or cash equivalents;

(2) at least two principals or persons employed to direct the investment of the designated capital of the applicant must have at least 5 years of money management experience in the venture capital or private equity sectors;

(3) for a period of 2 years from the date of disqualification, the applicant may not be:

(i) a venture firm that has been disqualified under § [10-494] **10-4A-22** of this subtitle; or

(ii) a firm with majority ownership composed of members who had ownership or leadership roles in a firm that has been disqualified under § [10-494] **10-4A-22** of this subtitle.

(d) Not later than 90 days after an application is filed, the Secretary shall either:

- (1) issue the certification; or
- (2) refuse to issue the certification and communicate in detail to the applicant the grounds for the refusal.

**[10-489.] 10-4A-17.**

(a) (1) A business that is classified as a qualified business at the time of the first investment in the business by a venture firm, the Enterprise Fund, or the Financing Authority remains classified as a qualified business and may receive follow-on investments from a venture firm, the Enterprise Fund, or the Financing Authority as provided under this subsection.

(2) A follow-on investment from a venture firm is a qualified investment even though the business does not meet the definition of a qualified business at the time of the follow-on investment.

(3) With respect to an investment by the Enterprise Fund or the Financing Authority, a follow-on investment does not qualify as a qualified investment if, at the time of the follow-on investment, the business no longer meets the definition of a qualified business.

(b) Each venture firm shall inform the Corporation in writing when the venture firm requires designated capital for investment or for the payment of approved fees and expenses.

**[10-490.] 10-4A-18.**

(a) A purchaser or affiliate may not directly or indirectly:

(1) manage a venture firm;

(2) beneficially own, through rights, options, convertible interests, or otherwise, more than 15% of the voting securities or other voting ownership interest of a venture firm; or

(3) control the direction of investments for a venture firm.

(b) Subsection (a) of this section applies whether or not the purchaser or affiliate is authorized to do business in the State.

**[10-491.] 10-4A-19.**

(a) Not later than March 31 of each year, each venture firm and the Financing Authority shall report to the Corporation:

(1) the amount of designated capital remaining uninvested at the end of the preceding calendar year;

(2) all qualified investments made during the preceding calendar year, including the number of employees of each business at the time the qualified investment was made and as of December 31 of that year;

(3) for any qualified investment in which the venture firm or the Financing Authority no longer has a position as of the end of the calendar year, the number of employees of the business as of the date the investment was terminated; and

(4) any other information the Corporation requires to ascertain the impact of the Program on the economy of the State.

(b) Not later than 180 days after the end of its fiscal year, each venture firm shall provide to the Corporation an audited financial statement that includes the opinion of an independent certified public accountant.

(c) Not later than 60 days after the sale or other disposition of a qualified investment, the selling venture firm or the Financing Authority shall provide to the Corporation a report on the amount of the interest sold or disposed of and the consideration received for the sale or disposition.

## [10-492.] 10-4A-20.

(a) A venture firm may make a qualified distribution at any time.

(b) To make a distribution that is not a qualified distribution, a venture firm shall pay to the Comptroller the venture firm's pro rata share of distributions made to all limited partners as provided under the applicable partnership documents and any agreement with the Corporation.

(c) (1) Except as provided in paragraph (2) of this subsection, the Comptroller shall distribute all payments received under this section to the General Fund within 30 days of receipt.

(2) (i) If the Corporation has an obligation under applicable venture firm investment documents to return to the venture firm a payment previously distributed to the Comptroller, the Comptroller shall deposit an amount equal to that payment into the Enterprise Fund to cover the obligation.

(ii) If the Corporation determines that the money deposited under subparagraph (i) of this paragraph is no longer required to be returned to a venture firm under the applicable investment documents, the Corporation shall notify the Comptroller that the money may be distributed to the General Fund.

**[10-493.] 10-4A-21.**

Investment returns resulting from the qualified investments made under the Program by the Enterprise Fund or the Financing Authority shall be used to make additional qualified investments in qualified businesses by the Enterprise Fund or the Financing Authority.

**[10-494.] 10-4A-22.**

(a) Each venture firm shall be required to make equity investments in an amount not less than 50% of the capital allocated to qualified businesses within 3 years of each capital allocation.

(b) In regards to venture firms that have received an allocation before June 1, 2019, the requirements of subsection (a) of this section shall apply as of June 1, 2019.

(c) In the event that a venture firm fails to meet the requirements of subsection (a) of this section, the Corporation shall:

(1) rescind the allocation and authorization for that firm from the date of noncompliance with subsection (a) of this section and remove that firm's certification for participation in the program;

(2) cease making the payment of management and other fees to the venture fund from the date of noncompliance with subsection (a) of this section; and

(3) consult and coordinate with the Office of the Attorney General for the recovery of any funds, as may be necessary.

**10-4A-23. RESERVED.****10-4A-24. RESERVED.****Part [XI.] IV. Miscellaneous.****[10-496.] 10-4A-25.**

(a) In any case under the insurance law of the State in which the assets of a purchaser are examined or considered, the designated capital shall be treated as an admitted asset, subject to the same financial rating as that held by the State.

(b) The Corporation shall submit the following to the Maryland Insurance Administration:

(1) the names, addresses, and amount of designated capital to be contributed and premium tax credits earned by each successful bidder within 30 days after

the close of the bidding process under § [10–482] **10–4A–10** of this subtitle;

(2) a copy of the tax credit certificate issued to each purchaser within 30 days after the issuance of the certificate under § [10–483] **10–4A–11** of this subtitle;

(3) the occurrence of a default by a purchaser; and

(4) the transfer of premium tax credits by a purchaser.

**[10–497.] 10–4A–26.**

(a) Except as provided in subsection (b) of this section, Division II of the State Finance and Procurement Article does not apply to a service that the Corporation obtains that is related to the investment, management, analysis, purchase, or sale of an asset of the Corporation in a transaction authorized under this [part] **SUBTITLE**.

(b) The Corporation is subject to Title 12, Subtitle 4 of the State Finance and Procurement Article for services related to the investment, management, analysis, purchase, or sale of assets of the Corporation in any transaction authorized under this [part] **SUBTITLE**.

(c) Section 10–305 of the State Finance and Procurement Article does not apply to the sale, lease, transfer, exchange, or other disposition of real or personal property, including a share of stock in a business entity, that the Corporation acquires in a transaction authorized under this [part] **SUBTITLE**.

**[10–498.] 10–4A–27.**

The Corporation shall administer this [part] **SUBTITLE** and may adopt regulations to carry out this [part] **SUBTITLE**.

**[10–499.] 10–4A–28.**

(a) (1) The Corporation shall submit a report on the implementation of the Program.

(2) The report required under this section shall be submitted to the Senate Budget and Taxation Committee and the House Ways and Means Committee.

(3) The Corporation shall publish the report on the Corporation's website in a publicly available format.

(4) The report published on the website may not include any proprietary or confidential information.

(b) The report shall include:

(1) with respect to each purchaser of premium tax credits under the Program:

- (i) the name of the purchaser of premium tax credits;
- (ii) the amount of premium tax credits allocated to the purchaser;

(iii) the amount of designated capital the purchaser contributed for the issuance of the tax credit certificate; and

(iv) the amount of any tax credits that have been transferred under § [10-484] **10-4A-12** of this subtitle;

(2) with respect to each venture firm that has received an allocation of designated capital:

- (i) the name and address of the venture firm;

(ii) the names of the individuals making decisions on behalf of the venture firm to make qualified investments under the Program;

(iii) the amount of designated capital received during the previous fiscal year;

- (iv) the cumulative amount of designated capital received;

(v) the amount of designated capital remaining uninvested at the end of the previous fiscal year;

(vi) the names and locations of qualified businesses receiving designated capital and the amount of each qualified investment;

(vii) for the previous fiscal year, the aggregate fair market value of all qualified investments as calculated according to generally accepted accounting principles; and

(viii) the amount of any qualified distribution or nonqualified distribution taken during the previous fiscal year, including any management fee;

(3) with respect to the Enterprise Fund:

(i) the amount of designated capital received during the previous fiscal year;

- (ii) the cumulative amount of designated capital received;
  - (iii) the amount of designated capital remaining uninvested at the end of the previous fiscal year;
  - (iv) the names and locations of qualified businesses receiving designated capital and the amount of each qualified investment; and
  - (v) for the previous fiscal year, the aggregate fair market value of all qualified investments as calculated according to generally accepted accounting principles;
- (4) with respect to the Financing Authority:
- (i) the amount of designated capital received during the previous fiscal year and the amount allocated to the Equity Participation Investment Program;
  - (ii) the cumulative amount of designated capital received;
  - (iii) the amount of designated capital remaining uninvested at the end of the previous fiscal year;
  - (iv) the names and locations of qualified businesses receiving designated capital and the amount of each qualified investment; and
  - (v) for the previous fiscal year, the aggregate fair market value of all qualified investments as calculated under generally accepted accounting principles; and
- (5) for the previous fiscal year, with respect to the qualified businesses in which venture firms, the Enterprise Fund, or the Financing Authority have invested:
- (i) the classification of the qualified businesses according to the industrial sector and the size of the business;
  - (ii) the total number of jobs created in the State by the investment and the average wages paid for the jobs; and
  - (iii) the total number of jobs retained in the State as a result of the investment and the average wages paid for the jobs.

SECTION 2. AND BE IT FURTHER ENACTED, That the Maryland Technology Development Corporation (TEDCO) shall review the entirety of the provisions in the Annotated Code of Maryland that pertain to TEDCO and, on or before December 1, 2020, report to the General Assembly, in accordance with § 2-1257 of the State Government Article, on changes to the Code that TEDCO would recommend.

SECTION 3. AND BE IT FURTHER ENACTED, That it is the intention of the

General Assembly that Section 1 of this Act shall be construed as a nonsubstantive revision and may not otherwise be construed to render any substantive change in the law of the State.

SECTION 4. AND BE IT FURTHER ENACTED, That the publisher of the Annotated Code of Maryland, in consultation with and subject to the approval of the Department of Legislative Services, shall correct, with no further action required by the General Assembly, cross-references and terminology rendered incorrect by this Act or by any other Act of the General Assembly of 2020 that affects provisions enacted by this Act. The publisher shall adequately describe any correction that is made in an editor's note following the section affected.

SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2020.

**Enacted under Article II, § 17(c) of the Maryland Constitution, May 8, 2020.**