

# SENATE BILL 340

C8

(9lr1030)

## ENROLLED BILL

— Finance/Ways and Means —

Introduced by **Senators Kagan, Augustine, Feldman, King, Peters, West, and Young**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

\_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
President.

### CHAPTER \_\_\_\_\_

1 AN ACT concerning

#### 2 **Maryland Technology Development Corporation – Investments and Operations**

3 FOR the purpose of ~~requiring the Maryland Technology Development Corporation to~~  
4 ~~recover from a business enterprise certain investments made from the Enterprise~~  
5 ~~Fund under certain circumstances; including in the Fund the recovery of certain~~  
6 ~~money under certain circumstances; providing certain requirements~~  
7 technology-based businesses must meet before the Maryland Technology  
8 Development Corporation may make certain grants or provide certain equity  
9 investment financing; requiring the Corporation to adopt certain regulations;  
10 requiring the Board of Directors of the Corporation to make certain appointments;  
11 requiring the Board to adopt certain policies; providing that certain persons are  
12 subject to certain public ethics law; providing certain requirements for eligibility as  
13 a member of the Maryland Venture Fund Authority; requiring the Maryland Venture  
14 Fund Authority in the Corporation to meet at least quarterly for certain purposes;  
15 altering the information required to be reported annually by the Corporation;

#### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

*Italics indicate opposite chamber/conference committee amendments.*



1 requiring the Corporation to report certain information to the Governor, the  
 2 Maryland Economic Development Commission, and the General Assembly on a  
 3 quarterly basis; defining a certain ~~term~~ terms; making certain conforming changes;  
 4 and generally relating to the Maryland Technology Development Corporation.

5 BY repealing and reenacting, without amendments,

6 Article – Economic Development  
 7 Section 10–401(a), 10–468, and 10–474  
 8 Annotated Code of Maryland  
 9 (2018 Replacement Volume)

10 BY adding to

11 Article – Economic Development  
 12 Section 10–401(f) through (h) and 10–494  
 13 Annotated Code of Maryland  
 14 (2018 Replacement Volume)

15 BY repealing and reenacting, with amendments,

16 Article – Economic Development  
 17 Section ~~10–468~~ 10–402(c), 10–403(a), 10–407, 10–408, 10–409, 10–415, 10–469, ~~and~~  
 18 10–470, 10–475, 10–478, 10–488(b) and (c), and 10–489(a)  
 19 Annotated Code of Maryland  
 20 (2018 Replacement Volume)

21 ~~BY repealing and reenacting, without amendments,~~

22 ~~Article – Economic Development~~  
 23 ~~Section 10–474~~  
 24 ~~Annotated Code of Maryland~~  
 25 ~~(2018 Replacement Volume)~~

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
 27 That the Laws of Maryland read as follows:

## Article – Economic Development

29 10–401.

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

31 **(F) “INVESTMENT COMMITTEE” MEANS A COMMITTEE APPOINTED BY THE**  
 32 **BOARD TO ADVISE ON AND APPROVE INVESTMENTS AS REQUIRED UNDER THIS**  
 33 **SUBTITLE.**

34 **(G) “PRINCIPAL BUSINESS OPERATIONS” MEANS THE HEADQUARTERS**  
 35 **FROM WHICH THE BUSINESS’S OFFICERS DIRECT, CONTROL, AND COORDINATE THE**  
 36 **BUSINESS’S ACTIVITIES.**

1           **(H) “QUALIFIED BUSINESS” MEANS A BUSINESS THAT, AT THE TIME OF THE**  
2 **FIRST INVESTMENT IN THE BUSINESS UNDER A PROGRAM OF THE CORPORATION,**  
3 **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBTITLE:**

4           **(1) (I) HAS ITS PRINCIPAL BUSINESS OPERATIONS LOCATED IN**  
5 **THE STATE, HAS OVER HALF ITS WORKFORCE WORKING IN THE STATE, AND INTENDS**  
6 **TO MAINTAIN ITS PRINCIPAL BUSINESS OPERATIONS IN THE STATE AFTER**  
7 **RECEIVING AN INVESTMENT UNDER THE PROGRAM; OR**

8           **(II) IS A BUSINESS OR START-UP BUSINESS THAT IS APPROVED**  
9 **BY THE INVESTMENT COMMITTEE AND WILL, AS A RESULT OF THE INVESTMENT,**  
10 **HAVE A SUBSTANTIAL ECONOMIC IMPACT IN THE STATE THROUGH JOB CREATION,**  
11 **CAPITAL INVESTMENT, AND CONTRIBUTION TO THE STATE’S TECHNOLOGY**  
12 **ECOSYSTEM;**

13           **(2) HAS AGREED TO USE THE INVESTMENT PRIMARILY TO:**

14           **(I) SUPPORT BUSINESS OPERATIONS IN THE STATE; OR**

15           **(II) IN THE CASE OF A START-UP COMPANY, ESTABLISH AND**  
16 **SUPPORT BUSINESS OPERATIONS IN THE STATE;**

17           **(3) HAS NOT MORE THAN 250 EMPLOYEES; AND**

18           **(4) IS NOT PRIMARILY ENGAGED IN:**

19           **(I) RETAIL SALES;**

20           **(II) REAL ESTATE DEVELOPMENT;**

21           **(III) THE BUSINESS OF INSURANCE, BANKING, OR LENDING; OR**

22           **(IV) THE PROVISION OF PROFESSIONAL SERVICES BY**  
23 **ACCOUNTANTS, ATTORNEYS, OR PHYSICIANS.**

24 10-402.

25           **(c) The purposes of the Corporation are to:**

26           **(1) assist in transferring to the private sector the results and products of**  
27 **scientific research and development conducted by colleges, [and] universities, AND**  
28 **FEDERAL RESEARCH INSTITUTIONS IN THE STATE;**

29           **(2) assist in commercializing those results and products;**

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

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

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

6           **(6) INVEST IN MARYLAND-BASED TECHNOLOGY COMPANIES AND**  
7 **PROMOTE THE COMMERCIALIZATION AND GROWTH OF TECHNOLOGY COMPANIES**  
8 **AND JOBS IN THE STATE;**

9           **(7) BUILD A LONG-TERM ENTREPRENEURIAL CAPACITY AND**  
10 **SUSTAINED VENTURE CAPITAL PRESENCE IN THE STATE;**

11           **(8) CREATE PATHWAYS TO FOLLOW-ON FINANCING IN THE STATE;**  
12 **AND**

13           **(9) FOSTER INCLUSIVE AND DIVERSE ENTREPRENEURSHIP AND**  
14 **INNOVATION THROUGHOUT THE STATE, WHICH MAY INCLUDE INITIATIVES TO RAISE**  
15 **AWARENESS OF PROGRAMS TO ASSIST SMALL, MINORITY, AND WOMEN-OWNED**  
16 **BUSINESSES THROUGH MARKETING AND OTHER EFFORTS.**

17 10-403.

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

20           **(2) (I) A BOARD OF DIRECTORS MAY APPOINT MEMBERS OF AN**  
21 **ADVISORY COMMITTEE.**

22           **(II) IF A BOARD OF DIRECTORS APPOINTS AN ADVISORY**  
23 **COMMITTEE, THE BOARD SHALL ADOPT POLICIES ESTABLISHING THE**  
24 **RESPONSIBILITIES OF THE ADVISORY COMMITTEE.**

25 10-407.

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

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

30           (2) §§ 3-301 and 3-303 of the General Provisions Article.

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

2 (c) The Board [and], the officers and employees of the Corporation, MEMBERS  
3 OF THE INVESTMENT COMMITTEE, AND MEMBERS OF ANY ADVISORY COMMITTEE  
4 APPOINTED are subject to the Public Ethics Law.

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

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

10 (2) THE BOARD, THE OFFICERS AND EMPLOYEES OF THE  
11 CORPORATION, THE MEMBERS OF THE INVESTMENT COMMITTEE, AND THE  
12 MEMBERS OF ANY ADVISORY COMMITTEE APPOINTED SHALL DISCLOSE TO THE  
13 STATE *ETHICS* COMMISSION ~~ON ETHICS~~ WHETHER THEY ARE EMPLOYED BY OR  
14 HAVE A FINANCIAL INTEREST IN AN ENTITY THAT CURRENTLY HAS OR WILL APPLY  
15 FOR FUNDS OR AN INVESTMENT IN A PROGRAM ADMINISTERED BY THE  
16 CORPORATION.

17 10-408.

18 (A) THE CORPORATION SHALL ADOPT REGULATIONS ESTABLISHING:

19 (1) THE INVESTMENT COMMITTEE;

20 (2) THE RESPONSIBILITIES OF THE INVESTMENT COMMITTEE; AND

21 (3) THE PROCEDURES FOR THE APPOINTMENT OF INVESTMENT  
22 COMMITTEE MEMBERS.

23 (B) The Corporation may:

24 (1) adopt bylaws for the conduct of its business;

25 (2) adopt a seal;

26 (3) maintain offices at a place it designates in the State;

27 (4) accept loans, grants, or assistance of any kind from the federal or State  
28 government, a local government, a college or university, or a private source;

29 (5) enter into contracts and other legal instruments;

- 1           (6) sue or be sued;
- 2           (7) acquire, purchase, hold, lease as lessee, and use:
- 3               (i) a franchise, patent, or license;
- 4               (ii) any real, personal, mixed, tangible, or intangible property; or
- 5               (iii) an interest in the property listed in this item;
- 6           (8) sell, lease as lessor, transfer, license, assign, or dispose of property or a  
7 property interest that it acquires;
- 8           (9) fix and collect rates, rentals, fees, royalties, and charges for services  
9 and resources it provides or makes available;
- 10          (10) create, own, control, or be a member of a corporation, limited liability  
11 company, partnership, or other entity, whether operated for profit or not for profit;
- 12          (11) exercise power usually possessed by a private corporation in performing  
13 similar functions unless to do so would conflict with State law; and
- 14          (12) do all things necessary or convenient to carry out the powers granted  
15 by this subtitle.

16 10-409.

17          **(A) [The] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, THE**  
18 **Corporation may make grants to or provide equity investment financing for**  
19 **technology-based businesses, IF:**

20               **(1) THE INVESTMENTS ARE MADE TO A QUALIFIED BUSINESS;**

21               **(2) THE INVESTMENTS ARE MADE ON REVIEW AND APPROVAL OF A**  
22 **WRITTEN APPLICATION THAT:**

23                       **(I) CONTAINS SUFFICIENT INFORMATION TO VERIFY THAT THE**  
24 **QUALIFIED BUSINESS HAS ITS PRINCIPAL BUSINESS OPERATIONS IN THE STATE OR**  
25 **WILL HAVE A SUBSTANTIAL ECONOMIC IMPACT ON THE STATE; AND**

26                       **(II) CONTAINS A CERTIFICATION OF THE VERACITY OF THE**  
27 **INFORMATION BY AN AUTHORIZED SIGNATORY OF THE QUALIFIED BUSINESS; AND**

1           **(3) AT LEAST THE NUMBER OF MEMBERS THAT CONSTITUTES A**  
2 **QUORUM OF ANY FUND OR AUTHORITY HAS BEEN APPOINTED UNDER THE**  
3 **REQUIREMENTS FOR THAT FUND OR AUTHORITY.**

4           **(B) IN REGARD TO ANY AND ALL PROGRAMS OF THE CORPORATION, EXCEPT**  
5 **AS OTHERWISE PROVIDED IN THIS SUBTITLE, THE CORPORATION SHALL ADOPT**  
6 **REGULATIONS TO GOVERN INVESTMENTS UNDER THIS SUBSECTION THAT SPECIFY:**

7           **(1) THE TYPES OF QUALIFIED BUSINESSES IN WHICH AN INVESTMENT**  
8 **MAY BE MADE;**

9           **(2) THE BASIC STANDARDS AN ENTERPRISE SHALL MEET TO QUALIFY**  
10 **FOR AN INVESTMENT;**

11           **(3) THE AMOUNT OF MONEY AVAILABLE FOR INVESTMENT;**

12           **(4) THE INVESTMENT POLICY STATEMENT OF THE CORPORATION**  
13 **THAT DESCRIBES THE PROCEDURES, CRITERIA, INVESTMENT PHILOSOPHY, AND**  
14 **GUIDELINES FOR HOW THE CORPORATION'S INVESTMENT DECISIONS WILL BE**  
15 **MADE; AND**

16           **(5) A PROCESS FOR THE CONSIDERATION OF WHETHER INVESTMENTS**  
17 **HELP TO FOSTER INCLUSIVE AND DIVERSE ENTREPRENEURSHIP, INCLUDING THE**  
18 **CORPORATION'S SUPPORT FOR MARKETING AND OTHER EFFORTS TO RAISE**  
19 **AWARENESS OF PROGRAMS TO ASSIST SMALL, MINORITY, AND WOMEN-OWNED**  
20 **BUSINESSES.**

21           **(C) THE CORPORATION MAY MAKE INVESTMENTS UNDER AN AGREEMENT**  
22 **WITH THE BOARD OF TRUSTEES FOR THE STATE RETIREMENT AND PENSION**  
23 **SYSTEM UNDER § 21-123.2 OF THE STATE PERSONNEL AND PENSIONS ARTICLE.**

24 **10-415.**

25           **(a) (1) On or before October 1 of each year, the Corporation shall report to the**  
26 **Governor, the Maryland Economic Development Commission, and, in accordance with §**  
27 **2-1246 of the State Government Article, the General Assembly.**

28           **[(b)] (2) The report REQUIRED UNDER THIS SUBSECTION shall include:**

29                   **(I) a complete operating and financial statement covering the**  
30 **Corporation's operations [and];**

31                   **(II) a summary of the Corporation's activities during the preceding**  
32 **fiscal year;**

1           (III) INFORMATION ON ALL SALARIES AND ANY INCENTIVES  
2 APPROVED BY THE BOARD FOR CORPORATION EMPLOYEES;

3           (IV) INFORMATION ON OUTREACH, TRAINING, MENTORSHIP,  
4 SUPPORT, AND INVESTMENT IN MINORITY AND WOMEN-OWNED QUALIFIED  
5 BUSINESSES, INCLUDING SUPPORT FOR MARKETING BY THE MARYLAND SMALL  
6 BUSINESS DEVELOPMENT FINANCING AUTHORITY; ~~AND~~

7           (V) INFORMATION ON ENTITIES THAT HAVE CURRENT  
8 INVESTMENTS AND ENTITIES THAT RECEIVED FUNDING OR INVESTMENTS IN THE  
9 CURRENT YEAR ON THE:

10           1. PRINCIPAL BUSINESS OPERATIONS;

11           2. NUMBER OF EMPLOYEES IN THE STATE AND THE  
12 NUMBER OF EMPLOYEES OUTSIDE THE STATE;

13           3. CAPITAL OR OTHER INVESTMENTS MADE IN THE  
14 STATE; AND

15           4. PROPOSED AND ACTUAL JOB CREATION OR CAPITAL  
16 INVESTMENT IN THE STATE AS A RESULT OF THE INVESTMENT OR SUPPORT;

17           (VI) A LIST OF BUSINESSES THAT HAVE RECEIVED FUNDING  
18 THAT WOULD NO LONGER QUALIFY AS A QUALIFIED BUSINESS; AND

19           (VII) INFORMATION ON THE CREATION OF AND APPOINTMENTS  
20 MADE TO AN ADVISORY COMMITTEE AND THE RESPONSIBILITIES OF THE ADVISORY  
21 COMMITTEE AND MEMBERS OF THE COMMITTEE.

22           (B) (1) ON A QUARTERLY BASIS, THE CORPORATION SHALL REPORT TO  
23 THE GOVERNOR, THE MARYLAND ECONOMIC DEVELOPMENT COMMISSION, AND, IN  
24 ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT ARTICLE, THE JOINT  
25 AUDIT COMMITTEE AND THE GENERAL ASSEMBLY.

26           (2) THE REPORT REQUIRED UNDER THIS SUBSECTION SHALL  
27 INCLUDE A LIST OF THE QUALIFIED BUSINESSES OR OTHER BUSINESSES RECEIVING  
28 SUPPORT THROUGH PROGRAMS ADMINISTERED BY THE CORPORATION, INCLUDING  
29 THOSE RECEIVING INVESTMENTS MADE UNDER § 21-123.2 OF THE STATE  
30 PERSONNEL AND PENSIONS ARTICLE.

31           (3) THE LIST OF QUALIFIED BUSINESSES OR OTHER BUSINESSES  
32 RECEIVING SUPPORT SHALL INCLUDE FOR EACH BUSINESS:



- 1                   **(I)    THE NUMBER OF EMPLOYEES IN THE STATE;**  
 2                   **(II)   THE NUMBER OF EMPLOYEES OUTSIDE THE STATE;**  
 3                   **(III) THE CAPITAL OR OTHER INVESTMENTS MADE IN THE STATE;**  
 4 **AND**  
 5                   **(IV)   PROPOSED JOB CREATION OR CAPITAL INVESTMENT IN THE**  
 6 **STATE AS A RESULT OF THE INVESTMENT OR SUPPORT.**

7 10-468.

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

9           **~~(B)    “BUSINESS ENTERPRISE” MEANS A BUSINESS THAT:~~**

10           **~~(1)    IS TECHNOLOGY-BASED; AND~~**

11           **~~(2)    HAS OVER HALF OF ITS WORKFORCE EITHER RESIDING OR~~**  
 12 **~~WORKING IN THE STATE.~~**

13           **~~[(b)] (C)~~**    “Corporation” means the Maryland Technology Development  
 14 Corporation.

15           **~~[(c)] (D)~~**    “Fund” means the Enterprise Fund established under § 10-469 of this  
 16 subtitle.

17 10-469.

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

19           (b)    The Corporation may use the Fund to:

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

21                   (2)    provide equity investment financing for a ~~business enterprise~~  
 22 **QUALIFIED BUSINESS;**

23                   (3)    guarantee a loan, equity, investment, or other private financing to  
 24 expand the capital resources of a ~~business enterprise~~ **QUALIFIED BUSINESS;**

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

1 (5) pay the Corporation's obligations to a venture firm under the Invest  
2 Maryland Program, as provided under § 10-492(c)(2)(i) of this subtitle; and

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

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

6 (d) ~~THE CORPORATION SHALL REQUIRE RECOVERY OF A GRANT, A LOAN,  
7 OR AN EQUITY INVESTMENT FROM A BUSINESS ENTERPRISE IF AT ANY TIME WITHIN  
8 THE 3-YEAR PERIOD FOLLOWING THE INVESTMENT AWARD, THE BUSINESS  
9 ENTERPRISE FAILS TO MAINTAIN ITS STATUS AS A BUSINESS ENTERPRISE, AS  
10 DEFINED IN § 10-468 OF THIS SUBTITLE.~~

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

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

15 ~~{(e)}~~ ~~(F)~~ The Fund consists of:

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

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

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

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

21 (5) proceeds from the sale, disposition, lease, or rental by the Corporation  
22 of collateral related to financing that the Corporation provides under this subtitle;

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

25 (i) a ~~business enterprise~~ QUALIFIED BUSINESS in which the  
26 Corporation has made an investment under this subtitle; or

27 (ii) an investor providing an investment guaranteed by the  
28 Corporation under this subtitle;

29 (7) recovery of an investment made by the Corporation in a ~~business~~  
30 ~~enterprise~~ QUALIFIED BUSINESS under this subtitle, including an arrangement under

1 which the Corporation's investment in the ~~business enterprise~~ QUALIFIED BUSINESS is  
2 recovered through:

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

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

7 ~~(III) THE RECOVERY OF A GRANT, A LOAN, OR AN EQUITY~~  
8 ~~INVESTMENT IN A BUSINESS ENTERPRISE THAT FAILS TO MAINTAIN ITS STATUS AS~~  
9 ~~A BUSINESS ENTERPRISE, AS DEFINED IN § 10-468 OF THIS SUBTITLE;~~

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

11 (9) money deposited into the Fund under § 10-492(c)(2)(i) of this subtitle;  
12 and

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

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

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

17 10-470.

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

20 (b) (1) Whenever the Corporation is authorized by law to make a grant,  
21 including a grant from the Economic Development Opportunities Program Account  
22 authorized under § 7-314 of the State Finance and Procurement Article, the Corporation  
23 may use money appropriated for the grant to make an equity investment in a [business  
24 enterprise] QUALIFIED BUSINESS.

25 (2) (i) Except as provided in subparagraph (ii) of this paragraph, in  
26 making an equity investment under this subtitle, the Corporation may not acquire an  
27 ownership interest in an enterprise that exceeds 25%.

28 (ii) In making an equity investment under this subtitle in one or  
29 more venture or private equity firms, the Corporation may acquire an ownership interest  
30 exceeding 25%.

31 (3) Within 15 years after making an equity investment under this subtitle,  
32 the Corporation shall divest itself of that investment.

1           (4) The liability of the State and the Corporation in making an equity  
2 investment under this subtitle is limited to the amount of that investment.

3           [(5) The Corporation shall adopt regulations governing equity investments  
4 under this subsection that specify:

5                   (i) the types of business enterprises in which an investment may be  
6 made;

7                   (ii) the basic standards an enterprise shall meet to qualify for an  
8 investment;

9                   (iii) the amount of money available for investment; and

10                   (iv) the criteria that the Corporation uses to make investment  
11 decisions.]

12 10-474.

13           There is a Maryland Venture Fund Authority in the Corporation.

14 10-475.

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

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

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

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

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

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

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

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

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

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

2 (2) The Governor shall consider the geographic diversity of the State when  
3 appointing members.

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

5 (1) may not be elected officials; and

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

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

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

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

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

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

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

17 (f) **[A] IN ADDITION TO THE REQUIREMENTS OF TITLE 5 OF THE GENERAL**  
18 **PROVISIONS ARTICLE, A member of the Authority may not BE EMPLOYED BY OR have**  
19 **any financial interest in a purchaser, qualified business, or venture firm OR HOLD ANY**  
20 **OTHER EMPLOYMENT RELATIONSHIP OR FINANCIAL INTEREST THAT WOULD IMPAIR**  
21 **THE IMPARTIALITY AND INDEPENDENT JUDGMENT OF THE MEMBER.**

22 (G) **THE AUTHORITY MAY NOT HAVE ADDITIONAL ADVISORS OR ADVISORY**  
23 **BOARDS, WHETHER ACTING INFORMALLY OR FORMALLY CONSTITUTED, OTHER**  
24 **THAN AS APPOINTED OR DESIGNATED IN THIS SUBTITLE.**

25 10-478.

26 The Authority shall:

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

1           **(2) MEET AT LEAST QUARTERLY TO REVIEW THE CORPORATION'S**  
2 **INVESTMENT ~~POLICY AND~~ POLICIES, INVESTMENT DECISIONS ~~FOR THE PROGRAM~~**  
3 **~~UNDER THIS SUBTITLE, AND ADHERENCE TO THE STATUTORY AND REGULATORY~~**  
4 **REQUIREMENTS IMPOSED ON THE CORPORATION.**

5 10-488.

6           **(b) TO ENSURE THE CORPORATION HAS CONTINUED ACCESS TO THE BEST**  
7 **AVAILABLE AND QUALIFIED VENTURE FIRMS AS WELL AS TO PROVIDE FOR THE**  
8 **REPLACEMENT OF VENTURE FIRMS THAT HAVE BEEN DISQUALIFIED UNDER §**  
9 **10-494 OF THIS SUBTITLE:**

10           **(1) [An] AN applicant shall file an application with the Corporation in the**  
11 **form required by the Corporation[.];**

12           **(2) [The] THE application shall include the applicant's most recent**  
13 **financial statements[.];**

14           **(3) [The] THE Corporation shall [begin accepting] ACCEPT applications**  
15 **for certification [on or before January 1, 2012.] FOR A PERIOD OF 3 MONTHS AT THE**  
16 **CORPORATION'S CHOOSING, AT THE SAME TIME EACH YEAR; AND**

17           **(4) [An application for certification may not be accepted after May 1, 2012]**  
18 **NOTWITHSTANDING THE REQUIREMENTS OF § 10-494(B) OF THIS SUBTITLE, WHEN**  
19 **ONE OR MORE VENTURE FIRMS HAVE BEEN DISQUALIFIED UNDER § 10-494 OF THIS**  
20 **SUBTITLE, THE CORPORATION MAY RECEIVE APPLICATIONS, FOR A PERIOD OF NOT**  
21 **LESS THAN 2 MONTHS, AT ANY TIME DURING THE CALENDAR YEAR.**

22           **(c) To be certified as a venture firm:**

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

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

29           **(3) FOR A PERIOD OF 2 YEARS FROM THE DATE OF**  
30 **DISQUALIFICATION, THE APPLICANT MAY NOT BE:**

31           **(I) A VENTURE FIRM THAT HAS BEEN DISQUALIFIED UNDER §**  
32 **10-494 OF THIS SUBTITLE; OR**

1                   **(II) A FIRM WITH MAJORITY OWNERSHIP COMPOSED OF**  
2 **MEMBERS WHO HAD OWNERSHIP OR LEADERSHIP ROLES IN A FIRM THAT HAS BEEN**  
3 **DISQUALIFIED UNDER § 10-494 OF THIS SUBTITLE.**

4 10-489.

5           (a)   (1)   A business that is classified as a qualified business at the time of the  
6 first investment in the business by a venture firm, the Enterprise Fund, or the Financing  
7 Authority remains classified as a qualified business and may receive follow-on investments  
8 from a venture firm, the Enterprise Fund, or the Financing Authority AS PROVIDED  
9 **UNDER THIS SUBSECTION.**

10           (2)   [Except as provided in paragraph (3) of this subsection, a] A follow-on  
11 investment [made under this subsection] FROM A VENTURE FIRM is a qualified  
12 investment even though the business does not meet the definition of a qualified business  
13 at the time of the follow-on investment.

14           (3)   With respect to an investment by the Enterprise Fund or the Financing  
15 Authority, a follow-on investment does not qualify as a qualified investment if, at the time  
16 of the follow-on investment, the [qualified] business no longer [has its principal business  
17 operations in the State] MEETS THE DEFINITION OF A QUALIFIED BUSINESS.

18 10-494.

19           **(A) EACH VENTURE FIRM SHALL BE REQUIRED TO MAKE EQUITY**  
20 **INVESTMENTS IN AN AMOUNT NOT LESS THAN 50% OF THE CAPITAL ALLOCATED TO**  
21 **QUALIFIED BUSINESSES WITHIN 3 YEARS OF EACH CAPITAL ALLOCATION.**

22           **(B) IN REGARDS TO VENTURE FIRMS THAT HAVE RECEIVED AN ALLOCATION**  
23 **BEFORE JUNE 1, 2019, THE REQUIREMENTS OF SUBSECTION (A) OF THIS SECTION**  
24 **SHALL APPLY AS OF JUNE 1, 2019.**

25           **(C) IN THE EVENT THAT A VENTURE FIRM FAILS TO MEET THE**  
26 **REQUIREMENTS OF SUBSECTION (A) OF THIS SECTION, THE CORPORATION SHALL:**

27                   **(1) RESCIND THE ALLOCATION AND AUTHORIZATION FOR THAT FIRM**  
28 **FROM THE DATE OF NONCOMPLIANCE WITH SUBSECTION (A) OF THIS SECTION AND**  
29 **REMOVE THAT FIRM'S CERTIFICATION FOR PARTICIPATION IN THE PROGRAM;**

30                   **(2) CEASE MAKING THE PAYMENT OF MANAGEMENT AND OTHER FEES**  
31 **TO THE VENTURE FUND FROM THE DATE OF NONCOMPLIANCE WITH SUBSECTION (A)**  
32 **OF THIS SECTION; AND**

33                   **(3) CONSULT AND COORDINATE WITH THE OFFICE OF THE ATTORNEY**  
34 **GENERAL FOR THE RECOVERY OF ANY FUNDS, AS MAY BE NECESSARY.**

1        SECTION 2. AND BE IT FURTHER ENACTED, That, on or before December 1,  
 2 2019, the Maryland Technology Development Corporation shall report to the General  
 3 Assembly, in accordance with § 2-1246 of the State Government Article, on the status of  
 4 the Corporation's efforts to address the findings of the fiscal compliance audit of the  
 5 Corporation conducted by the Office of Legislative Audits for the period beginning January  
 6 7, 2015, and ending April 10, 2018.

7        SECTION 3. AND BE IT FURTHER ENACTED, That, on or before December 1,  
 8 2019, the Department of Legislative Services shall review Title 10, Subtitle 4 of the  
 9 Economic Development Article and make recommendations to the General Assembly on:

10            (1) how to make Title 10, Subtitle 4 of the Economic Development Article,  
 11 regarding the Maryland Technology Development Corporation programs, more clear with  
 12 consistent definitions; and

13            (2) whether there is language that can be repealed as duplicative or  
 14 obsolete.

15        SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect  
 16 ~~October~~ June 1, 2019.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.