TEDCO

LEADING INNOVATION TO MARKET

Request for Proposals ("RFP")
To Conduct Annual Audit

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I. Request to Submit Qualifications

The Maryland Technology Development Corporation ("TEDCO") is soliciting services from nationally recognized firms of certified public accountants ("Firm") with expertise in auditing, to conduct TEDCO and Maryland Innovation Opportunity Fund I ("MIOF") audits for the fiscal year ending June 30, 2021, with one (1) year options of conducting such audits for each of the three subsequent fiscal years.

The goal of this RFP is to receive proposals from potential Firms, evaluate those submittals, and then select the Firm best suited to perform the audits.

Minority business enterprises, as defined in Section 14-301 (e) of the State Finance and Contracting Article of the Annotated Code of Maryland, are encouraged to respond to the RFP.

Enclosed please find copies of:

- Exhibit A: TEDCO FY2020 Annual Report
- Exhibit B: TEDCO program Information and Core Values Statement
- Exhibit C: FY2020 TEDCO Audited Financial Statements
- Exhibit D: FY2020 MIOF Audited Financial Statements
- Exhibit E: Proposal Cost Estimate Form
- Exhibit F: TEDCO Professional Services Contract Standard Terms and Conditions

II. Scope of Services Required

These audits are to be performed in accordance with generally accepted accounting principles and generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Single Audit Act of 1984 (with Amendment in 1996).

Reports to be issued shall include a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles; a report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk; and a report on compliance with applicable laws and regulations. The auditor shall communicate any reportable conditions found during the audit. Non-reportable conditions discovered by the auditors shall be reportable in a separate letter to management.

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware of to the following parties:

- TEDCO Board Chair;
- TEDCO Board Treasurer; and
- TEDCO General Counsel

The auditor shall report its findings to the TEDCO Finance and Audit Committee.

The auditor must retain all working papers and reports, at the auditor's expense, for a minimum of three (3) years after completion of the audit or in accordance with federal and state law. The auditor will be required to make working papers available upon request to the State of Maryland, the TEDCO Board of Directors and successor auditors.

III. TEDCO Overview

<u>Mission</u>
Enhance economic development by fostering an inclusive and entrepreneurial innovation ecosystem. Identify, invest in, and help grow technology companies in Maryland.

<u>Vision</u>
TEDCO will be the recognized national leader for supporting translational research, and technology-based, economic and entrepreneurial development while being the hub of Maryland's innovation ecosystem.

<u>TEDCO's Background</u>
TEDCO was created in 1998 by the Maryland State Legislature to facilitate the transfer and commercialization of technology from Maryland's research universities and federal labs into the marketplace, and to assist in the creation and growth of technology-based businesses in the State. TEDCO is, among other things, a resource of mentoring, funding and networking for entrepreneurs and start-ups that need guidance as they bring innovative concepts to market. It is more than an early-stage funding resource, but also a hub of Maryland's entrepreneurial network where start-ups find mentors, organizational assistance, facilities for daily operations, and a roadmap for success.

Nationally recognized as one of the most active seed/early-stage investors in the nation, TEDCO has a portfolio of more than 400 seed investments since 1998 through six funding and seven mentoring and education programs, with $22 million awarded through TEDCO programs, and $137 million allocated in research support. TEDCO's five core programs collectively resulted in $1.6 billion in economic activity and 7,746 Maryland jobs as of 2018.

TEDCO manages multiple funds and programs and administers two others. The investment funds include the Pre-Seed Builder Fund, Rural Business Innovation Initiative Pre-Seed Fund, Seed Fund, Gap Fund, Maryland Venture Fund, and Maryland Innovation Opportunity Fund. The Maryland Innovation Initiative Fund (MII) makes grants and investments to eligible research universities and university-affiliated start-up companies, and the Maryland Stem Cell Research Fund (MSCRF) makes grants to find regenerative medicine research in Maryland. Both MII and MSCRF are administered by TEDCO but governed by separate governing bodies. TEDCO's other programs are governed by a 15-member Board of Directors appointed by the Governor. TEDCO is funded largely by the State through an annual allocation of approximately $23 million, through returns from direct investments, and through other sources of funding including grants and sponsorships. TEDCO has an active and diverse team of 27 employees.

<u>Maryland Innovation Opportunity Fund I, LLC</u>

The Maryland Innovation Opportunity Fund I, LLC (MIOF) is a Delaware limited liability company which commenced operations on October 24, 2017 for the purpose of making and managing investments in private equity and venture capital located in the State of Maryland on behalf of the Board of Trustees of the Maryland State Retirement and Pension System (MSRPS).

MIOF has a contract with TEDCO to provide management services to the Fund. The MIOF audit and accompanying financial statements will include statements of assets, liabilities and members' equity, including schedules of portfolio investments as of June 30, 2021 and 2020, and the related statements of operations, changes in members' equity, and cash flows for the year ended June 30, 2021 and 2020, and related notes to the financial statements.

IV. TEDCO's Audience

TEDCO works with a growing network of universities, federal laboratories, laboratory researchers, entrepreneurs, start-ups, early-stage companies, business incubators, private investors and legislators interested in fostering innovative economic development in our region.

V. TEDCO's Financial Operation

TEDCO has a centralized Accounting and Finance department under the Chief Administrative Officer. The accounting office is responsible for maintaining the general ledger, producing financial statements, accounting reports, disbursements, receivables, payrolls, investments, insurance, budget and providing support to the outside auditors.

TEDCO Auditors will report to the TEDCO Board's Audit and Finance Committee.

TEDCO's financial software is Oracle NetSuite that integrates general ledger, accounts payable and accounts receivable. Payroll is processed through ADP payroll services.

VI. RFP Submittal Requirements

Proposals must include the following items:

- A cover letter setting forth the experience of the Firm, including any sub-contractors' experience, describing work performed on similar projects; key personnel qualifications and relevant experience;
- Professional biographies and/or resumes of qualified professionals who will be overseeing and conducting the audits;
- A rate and labor schedule that details fully loaded project hourly rates, which includes all overhead and profit that may be incurred in performing the project. All direct expenses shall be billed at cost;

- Complete Proposal Cost Estimate Form (Exhibit E) to reflect a total all-inclusive maximum price and include all pricing information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum price is to contain all direct and indirect costs including all out-of-pocket expenses.

- A statement detailing the Firm's availability and anticipated time table for completion of the audits;

- A detailed audit plan for each audit;

- An affirmative statement that the Firm and all assigned key professional staff are properly registered/licensed to practice in Maryland;

- A statement certifying that Firm has no existing or foreseen conflicts to perform the services requested by TEDCO as envisioned under the above Scope of Services;

- A listing of three current clients (private or public), where the Firm is conducting work that is comparable to TEDCO in size and locale;

- Three references, including at least two clients for whom services have been provided within the past three years. Provide the contact names, positions and phone numbers for representatives of each entity listed as a reference. TEDCO reserves the right to contact references for information that may be used in the evaluation process;

- A copy of the Firm's most recent Peer Review Report conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants;

- Contact Information: Provide the name and address of the Firm, the name, telephone number, facsimile number and email address of the individual(s) responsible for preparation of the proposal who may be contacted in the event of questions or notification, and the location of the office, if other than that shown above, at which the services to be provided hereunder will be performed.

VII. Audit Administration

TEDCO's next fiscal year end is June 30, 2021. We anticipate that virtual and onsite field audit work will commence in June/July 2021. The audit staff should be of a sufficient size and experience so that the audit can be performed in an efficient manner within a reasonable time frame. We will expect to receive TEDCO audited financial statements no later than August 30, 2021, and MIOF audited financial statements no later than October 31, 2021. TEDCO's accounting staff will prepare trial balances, audit schedules, draft financial statements and provide assistance during fieldwork. The audit firm will prepare the financial statements and reports in final form.

VIII. General Requirements and Deadline

Please direct questions in writing, no later than March 26, 2021, to Terry Rauh, Chief Administrative Officer, at the email address given below for proposal submission.

Written answers to Firms' questions will be provided via email until March 29, 2021. Teleconferences may be scheduled after the RFP posting date but no later than March 26, 2021. Conferences will be assigned as determined by the availability of TEDCO Staff.

In order to be considered for selection, respondents must submit a complete response, including all RFP Submittal Requirements, by 5:00 p.m. on March 31, 2021. One (1) digital file of each complete proposal must be submitted to TEDCO's Chief Administrative Officer at the following email address:

Subject: TEDCO FY2021 Audit Services Proposal
Attn: Terry Rauh, Chief Administrative Officer
Email: trauh@tedco.md

If a response is submitted by a corporation, joint venture, etc., the Proposal shall be signed by an officer authorized to do so. If made by an individual, that individual shall sign it. One or more of the partners shall sign if the Respondent is a general partnership, or by the managing partner or general partner if a limited partnership. If submitted by a limited liability company, the submittal shall be signed by a managing member.

TEDCO reserves the right to require the submission of additional information regarding experience and qualifications as it may deem necessary, and may consider any available evidence on the financial, technical, or other qualifications and abilities of the Firm.

TEDCO reserves the right to reject all Proposals, reduce the scope of work, or abandon all or part of this Audit prior to award of any contracts. Proposals may be rejected for any or no reason.

TEDCO reserves the right to waive any and all irregularities and informalities in the submission of RFP Submittal Requirements, and to request clarification of qualifications prior to qualifying a Firm.

The selected Firm must provide evidence of valid business registration and of good standing to conduct business in the State of Maryland, as well as active licensure by the Maryland Board of Public Accountancy.

IX. Firm Selection Process

Proposals will be evaluated by the TEDCO's Audit and Finance Committee, and a recommendation will be made to the TEDCO Board of Directors. Based on the qualified proposals received, the TEDCO Board will authorize a contract award. In selecting the most qualified Firm for the services of this RFP, TEDCO shall consider the following:

- Proposed fees for services;
- Quality of response to RFP Submittal Requirements;
- Demonstrated ability and qualifications to conduct audits;
- Quality of relevant service to similar entities in previous transactions; and
- Familiarity with federal and Maryland laws, rules and regulations relevant to third-party audits.

During the process, the TEDCO Board's Audit and Finance Committee may, at its discretion request any one or all Firms to make oral presentations. Such presentation will provide the Firms with an opportunity to answer any questions the Committee may have on a Firm's proposal. Not all firms may be asked to make such presentations.

The professional services contract will be based upon TEDCO's Professional Services Contract Standard Terms and Conditions, which is attached hereto as Exhibit F.

X. Respondent's Conditions, Representations and Authorizations

By submitting its proposal, each Respondent understands, represents and acknowledges that:

- A Respondent and his/her authorized representative may withdraw or modify his/her proposal by written notice received prior to the exact hour and date specified for proposal receipt.
- All of Respondent's information and representations in the proposal are material and important, and TEDCO may rely upon the contents of the proposal in negotiations, contractual obligations, and awarding the contract(s). Respondent agrees that the proposal

will remain firm for a period of one hundred twenty (120) calendar days after the date specified for receipt of proposal or until a TEDCO Procurement Contract agreement is fully executed, whichever is later.

- Respondents are expected to fully inform themselves of all conditions, requirements and specifications before submitting a proposal. After the proposal submission deadline, a Respondent may not change its proposal or obtain relief in case of errors or omissions in the submitted proposal.

- TEDCO may waive minor informalities or errors in proposals if it determines that the error does not undermine the overall integrity of the proposal.

XI. Term and Termination

The term of the professional services contract shall be for a period of one (1) year from when it is formally entered into by the parties. Subject to the annual review and recommendation of the TEDCO Audit and Finance Committee, the satisfactory negotiation of terms (including a price acceptable to both TEDCO and the selected Firm), the contract may be renewed annually without seeking other proposals for a period of three (3) renewals at one (1) year each.

TEDCO may, at any time, terminate the professional services contract in whole or in part for TEDCO's convenience and without cause if it determines in its sole discretion that termination is in the public interest. Upon receipt of an order of termination for convenience, the Firm shall not proceed with any item of work, unless specifically authorized to do so in writing. In such a case, unless mutually agreed to by the parties, the Firm will not be entitled to payment for any services provided after the effective date of such termination.

If there are any questions regarding this Request for Proposals, please contact Terry Rauh, at (240) 515-1864 or by e-mail at trauh@tedco.md

Exhibit A: TEDCO Annual Report

Maryland Technology Development Corporation (TEDCO)

Annual Report
and
Financial Statements

Fiscal Year 2020

Maryland Technology Development Corporation
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Suite 200
Columbia, Maryland 21046
410-740-9442

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Introduction

Technology continues to be the driving force for the New Economy and it is critical to Maryland's future. Maryland is richly endowed with technology assets – the largest concentration of federal laboratories of any State in the nation, nationally recognized research universities, a federal contractor base with a specialty in science, security and communications, and an emergent biotechnology cluster.

The Maryland Technology Development Corporation (TEDCO) was created by the General Assembly to:

> *"assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by colleges, universities, and federal research institutions; assist in the commercialization of technology developed in the private sector; foster the commercialization of research and development to create and sustain businesses throughout all regions of the State; invest in Maryland-based technology companies and promote the commercialization and growth of technology companies and jobs in the State; build a long-term entrepreneurial capacity and sustained venture capital presence in the State; create pathways to follow-on financing; and foster inclusive and diverse entrepreneurship and innovation throughout the State."*

TEDCO, a "body politic and corporate and constituted as a public instrumentality of the State," is governed by a 15-member Board of Directors, appointed by the Governor with the approval of the Senate and includes the Secretary of the Department of Commerce as a member.

Mission

Enhance economic development by fostering an inclusive entrepreneurial and innovation ecosystem. Identify, invest in, and help grow technology companies in Maryland.

Vision

TEDCO will be the recognized national leader for supporting translational research, and technology-based, economic and entrepreneurial development while being the hub of Maryland's innovation ecosystem.

Core Values

TEDCO's core values unite us and guide our efforts and interactions with people inside and outside of TEDCO. They are critical in TEDCO's commitment to excellence in carrying out its mission and serving its stakeholders:

- ***Accountability*** – We take responsibility for our actions and for adherence to our mission, and we ensure that this responsibility is ingrained throughout the organization. We measure our activities and report our outcomes to our stakeholders. We do the right thing.

- ***Collaboration*** – We focus on building trust and credibility across the organization and with our customers. We are transparent in the exchange of ideas and our encouragement of one another. We value teamwork in our pursuit of supporting innovation and entrepreneurial excellence.

- ***Integrity*** – We provide the best quality service to our customers and strive to exceed expectations. We pursue innovation and entrepreneurial success with the highest regard for moral and ethical standards. We stand by what we say and what we do, and we always act in an honest and open way.

- ***Respect*** – We uphold a culture of respect at work, within our communities, and nationally. We embrace diversity and value our employees for their individuality and the unique perspectives that they bring to the organization.

- ***Stewardship*** – We take seriously our responsibility to manage scarce resources and to serve as stewards of State, Federal, and private funds. We value our ability to carry out our mission and to serve our customers in an efficient and fiscally responsible manner. We encourage and empower TEDCO's staff to act in accordance with our culture.

Technology Transfer and Commercialization

Maryland Technology Commercialization Fund

TEDCO's primary initiative in technology transfer and commercialization is the Maryland Technology Commercialization Fund (TCF). TCF supports technology and product development by start-up companies often deemed too early in their development to gain the interest of traditional venture capital investments. TCF's investments are intended to defray the cost of the additional research and development activities that would move a specific technology or technology package to the threshold of commercialization.

FY2020 TCF Statistics

- # of investments - 3
- # of jobs in funded companies - 15
- Total $ invested - $600,000

Maryland Innovation Initiative

Chapter 450 of 2012 created the Maryland Innovation Initiative (MII). This program is intended to increase the rate of commercializing technologies developed in Maryland's research universities (Johns Hopkins, Morgan State, University of Maryland-College Park Campus, University of Maryland-Baltimore Campus, and University of Maryland-Baltimore County). The program achieves this goal through de-risking technologies through grant awards, startup creation, and investments. The MII program is governed by its own statute and independent Board of Directors.

FY2020 MII Statistics

- # of proposals - 71
- # of awards/investments - 44
- # of start-up companies formed - 14
- # of start-up companies funded - 11
- Total amount granted and invested - $5,494,782

Cybersecurity Investment Fund

Chapter 535 of 2014 created the Cybersecurity Investment Fund (CIF). The CIF is targeted to cyber security technologies and builds on TEDCO's Technology Commercialization Fund.

FY2020 CIF Statistics

- # of investments - 4
- # of jobs in funded companies - 4
- Total $ invested - $800,000

Life Science Investment Fund

The Life Science Investment Fund provides funding to companies developing products for human health that require FDA approval. This fund was transferred to TEDCO from the Department of Commerce's BioMaryland program. This program previously provided awards under the names Biotechnology Development Awards and the Translational Research Awards. TEDCO modified the funding program to better meet the demand of those life science companies with the most challenging commercialization pathways.

FY2020 LSIF Statistics

- # of investments - 4
- # of jobs in funded companies - 10
- Total $ invested - $800,000

Gap Investment Fund

The Gap Investment Fund seeks to make disbursements to start-up technology-based companies that are in need of capital to grow their businesses in Maryland. The disbursements are matched by investments the company has received from other sources. The purpose of this Fund is to help bridge the gap to traditional institutional venture capital. Companies must use Gap Investment Funds to employ new staff to grow and become more firmly established in Maryland.

FY2020 Gap Investment Fund Statistics

- # of investments - 2
- # of jobs in funded companies - 19
- $ awarded - $900,000

Coordinating Emerging Nanobiotechnology Research in Maryland Fund

Chapter 446 of 2008 created the Coordinating Emerging Nanobiotechnology Research in Maryland Fund. This program has never received an appropriation, and as such there is no program activity to report.

Technology Incubator Program

Incubator Development Fund

On June 1, 2001, TEDCO's enabling legislation was modified to create the Incubator Development Fund (IDF). To date, capital appropriations for the fund total $8,267,500. No new projects were funded in FY2020. The IDF summary is shown below:

Incubator	Funding Awarded
techcenter@UMBC	$1,000,000
Silver Spring Innovation Center	$1,000,000
ETC@Johns Hopkins Eastern	$1,000,000
Frederick Innovative Technology Center@Hood	$425,000
Prince George's County Technology Assistance Center	$230,000
Rockville Innovation Technology Center	$1,000,000
Frederick Innovative Technology Center@Monocacy	$562,500
Hagerstown Technical Innovation Center	$450,000
University of Maryland-Baltimore	$1,000,000
Germantown Innovation Center	$600,000
Dorchester County	$1,000,000
Subtotals	**$8,267,500**

Incubator Feasibility Studies

In order to identify appropriate opportunities for the creation of new or expanded incubator facilities, TEDCO will partner to sponsor independent, professional studies of the feasibility of potential incubator projects. Each study is sponsored by a local government, college, university, or non-profit corporation, and provides at least a 1:1 cash match. No feasibility studies were undertaken in FY 2020.

Business Assistance Fund

To support the incubator network in Maryland, TEDCO provides certain incubators with business assistance funding to assist them in providing innovative programming to their tenant and affiliate companies. The individual incubator grant amounts are determined through a competitive application process.

The funding is used for a variety of business assistance services that these incubators would not have been able to provide in-house. This includes but is not limited to the following types of assistance:

- negotiating strategic investments or partnerships
- raising venture funding
- recruiting top management
- reviewing business plans
- analyzing cash flow projections
- developing marketing strategies
- reviewing budget assumptions, cost structure and financial statements
- discussing potential public relations opportunities and researching media coverage
- identifying business opportunities with the federal government

Gateway Services

TEDCO Gateway Services, established in fiscal 2018, are intended to assist a promising start-up company accelerate its path toward key milestones. Our Gateway Services take several different forms, depending on the stage of the company and an assessment of its likely path forward. The TEDCO Gateway Team collaborates with the start-up company and its other advisors to create an advisory solution that complements and augments the other assistance being received by the entrepreneur. The types of services provided are described below.

Rural Business Innovation Initiative

Studies conducted by the United States Small Business Administration (SBA) have shown that high-tech companies based in rural areas are often impeded by the absence of infrastructure necessary to support technical commercial enterprises, and the inability to recruit critical masses of people with the appropriate education and skill sets to fully staff such enterprises. However, the same studies show that when rural policy initiatives are enacted to provide small business assistance through non-profits and rural development centers, economic development in those areas is enhanced.

To this end, the Maryland Congressional delegation supported a federal SBA award to TEDCO to address the needs of small businesses in the rural areas of Maryland (Western MD, Southern MD, Northeastern MD, Upper Eastern Shore and Lower Eastern Shore) through the Rural Business Innovation Initiative (RBII). This funding was augmented by TEDCO funds to ensure a complete reach of the rural parts of the State. TEDCO brought on Business Mentors from the local areas to enhance technology commercialization activities by providing technical and business assistance to incubator-stage companies and incubators in the targeted counties.

The RBII program has been well-received by the rural businesses and elected officials and has been successful in providing technical assistance to the entrepreneurs in the rural areas. The hands-on involvement of the Business Mentors and the technical assistance of third-party consultants have been key factors in furthering the growth of these start-up companies.

In fiscal 2020, Business Mentors actively supported, with on-going mentoring, 104 companies resulting in 1537 hours of mentoring, and 1 company received pre-seed investments and 10 companies received grant funding.

Examples of business assistance included:

- Market studies
- Competitive analysis
- Funding source identification assistance
- Funding for infrastructure development
- Funding for technical assistance
- Funding for product development

In addition, the RBI program also organized Intellectual Property and Investor Readiness Workshops as well as sponsored and participated in a number of rural entrepreneurship-oriented events. RBI also partnered with a local university to build and sponsor an eight-week interactive rural iCorp course for rural companies.

Advisory Services

Growing great companies takes more than money and Maryland's entrepreneurs repeatedly express the need for assistance in certain very specific areas. To help meet that need TEDCO has partnered with a series of consultants that have current, relevant experience in one or more of these specific areas. This curated set of Network Advisors brings its broad and diversified depth of experience to bear on the unique needs of Maryland's start-up companies – the entire effort is dedicated to helping the State's technology-based entrepreneurs reach their full potential.

Prelude Pitch

Each month, TEDCO invites start-up companies to give their pitch in front of our team members and experienced mentors to receive valuable feedback and an introduction to TEDCO. In fiscal 2020, TEDCO held several Prelude Pitch events which provided 32 companies an opportunity to pitch their ideas. A total of 30 Network Advisors volunteered their time for these events, which were held at TEDCO, a range of local incubators, as well as, a local university and business.

Roundtables

The CEO Roundtable groups 10 to 12 non-competitive portfolio entrepreneurs around a common theme – industry vertical, demographic, or stage of development. It is expected that each roundtable will continue to operate as long as it remains relevant. Participants are asked to make a soft commitment of one year to the roundtable, but turnover is anticipated and, once established, the facilitator and roundtable group will approve new members. There are 4 other roundtables aside from the CEO Roundtable: Women's Roundtable, AI Roundtable, SaaS Roundtable, and ED Tech Roundtable.

Builder Fund

The Pre-seed Builder Fund (or Builder Fund) was created to financially and operationally support the development of startup companies run by entrepreneurs who demonstrate a socially or economically disadvantaged background that hinders access to traditional forms of capital and executive networks at the pre-seed stage. Companies selected for Builder Fund support receive either executive management assistance, direct investment, or both, to accomplish specified milestones that better position the company for follow-on, professional investment. The Builder Fund differentiates itself by identifying exceptional investment opportunities statewide operated by anyone who can exert proof of their disadvantaged status (e.g., women, minorities, rural-based, disabled, veteran, etc.) by collaboratively advancing the development of those opportunities in ways that can lead to the next stage of investment. This program supports TEDCO’s overall mission of discovering, investing in, and helping to build great, Maryland-based companies that grow and last. In FY 2020, the program provided funding to 8 companies.

To provide additional support, TEDCO advises companies of other State programs for minority and women-owned businesses. Specifically, all companies are informed of the services and investment programs under the Maryland Small Business Development Financing Authority (MSBDFA). TEDCO will systematically make referrals to MSBDFA for all companies that express an interest in other resources.

On-line Educational Resources

There are a lot of educational materials on entrepreneurship that can be found on-line. The current thinking around best practices in entrepreneurship revolves around the lean start-up approach. TEDCO believes strongly that entrepreneurs in most technology sectors should follow these practices when working to establish a company. Here you can find resources that may be helpful with accomplishing those goals. The TEDCO website links entrepreneurs to a variety of available and accessible on-line educational resources.

Market Search Databases

Many start-up companies fail due to a lack of understanding of their market. While there is no substitute for talking to potential customers, entrepreneurs first need to assess their potential market at a general level. An understanding of competitors, industry trends, and market segments through secondary research is an important part of developing a plan to launch a business. Moreover, entrepreneurs that do not have a solid understanding of their market will find it difficult to raise funding from TEDCO and other investors.

The Market Search Services provided by TEDCO are available at three locations. The services are a resource to help entrepreneurs address the challenges of conducting market assessments. The goal is to improve the market assessment and opportunity analysis associated with the development of business plans and applications for TEDCO’s funding programs.

Federal Laboratory Technology Initiatives

NIST-Science and Technology Entrepreneurship Program

The overall objective of N-STEP (NIST – Science and Technology Entrepreneurship Program) is to provide opportunities for motivated researchers to build upon the experience gained while working at National Institute of Standards and Technology (NIST) as they explore entrepreneurial careers. The Program is focused on commercialization of research performed at NIST by employees nearing the end of their term of employment (including graduating post docs) that are interested in forming companies to independently pursue further translational research and development of technologies specifically related to NIST's mission, so that the technologies can be commercialized as products or services to benefit the public. Ten awards have been made with funding available for ten more. Since this is supported with federal funds the program is national in scope. Of the ten awards, seven have been to Maryland startup companies.

FAST Grant – SBIR/STTR Proposal Lab

The Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) Proposal Lab is a new series of workshops funded, in part, by the Small Business Administration beginning in 2018 with a TEDCO match of cash and in-kind effort. TEDCO teamed with the GovCon Incubator and the Small Business Development Center (SBDC). The output of the program will be an increase in the win rate for first time SBIR/STTR proposals from Women Owned, Small Disadvantaged, and Rural Maryland businesses. The SBA's goal is to double the national win rate for first time proposals from 16% to 32%. Not only does the SBIR/STTR Proposal Lab help with the SBIR/STTR win rate, it also provides business skills that improve the entrepreneur's overall business acumen. The initial effort had a training cohort of 22 companies. The results are preliminary, but promising. To build on the program, TEDCO applied for and received a second FAST program award to repeat the SBIR/STTR Proposal Lab incorporating the lessons learned in the first effort. The results of these two efforts may be seen as a Federally subsidized pilot program for future TEDCO consideration. For FY 2021, TEDCO will receive another federal award to ensure that the program continues for an additional two years.

TEDCO Administration – Salaries and Incentives

In accordance with § 10-415(a)(2)(iii) of the Economic Development Article, the following exhibit provides the salaries and incentives as approved by the Board for TEDCO employees for fiscal 2020. The data represents approved positions and compensation, not actual expenditures, as several positions were vacant for at least a portion of the fiscal year.

Fiscal 2020 Positions – Salary and Incentive Summary

Title	Number of Positions	Total Salaries	Total Incentives*	Total Annual Compensation
Executive Management	3	$238,481	$0	$238,481
Vice President	4	$669,068	$111,257	$780,325
Program Director	10	$1,000,430	$140,252	$1,140,682
Assistant Director	4	$354,615	$40,000	394,615
Associate	5	$213,836	$19,300	$233,136
Administration	5	$258,787	$22,010	$280,797
Total		**$2,735,218**	**$332,819**	**$3,068,037**

*Total incentives represent FY 2019 incentives paid in FY 2020. The were no incentives authorized in FY 2020

The Board of Directors and the executive staff of TEDCO are currently reviewing TEDCO's compensation policy, including the use of bonuses, to ensure that the compensation structure conforms to existing state practices; while encouraging recruitment and retention. For FY 2020, the Board decided to eliminate bonuses.

Current TEDCO Investments

In accordance with § 10-415(a)(2) of the Economic Development Article, Appendix B of this report includes detailed information on all entities that have current investments from TEDCO programs. Specifically, the report includes information on the place of principal business operations, the number of employees in and outside of the State, capital investments; job creation; and a determination of which entities are qualified businesses as established by Chapter 487 and 488 of 2019.

The information contained in Appendix B reflect investments made prior to the enactment of Chapter 487 and 488 of 2019. As such, some portfolio companies fall outside of the new definition of qualified business. This is due, in most cases, to the growth of the company's staff (sales staff, technical staff, etc.) outside of Maryland. In other instances, the Maryland company is acquired by an out-of-state company and therefore falls outside the designation of qualified business. In a smaller number of cases, the company failed to prosper and decided to shutter its operations. It should be noted that some companies fail to report this data to TEDCO; however, TEDCO continues to encourage accurate and timely reporting of data. Despite these challenges, the majority of portfolio companies meet the reporting standards and meet the newly adopted requirements in the statute for qualified businesses.

The statute also requires that TEDCO report on the creation of; appointments to, and responsibilities of any advisory committee related to its investments. At this time, TEDCO has not created, nor does it have plans to create, an advisory committee for its investments. TEDCO's Investment Committee and the Maryland Venture Fund Authority have been reconstituted and have begun meeting in accordance with statute.

Maryland Stem Cell Research Fund

A more detailed report regarding the project summary and financial support will be provided in the 2020 Stem Cell Annual Report to the Governor as indicated in section § 10-442 of the Economic Development Article. This report is due on or before January 1.

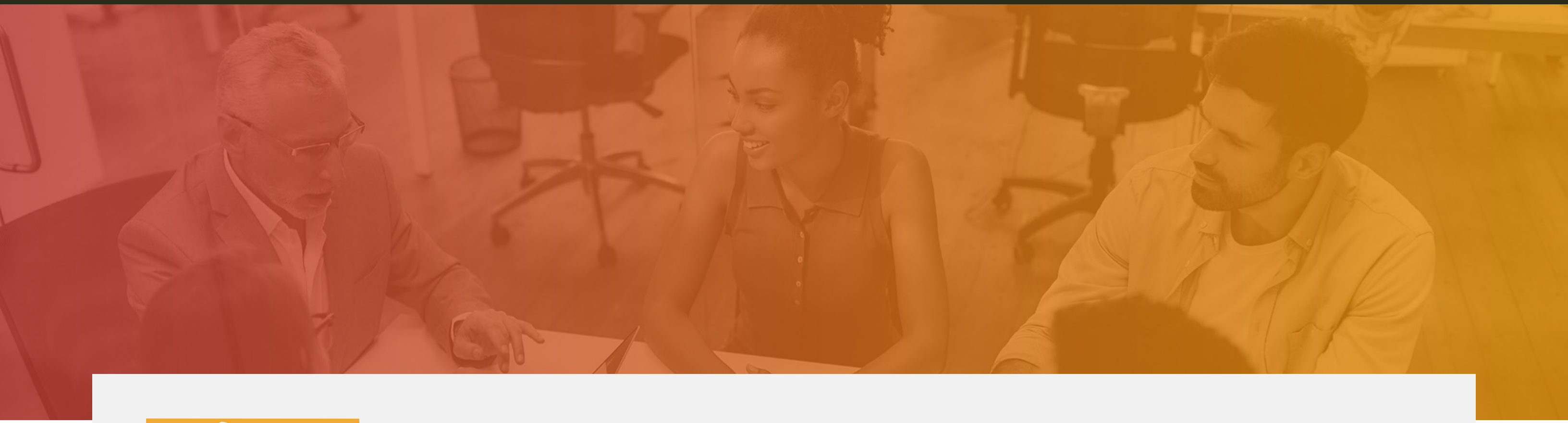
Maryland Venture Fund

The Maryland Venture Fund was transferred from the Department of Business and Economic Development to TEDCO on October 1, 2015. A more detailed report regarding this program will be provided in the 2020 Maryland Venture Fund Annual Report to the Governor, the Senate Budget and Taxation Committee and the House Ways and Means Committee as required by § 10-499 of the Economic Development Article. This report is due on or before January 1.

Exhibit B: TEDCO Program Information and Core Values Statement

MARYLAND'S SOURCE FOR
START-UP SUCCESS

TEDCO
LEADING INNOVATION TO MARKET



TEDCO enhances economic development by fostering an inclusive and entrepreneurial innovation ecosystem. We identify, invest in, and help grow technology companies in Maryland.

FUNDING

TECH TRANSFER

MARYLAND STEM CELL RESEARCH FUND

Accelerating human stem cell-based research and cures through grants to public and private entities in the State.

MARYLAND INNOVATION INITIATIVE FUND

Accelerating to market promising technologies with significant commercial potential from Maryland academic research institutions.

FUNDING

PRE-SEED INVESTMENT

BUILDER FUND

Invests in and provides executive support to Maryland-based technology companies run by entrepreneurs who demonstrate economic disadvantage. With the goal of helping companies reach meaningful milestones and becoming attractive investments to larger institutional investors.

RURAL BUSINESS INNOVATION INITIATIVE FUND

Supporting the growth of technology-based companies in Maryland's rural regions.

FUNDING

INVESTMENT

SEED INVESTMENT FUND

Working alongside entrepreneurs to drive the next wave of start-ups.

MARYLAND VENTURE FUND

Investing in early-stage companies to grow the next generation of outstanding businesses in Maryland.

For more information, visit tedcomd.com

MARYLAND'S SOURCE FOR START-UP SUCCESS

TEDCO
LEADING INNOVATION TO MARKET

RESOURCES

TEDCO is supporting entrepreneurs with the creation and growth of their ventures through the availability of valuable resources.

ADVISORY SERVICES

- Network Advisors
- Start-up Orientation Forum
- Rural Business Innovation Initiative
- Market Search
- Prelude Pitch

BUSINESS RESOURCES

- Online Educational Tools
- Marketing Toolkit
- Roundtables

ECONOMIC IMPACT

$1.6B OF ECONOMIC IMPACT IN MARYLAND AS OF 2018

OVER **$200M** in follow-on investment received by companies funded by Maryland Innovation Initiative.

OVER **$144M** and 436 grants have been committed through the Maryland Stem Cell Research Fund.

OVER **7,800** jobs supported through TEDCO funding.

OVER **$50M** contributed by Maryland Venture Fund companies in federal tax revenue.

OVER **$67M** generated in-state and local tax revenue annually.

For more information, visit tedcomd.com

Exhibit C: TEDCO FY2020 Audited Financial Statements

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2020 AND 2019

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
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YEARS ENDED JUNE 30, 2020 AND 2019

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Maryland Technology Development Corporation (TEDCO)
Columbia, Maryland

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Maryland Technology Development Corporation (TEDCO), a component unit of the state of Maryland, as of and for the years ended June 30, 2020 and 2019, and the related notes to the consolidated financial statements, which collectively comprise TEDCO's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of TEDCO as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise TEDCO's basic consolidated financial statements. The consolidating schedules of net position, consolidating schedules of revenues, expenses, and changes in net position, and the schedules of activities (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Board of Directors
Maryland Technology Development Corporation (TEDCO)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, on our consideration of TEDCO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TEDCO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TEDCO's internal control over financial reporting and compliance

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 1, 2020

Brief Discussion of the Basic Financial Statements

Maryland Technology Development Corporation (TEDCO) is a body corporate and politic and is constituted as a public instrumentality of the State of Maryland. TEDCO's mission upon creation was to capitalize on the vast underutilized technology assets in the State's research universities through commercialization. TEDCO's mission has since been expanded to include supporting business incubation, entrepreneurship and community building. TEDCO's program activity includes grants and investments focused on technology commercialization, financial support for incubators, and educational and coaching activities for entrepreneurs. TEDCO also administers the Maryland Stem Cell Research Fund, which promotes State-funded stem cell research through grants to public and private entities in the State, along with administering the Maryland Innovation Initiative which is focused on supporting technology proof of concept and commercialization projects for known market needs.

Fiscal Year 2020 was a productive period for TEDCO. Interest in our programs and services remained high as evidenced by a large demand for staff mentoring/counseling and strong attendance at our events, including more than 1,100 attendees at the annual Entrepreneur Expo. Some specific program statistics follow:

- Technology Commercialization Fund (TCF)
  - 41 applications, 3 companies funded, $600,000 deployed
- Life Science Investment Fund (LSIF)
  - 17 applications, 4 companies funded, $800,000 deployed
- Cyber Security Investment Fund (CIF)
  - 12 applications, 4 companies funded, $800,000 deployed
- Maryland Stem Cell Research Fund (MSCRF)
  - 91 applications, 26 projects funded, $8,420,063 deployed
- Maryland Innovation Initiative (MII)
  - 71 applications, 44 projects funded, $5,494,782 deployed
- GAP Investment Fund
  - 12 applications, 2 companies funded, $850,000 deployed
- Builder Fund
  - 40 applications, 8 projects funded, $450,000 deployed

TEDCO continues to be one of the most active players in the innovation and entrepreneurship community in the State. Examples of this activity include active board roles on several Maryland incubators, tech council and industry groups; organizing one of the region's largest community event in the entrepreneurial ecosystem, the award winning Entrepreneur Expo; sponsoring and participating in numerous smaller events throughout the State; and enhancing economic development in our rural communities with a dedicated program to help grow technology innovations.

A key ingredient to TEDCO's success is its partnerships. These partnerships take many forms. Examples include those with tech transfer offices in university and federal labs focused on commercialization efforts, partnering with other community members on programs and grant applications, state and local economic development agencies on community building, and state and federal legislators through testimonial support of policy and program initiatives.

Brief Discussion of the Basic Financial Statements (Continued)

This annual report consists of the consolidated statements of net position, the consolidated statements of revenues, expenses, and changes in net position, the consolidated statements of cash flows, and notes to the consolidated financial statements, which provide information about the activities of TEDCO.

The discussion and analysis that follows presents a general overview of the financial performance and activities of TEDCO from July 1, 2019 through June 30, 2020. As required supplementary information, the analysis should be used in conjunction with the consolidated financial statements and related notes to assess the overall financial condition and reported results of operations of TEDCO.

Comparative Financial Statements

Condensed statements of net position:

	2020	2019	2018	2020 / 2019 Change	2019 / 2018 Change
CURRENT ASSETS					
Cash and Cash Equivalents	$ 48,707,485	$ 36,114,368	$ 27,968,092	$ 12,593,117	$ 8,146,276
Investments	4,654,450	6,175,586	6,104,607	(1,521,136)	70,979
Accounts Receivable	817,207	444,202	579,676	373,005	(135,474)
Grants Receivable	25,000	25,000	25,000	-	-
Current Portion of Notes Receivable	1,212,799	807,869	679,461	404,930	128,408
Due from Maryland Innovation Opportunity Fund I, LLC	-	-	999,999	-	(999,999)
Prepaid Expenses and Other Current Assets	93,134	78,868	113,864	14,266	(34,996)
Total Current Assets	55,510,075	43,645,893	36,470,699	11,864,182	7,175,194
NONCURRENT ASSETS					
Restricted Cash	3,187,091	8,263,638	13,596,809	(5,076,547)	(5,333,171)
Investments	65,508,016	74,388,898	74,662,221	(8,880,882)	(273,323)
Grants Receivable	875,000	900,000	925,000	(25,000)	(25,000)
Notes Receivable	10,595,476	9,488,815	11,837,990	1,106,661	(2,349,175)
Deposits	72,340	77,066	77,015	(4,726)	51
Capital Assets	13,863	15,725	49,847	(1,862)	(34,122)
Total Noncurrent Assets	80,251,786	93,134,142	101,148,882	(12,882,356)	(8,014,740)
Total Assets	$ 135,761,861	$ 136,780,035	$ 137,619,581	$ (1,018,174)	$ (839,546)
LIABILITIES					
Current Liabilities	$ 22,472,131	$ 19,896,039	$ 22,648,573	$ 2,576,092	$ (2,752,534)
Other Liabilities	270,449	288,512	298,315	(18,063)	(9,803)
Total Liabilities	22,742,580	20,184,551	22,946,888	2,558,029	(2,762,337)
NET POSITION					
Net Investment in Capital Assets	13,863	15,725	49,847	(1,862)	(34,122)
Unrestricted	113,005,418	116,579,759	114,622,846	(3,574,341)	1,956,913
Total Net Position	113,019,281	116,595,484	114,672,693	(3,576,203)	1,922,791
Total Liabilities and Net Position	$ 135,761,861	$ 136,780,035	$ 137,619,581	$ (1,018,174)	$ (839,546)

Comparative Financial Statements (Continued)

The largest portions of TEDCO's total assets as of June 30, 2020 are investments of $70,162,466, cash and cash equivalents, including restricted cash, of $51,894,756, and notes receivable of $11,808,275.

The largest portions of TEDCO's total assets as of June 30, 2019 are investments of $80,564,484, cash and cash equivalents, including restricted cash of $44,378,006, and notes receivable of $10,296,684.

The largest portion of TEDCO's total liabilities as of June 30, 2020 are stem cell and other grants payable of $13,326,549.

The largest portion of TEDCO's total liabilities as of June 30, 2019 are stem cell and other grants payable of $11,255,492.

Condensed statements of revenues, expenses, and changes in net position:

	2020	2019	2018	2019 / 2018 Change	2018 / 2017 Change
Operating Revenues – Grants and Other	$ 23,290,430	$ 25,323,047	$ 27,948,837	$ (2,032,617)	$ (2,625,790)
Operating Expenses					
Stem Cell Program	9,388,014	8,203,472	9,440,660	1,184,542	(1,237,188)
Tech Transfer	8,141,328	10,151,401	8,760,414	(2,010,073)	1,390,987
Business Incubation	2,066,100	2,252,857	2,273,894	(186,757)	(21,037)
Maryland Venture Fund	1,929,465	1,910,251	1,609,214	19,214	301,037
General Administration	1,045,677	1,700,136	1,677,819	(654,459)	22,317
Total Operating Expenses	22,570,584	24,218,117	23,762,001	(1,647,533)	456,116
Net Operating Income	719,846	1,104,930	4,186,836	(385,084)	(3,081,906)
Investment Earnings	266,994	5,577,021	7,259,595	(5,310,027)	(1,682,574)
Transfer to State of Maryland	(4,563,043)	(4,759,160)	(712,006)	196,117	(4,047,154)
Increase in Net Position	$ (3,576,203)	$ 1,922,791	$ 10,734,425	$ (5,498,994)	$ (8,811,634)
Total Revenues	$ 23,557,424	$ 30,900,068	$ 35,208,432	$ (7,342,644)	$ (4,308,364)

Analysis of Overall Financial Position and Results of Operations

TEDCO's revenues are derived primarily from State and Federal operating grants, the Maryland Stem Cell Research Fund (MSCRF), the Maryland Innovation Initiative (MII), sponsorships and royalties, and investment earnings. TEDCO's revenues decreased approximately 24% from $30,900,068 as of June 30, 2019 to $23,557,424 as of June 30, 2020. This decrease was due to a reduction in Investment Earnings ($5.3M) along with a reduction in Operating Revenue – Grants and Other ($2M).

TEDCO's revenues decreased approximately 12% from $35,208,432 as of June 30, 2018 to $30,900,068 as of June 30, 2019. This decrease was due to reductions in MII revenue, TEDCO Operations, and Federal Grants.

TEDCO's Programs & Operations revenue (not including stem cell and MII) from the State of Maryland decreased approximately 1.8% from $6,172,996 as of June 30, 2019 to $6,060,751 as of June 30, 2020.

Analysis of Overall Financial Position and Results of Operations (Continued)

TEDCO's Programs & Operations revenue (not including stem cell and MII) from the State of Maryland decreased approximately 9% from $6,773,191 as of June 30, 2018 to $6,172,996 as of June 30, 2019. This decrease is primarily due to a decrease in the Cyber Investment and Life Science Investment Fund awards, and the associated revenue earned from the State.

TEDCO's current assets increased 27% from $43,645,893 as of June 30, 2019 to $55,510,075 as of June 30, 2020. The increase is due to an increase in cash and convertible notes.

TEDCO's current assets increased 20% from $36,470,699 as of June 30, 2019 to $43,645,893 as of June 30, 2020. This increase is due to additional cash held in the Maryland Venture Fund accounts from returns received from companies.

TEDCO's noncurrent assets decreased approximately 14% from $93,134,142 as of June 30, 2019 to $80,251,786 as of June 30, 2020. This decrease was due to a reduction in restricted cash of $5M, a reduction in the value of Investments of $9.9M offset by an increase in Notes Receivable $1.1M.

TEDCO's noncurrent assets decreased approximately 8% from $101,148,882 as of June 30, 2018 to $93,134,142 as of June 30, 2019. This decrease was due to a reduction in restricted cash of $5M and Notes Receivable $2M.

TEDCO's current liabilities increased 13% from $19,896,039 as of June 30, 2019 to $22,472,131 as of June 30, 2020. This increase is due to an increase in Stem Cell Grants Payable.

TEDCO's current liabilities decreased 12% from $22,648,573 as of June 30, 2018 to $19,896,039 as of June 30, 2019. This decrease is due to a decrease in payables offset by an increase in the MVF due to State of Maryland.

Operating expenses decreased approximately 7% from $24,218,117 as of June 30, 2019 to $22,570,584 as of June 30, 2020. This is due to a reduction of expenses in Tech Transfer ($2M) and General and Administrative ($600k), offset by an increase in Stem Cell awards ($1.1M).

Operating expenses increased approximately 2% from $23,762,001 as of June 30, 2018 to $24,218,117 as of June 30, 2019. This is due to reduced funds expended for Stem Cell awards offset by additional TCF awards.

Net position decreased approximately 3% from $116,595,484 as of June 30, 2019 to $113,019,281 as of June 30, 2020.

Net position increased approximately 2% from $114,672,693 as of June 30, 2018 to $116,595,484 as of June 30, 2019.

Description of Capital Asset and Long-Term Debt Activity

During fiscal year 2020, TEDCO did not purchase any major capital assets. Computer equipment was purchased at a cost of $6,940. Depreciation and amortization expense was $8,802 for the year ended June 30, 2020.

Description of Capital Asset and Long-Term Debt Activity (Continued)

During fiscal year 2019, TEDCO did not purchase any major capital assets. Computer equipment was purchased at a cost of $4,379. Depreciation and amortization expense was $38,501 for the year ended June 30, 2019.

TEDCO does not have any long-term debt.

Discussion of Currently Known Facts, Decisions, or Conditions

Fiscal Year 2021 State-Funded Operating Budget

The total State appropriation to TEDCO for fiscal year 2021 is $20,474,480.
The breakdown of funds is:

- Operating Programs-$3,023,192
- Stem Cell Research Fund-$8,200,000
- Maryland Innovation Initiative-$4,800,000
- Rural Business Innovation Initiative-$500,000
- Maryland Industrial Partnerships-$300,000
- Cybersecurity Investment Fund-$900,000
- Life Science Investment Fund-$1,001,288
- Gap Investment Fund-$1,000,000
- Builder Investment Fund-$1,000,000

The purpose of the Maryland Stem Cell Research Fund is to promote State-funded stem cell research and cures through grants to public and private entities in the State. The Fund is a special, non-lapsing fund that is not subject to the State Finance and Procurement Article. The Maryland Stem Cell Commission (the Commission), established by the Maryland General Assembly, has established an independent scientific peer review committee composed of nationally-recognized scientific experts in the field of stem cell research. The Committee reviews, ranks, and rates research proposals for State-funded stem cell research based on procedures and guidelines established by the Commission, and in a manner that gives due consideration to the scientific, medical, and ethical implications of the research. The Committee will then make recommendations to the Commission, based on the ranking and ratings awarded to each research proposal according to its scientific merit.

The Maryland Innovation Initiative (MII) was established in 2012 to accelerate the rate of commercializing university-developed technologies in Maryland. The MII will partner with the University of Maryland-College Park, the University of Maryland-Baltimore, the University of Maryland-Baltimore County, Morgan State University and Johns Hopkins University. In addition to the $4,800,000, each of the five Universities contribute into this program for an additional $800,000.

The Cybersecurity Investment Fund will support Maryland companies to develop and commercialize new cybersecurity products.

The Rural Business Innovation Initiative assists start-up and small technology-based businesses in the rural areas of Maryland to advance the company to a higher level of success. The program offers professional ongoing mentoring and targeted projects to help companies succeed at no cost to the company.

Discussion of Currently Known Facts, Decisions, or Conditions (Continued)

Fiscal Year 2021 State Operating Budget (Continued)

The Life Science Investment Fund assists Maryland companies developing products addressing human health that require approval from the U.S. Food and Drug Administration (FDA) for commercialization.

The Gap Investment Fund addresses the critical gap in capital that exists between seed and venture investments, which often comes when companies are most vulnerable to leaving Maryland for investments from other states. The Gap Investment Fund helps retain these Maryland companies, many of which have already taken advantage of Maryland's various seed and pre-seed funding resources.

The Builder Investment Fund evolved from the Minority Business Pre-Seed Fund that was created in FY2017. The Builder Fund was created to financially and operationally support the development of start-up companies run by entrepreneurs who demonstrate a socially or economically disadvantaged background that hinders access to traditional forms of capital and executive networks at the pre-seed stage. Companies selected for a Builder Fund investment will also receive executive support to better position the company to receive follow-on, professional investment in 12 – 18 months. The Builder Fund differentiates itself by identifying exceptional investment opportunities in markets that are often overlooked by traditional funding organizations, by advancing the development of those opportunities, and by making valuable introductions that can lead to the next stage of investment.

The Enterprise Investment Fund is Maryland Venture Fund's flagship fund. The Fund invests in early-stage growth companies that are leaders in software, hardware, cybersecurity or life science verticals. The typical initial investment ranges from $300,000 to $1,000,000 with the potential for additional investment for follow-on opportunities. The Enterprise Fund is an "evergreen fund" that reinvests returns into new and existing Maryland-based companies based on several factors that include the potential opportunity, Return on Investment and impact on economic development for Maryland.

In fiscal year 2018, TEDCO began administering $26,499,984 from the Maryland State Pension and Retirement Agency for the Maryland Innovation Opportunity Fund I. This Fund made $9,453,256 and $4,564,215 in venture investments in start-up companies in Maryland in fiscal year 2019 and 2018, respectively.

Growing great companies takes more than money and Maryland's entrepreneurs repeatedly express the need for assistance in certain very specific areas. To help meet that need TEDCO has partnered with a series of consultants that have current, relevant experience in one or more of these specific areas. This curated set of Network Advisors brings its broad and diversified depth of experience to bear on the unique needs of Maryland's start-up companies – the entire effort is dedicated to helping the State's technology-based entrepreneurs reach their full potential.

Contacting TEDCO

Interested parties can contact TEDCO at 7021 Columbia Gateway Drive, Suite 200, Columbia, Maryland, 21046.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
CONSOLIDATED STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 48,707,485	$ 36,114,368
Investments	4,654,450	6,175,586
Accounts Receivable	817,207	444,202
Grants Receivable	25,000	25,000
Current Portion of Notes Receivable (Net of Allowance of $779,931 for 2020 and $527,986 for 2019)	1,212,799	807,869
Prepaid Expenses and Other Current Assets	93,134	78,868
Total Current Assets	55,510,075	43,645,893
NONCURRENT ASSETS		
Restricted Cash	3,187,091	8,263,638
Investments	65,508,016	74,388,898
Grants Receivable – Noncurrent	875,000	900,000
Notes Receivable – Noncurrent (Net of Allowance of $3,908,821 for 2020 and $2,388,664 for 2019)	10,595,476	9,488,815
Deposits	72,340	77,066
Capital Assets (Net of Accumulated Depreciation and Amortization of $262,687 for 2020 and $253,885 for 2019)	13,863	15,725
Total Noncurrent Assets	80,251,786	93,134,142
Total Assets	$ 135,761,861	$ 136,780,035
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 1,752,441	$ 575,903
Stem Cell Grants Payable	10,880,227	8,941,135
Other Grants Payable	2,446,322	2,314,357
Due to State of Maryland	4,563,043	4,759,160
Unearned Grant Revenue	2,830,098	3,305,484
Total Current Liabilities	22,472,131	19,896,039
OTHER LIABILITIES		
Deferred Rent	270,449	288,512
Total Liabilities	22,742,580	20,184,551
NET POSITION		
Net Investment in Capital Assets	13,863	15,725
Unrestricted	113,005,418	116,579,759
Total Net Position	113,019,281	116,595,484
Total Liabilities and Net Position	$ 135,761,861	$ 136,780,035

See accompanying Notes to Consolidated Financial Statements.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
State of Maryland Grants:		
Maryland Stem Cell Research	$ 9,388,012	$ 8,203,324
Maryland Innovation Initiative	5,628,298	5,252,393
TEDCO Operations	6,060,751	6,172,996
Total State of Maryland Grants	21,077,061	19,628,713
Federal Grants	808,882	3,643,870
Sponsorships	113,704	51,645
Royalties	395,260	333,033
Other Revenues	895,523	1,665,786
Total Operating Revenues	23,290,430	25,323,047
OPERATING EXPENSES		
Stem Cell Program	9,388,014	8,203,472
Tech Transfer	8,141,328	10,151,401
Business Incubation	2,066,100	2,252,857
Maryland Venture Fund	1,929,465	1,910,251
General Administration	1,045,677	1,700,136
Total Operating Expenses	22,570,584	24,218,117
NET OPERATING INCOME	719,846	1,104,930
NONOPERATING REVENUES		
Investment Earnings	266,994	5,577,021
TRANSFER TO STATE OF MARYLAND	(4,563,043)	(4,759,160)
INCREASE (DECREASE) IN NET POSITION	(3,576,203)	1,922,791
Net Position – Beginning of Year	116,595,484	114,672,693
NET POSITION – END OF YEAR	$ 113,019,281	$ 116,595,484

See accompanying Notes to Consolidated Financial Statements.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Operations	$ 22,467,039	$ 23,357,719
Cash Paid for Operations	(17,730,172)	(23,358,222)
Net Cash Provided (Used) by Operating Activities	4,736,867	(503)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	15,173,830	15,752,831
Purchases of Investments	(4,934,676)	(12,839,974)
Payments on Notes Receivable	2,828,215	4,168,210
Advances of Notes Receivable	(5,947,191)	(5,497,030)
Cash Received for Interest Notes Receivable	425,625	1,945,956
Capital and Related Purchases of Property and Equipment	(6,940)	(4,379)
Net Cash Provided by Investing Activities	7,538,863	3,525,614
TRANSFER TO STATE OF MARYLAND GENERAL FUND	(4,759,160)	(712,006)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,516,570	2,813,105
Net Cash and Cash Equivalents and Restricted Cash – Beginning of Year	44,378,006	41,564,901
NET CASH AND CASH EQUIVALENTS AND RESTRICTED CASH – END OF YEAR	$ 51,894,576	$ 44,378,006
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Operating Income	$ 719,846	$ 1,104,930
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	8,802	38,501
Provision for Bad Debt	1,611,618	4,470,139
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(373,005)	135,474
Grants Receivable	25,000	25,000
Due from Maryland Innovation Opportunity Fund I, LLC	-	999,999
Prepaid Expenses and Other Current Assets	(14,266)	34,996
Deposits	4,726	(51)
Accounts Payable and Accrued Expenses	1,176,538	(804,113)
Stem Cell Grants Payable	1,939,092	(3,592,895)
Grants Payable	131,965	(276,878)
Unearned Grant Revenue	(475,386)	(2,125,802)
Deferred Rent	(18,063)	(9,803)
Net Cash Provided (Used) by Operating Activities	$ 4,736,867	$ (503)
NONCASH INVESTING ACTIVITIES		
Convertible Notes Receivable Converted to Equity Securities	$ 200,000	$ 700,000
Increase (Decrease) in Fair Value of Investments	(362,864)	2,010,513
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	$ 48,707,485	$ 36,114,368
Restricted Cash	3,187,091	8,263,638
Total Cash and Cash Equivalents and Restricted Cash	$ 51,894,576	$ 44,378,006

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Maryland Technology Development Corporation (TEDCO) was established as a body corporate and politic and a public instrumentality of the state of Maryland (the State). TEDCO's board of directors consists of 15 individuals, the Secretary of the Maryland Department of Commerce and 14 members appointed by the Governor with the advice and consent of the State Senate. TEDCO works to:

- Assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by colleges, universities and federal labs.
- Assist in the commercialization of technology developed in the private sector. Foster commercialization of the research and development described above to create and sustain businesses throughout all regions of the State.
- Administer the Maryland Technology Incubator Program by promoting 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.
- Administer the Maryland Stem Cell Research Fund. The purpose of the Fund is to promote state-funded stem cell research and cures through grants to public and private entities in the State. The Fund is a special, nonlapsing fund that is not subject to the State Finance and Procurement Article.
- Administer the Maryland Venture Fund, to make direct investments in early-stage technology and life science companies and indirect investments in venture capital funds.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Maryland Technology Development Corporation and the Maryland Venture Fund. All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

All of TEDCO's activities are reported as an enterprise fund as defined by Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. Financial reporting for enterprise funds conforms to accounting principles generally applicable to the transactions of similar commercial enterprises and utilizes the full accrual method of accounting.

TEDCO prepares its financial statements using the "economic resources" measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The statement of net position presents all of the TEDCO's assets, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as "net position." The statement combines and

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

consolidates all of the TEDCO's current financial resources with capital assets (net of accumulated depreciation) and liabilities. The end result is categorized as unrestricted net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All of TEDCO is required to follow all statements of the GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature. Other pronouncements of FASB are not applied in the preparation of the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts, overnight investment accounts, money market funds invested in federal government obligations, and cash and short-term investments on deposit with the State Treasurer. TEDCO considers all short-term securities with an original maturity of three months or less at the date of purchase to be cash equivalents. Certain grants require that TEDCO hold the grant monies in separate bank accounts.

The Annotated Code of Maryland requires TEDCO to maintain its cash balances on deposit with the State Treasurer, except for cash and cash equivalent accounts established to satisfy urgent cash requirements or proceeds of TEDCO financing arrangements. The State Treasurer maintains State funds on a pooled basis in accordance with the Annotated Code of Maryland.

Restricted Cash

Restricted cash represents amounts on deposit with the State Treasurer of $141,698 and $5,025,618 and with commercial banks of $3,045,393 and $3,238,020 as of June 30, 2020 and 2019, respectively. These amounts are designated to fulfill funding commitments of certain investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable represent amounts appropriated from the state of Maryland. Accounts receivable are reported at their outstanding balances. Based on past experience with accounts receivable from the state of Maryland, TEDCO's management believes that no allowance for doubtful accounts is necessary.

Grants Receivable

Grants receivable consist of amounts due from granting agencies resulting from allowable expenditures incurred that have not been recovered as of the end of the fiscal year. Grants receivable are reported at their outstanding balances.

Notes Receivable

TEDCO provides funding to various borrowers from its Maryland Technology Commercialization Fund, CyberSecurity Investment Fund, and Maryland Venture Fund. The funds are used by the borrowers to develop and commercialize new technology services and products. In order to reimburse TEDCO for its initial investment, the arrangement allows each of these borrowers, with TEDCO's concurrence, to exercise the option of exchanging the amounts owed to TEDCO for an equitable share in the respective company's equity.

TEDCO reports these notes receivable at their outstanding balances reduced by an allowance for doubtful accounts. Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering TEDCO's past notes receivable loss experience, known and inherent risks in the notes receivable population, adverse situations that may affect a borrower's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by charge offs of the notes receivable balances. Notes receivable are considered past due when no payments have been received by their contractual due dates, varying with different borrowers. Notes receivable are charged off based on management's case-by-case determination that they are uncollectible. As of June 30, 2020 and 2019, TEDCO determined the allowance for doubtful accounts to be $4,688,752 and $2,916,650, respectively.

Investments

Investments consist of certificates of deposit and certain equity securities.

TEDCO, through the Maryland Technology Commercialization Fund program, has made certain equity investments in companies to assist them in collaborating with Maryland colleges and universities or federal laboratories located in Maryland to develop and commercialize new services and products. Also, TEDCO, through the Maryland Venture Fund, makes venture capital investments into early-stage technology and life science companies where there is a significant risk of private capital being deployed. These businesses do not have a proven history of profitability. As such, the future financial condition and operating results of the businesses are uncertain, and the market value of the Fund's investments could be significantly affected.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

TEDCO has a program for providing seed capital to start-up technology companies. TEDCO follows State of Maryland regulations, as stipulated in TEDCO's investment policy, in selecting its investment funds and companies. Investments are recorded at their fair market value. With the approval of TEDCO's Executive Director, the investments can be converted into equity investments. As privately-held securities, there are certain risks that cannot be mitigated.

Deposits

Deposits consist of amounts related to future periods that TEDCO has paid in conjunction with certain leases.

Capital Assets

Capital assets are recorded at cost. Depreciation and amortization are calculated on the straight-line basis over the estimated useful lives of the respective assets ranging between 3 and 10 years. All purchases of individual capital assets over $2,500 with a useful life greater than one year are capitalized. Computer software purchases are recorded as capital assets and depreciated based on the useful life of the asset. TEDCO does not have any internally developed software.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of capital assets are retired, the related cost and accumulated depreciation and amortization are removed from the accounts, and any gain or loss is included in the statement of revenues, expenses, and changes in net position.

Unearned Grant Revenue

Unearned grant revenue results from unexpended federal and nonfederal grant advances. TEDCO recognizes grant revenue when related expenses are incurred. Unexpended federal and nonfederal grant advances are considered restricted until recognized as grant revenue. As of June 30, 2020 and 2019, unearned grant revenue was $2,830,098 and $3,305,484, respectively.

Straight-Line Rent

A straight-line rent liability has been recorded to reflect the benefit of lease incentives included in the office space lease. The benefits of these incentives, including free rent and annual rent increases, will be recognized equally over the term of the lease.

Revenue Recognition

Revenues are recognized when earned. The state of Maryland has granted TEDCO an operating grant of $6,724,480 and $6,474,480 for the years ended June 30, 2020 and 2019, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grant funds received from the state for business incubation facility development are considered unearned until TEDCO commits these funds and the funds are payable. Other grants are recorded on the cost-reimbursement method where revenue is recognized when the expenses have been incurred by TEDCO.

Stem cell funding is recorded as revenue when TEDCO commits these funds and the funds are payable. During each of the years ended June 30, 2020 and 2019, the state of Maryland granted TEDCO $8,200,000, for Maryland Stem Cell Research. These funds are committed for the next three years and will be recognized as revenue as they are earned. Stem cell funding recognized as revenue for the years ended June 30, 2020 and 2019 totaled $9,388,012 and $8,203,324, respectively.

Other revenues on the statement of revenues, expenses and changes in net position for the year ended June 30, 2020 is comprised of approximately $290,000 of contributions from various universities participating in the Maryland Innovation Initiative (MII) program and revenue from distributions from the sale of companies that TEDCO was previously invested in; approximately $584,000 of prior year awards that were rescinded for various reasons and able to be used for future awards; and approximately $21,000 for various income items relating to event income and various repayments.

Other revenues on the statement of revenues, expenses and changes in net position for the year ended June 30, 2019 is comprised of approximately $394,000 of contributions from various universities participating in the MII program and revenue from distributions from the sale of companies that TEDCO was previously invested in; approximately $1,174,000 of prior year awards that were rescinded for various reasons and able to be used for future awards; and approximately $97,000 for various income items relating to event income and various repayments.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net position. Expenses that can be directly identified with a particular function are assigned to that function. Expenses that can be allocated among the various functions using a reasonable allocation method are allocated among the functions benefited.

TEDCO distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with TEDCO's operating charter. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Significant Concentration

TEDCO receives a substantial portion of its grant revenue from the state of Maryland. If the state of Maryland were to discontinue funding to TEDCO, and if alternative funding sources could not be obtained, operations could cease or be significantly curtailed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and are evaluated at least annually. Recoverability of the long-lived asset is measured by comparing the carrying amount of the asset to future estimated undiscounted net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reportable at the lower of the carrying value amount or fair value, less costs to sell. Management of TEDCO believes the value of long-lived assets exceeds their carrying value as of June 30, 2020.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation. The reclassifications did not affect total net position or changes therein.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consisted of the following as of June 30:

	2020	2019
Deposits with Financial Institutions	$ 46,457,629	$ 35,702,717
Restricted Cash	3,187,091	8,263,638
Money Market Funds	2,249,856	411,651
Total	$ 51,894,576	$ 44,378,006

Investments consisted of the following as of June 30:

	2020	Percent	2019	Percent
U.S. Government Securities	$ 4,477,948	6%	$ 5,346,976	7%
Agency Securities	176,502	0%	828,610	1%
Equity Securities	65,508,016	93%	74,388,898	92%
Total	$ 70,162,466	100%	$ 80,564,484	100%

TEDCO holds equity securities of companies in connection with its Maryland Technology Incubator Program and Maryland Venture Fund described in Note 1. These investments are a part of the service TEDCO provides to these companies to promote entrepreneurship and the creation of jobs.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, TEDCO's deposits in financial institutions may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent, but not in TEDCO's name.

At June 30, 2020, TEDCO's bank balances were $49,816,530. Of the bank balances, $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and $49,566,530 was covered by collateral held in the pledging bank's trust department in TEDCO's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of TEDCO's investment in a single issuer. Investments guaranteed by the U.S. government are excluded from this determination.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates.

At June 30, 2020 and 2019, the maturities of the securities with stated maturities were limited according to the following segmented time distribution:

	2020			
		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10
U.S. Government Securities	$ 4,477,948	$ 1,355,907	$ 2,623,824	$ 498,217
Agency Securities	176,502	-	176,502	-
Total	$ 4,654,450	$ 1,355,907	$ 2,800,326	$ 498,217

	2019			
		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10
U.S. Government Securities	$ 5,346,976	$ 1,055,939	$ 3,147,819	$ 1,143,218
Agency Securities	828,610	149,444	679,166	-
Total	$ 6,175,586	$ 1,205,383	$ 3,826,985	$ 1,143,218

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates could adversely affect the fair value of the investment. TEDCO does not invest in foreign currency denominated investments and is not exposed to foreign currency risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to TEDCO.

Certificates of deposit are held at various financial institutions covered within the FDIC insurance limits at those financial institutions.

Credit risk with respect to the investments in equity securities is deemed insignificant to the overall operations of TEDCO, although management does perform due diligence on the companies seeking venture capital.

At June 30, 2020 and 2019, TEDCO's agency securities are rated as Aaa under Moody's and AA+ under S&P. All other investments held are unrated.

NOTE 3 FAIR VALUE MEASUREMENTS

TEDCO categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

Level 1: Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2: Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

TEDCO has the following recurring fair value measurements as of June 30:

	2020			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	$ 4,477,948	$ 4,477,948	$ -	$ -
Agency Securities	176,502	176,502	-	-
Equity Investments in Privately-Held Companies and Venture Capital Partnership - Not Publicly Traded	65,508,016	-	-	65,508,016
Total Investments by Fair Value Level	$ 70,162,466	$ 4,654,450	$ -	$ 65,508,016

	2019			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	$ 5,346,976	$ 5,346,976	$ -	$ -
Agency Securities	828,610	828,610	-	-
Equity Investments in Privately-Held Companies and Venture Capital Partnership - Not Publicly Traded	74,388,898	-	-	74,388,898
Total Investments by Fair Value Level	$ 80,564,484	$ 6,175,586	$ -	$ 74,388,898

Investments of TEDCO are included in the statements of net position at fair value as determined by management. U.S. government and agency securities, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets for those securities. Fair values of investments in publicly traded companies, classified in Level 1 of the fair value hierarchy, are determined by quoted market price for publicly traded companies at the last reported sale price. Fair values of investments in not publicly traded, privately-held companies and venture capital partnerships, classified in Level 3 of the fair value hierarchy, are determined by management after consideration of, among other factors, the financial condition, operating results, significant recent events, and other security offerings of the investors.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of TEDCO's Level 3 assets for the years ended June 30:

	Not Publicly Traded Equity Investments	
	2020	2019
Balance, Beginning of Year	$ 74,388,898	$ 74,662,221
Transfer/Conversion	200,000	700,000
Realized Gains (Losses)	(2,287,494)	2,674,858
Unrealized Losses Relating to Instruments Held at the Reporting Date	1,950,716	(2,162,663)
Purchases, Sales, Issuances, and Settlements, Net	(8,744,104)	(1,485,518)
Balance, End of Year	$ 65,508,016	$ 74,388,898

NOTE 4 NOTES RECEIVABLE

In August 2015, TEDCO obtained a note receivable due from Neos Technologies, LLC. This is a noninterest-bearing note with an original balance of $50,234, and calls for monthly principal payments of $500 through January 2024. At June 30, 2020 and 2019, the principal balance was $21,234 and $27,234, respectively.

During the year ended June 30, 2012, TEDCO began obtaining convertible promissory notes in exchange for TEDCO's agreement to invest in various companies. The convertible promissory notes do not have set repayment terms, but accrue interest at a rate of 8% on the unpaid principal balance until the maturity date, 5 years after the date of the note. Upon the occurrence of any deemed conversion event, TEDCO has the sole discretion to accelerate amounts due under the note or to exchange the entire outstanding principal amount, together with accrued interest, for an equity investment in the company. At June 30, 2020 and 2019, the total balance outstanding on these convertible promissory notes was $10,163,135 and $8,690,432, which included accrued interest of $1,118,985 and $754,268, respectively.

As part of the Maryland Venture Fund program transferred to TEDCO effective October 1, 2015, TEDCO obtained convertible promissory notes in exchange for TEDCO's agreement to invest in various early-stage technology and life science companies. The convertible promissory notes have various interest rates and maturity dates. Upon the occurrence of certain events, TEDCO has the right either to accelerate amounts due under the notes or to exchange the entire outstanding principal amount, together with accrued interest, for an equity investment in the company. At June 30, 2020 and 2019, the total balance outstanding on these convertible promissory notes was $6,312,658 and $4,495,668, which included accrued interest of $873,745 and $581,587, respectively.

NOTE 4 NOTES RECEIVABLE (CONTINUED)

A summary of notes receivable as of June 30 is as follows:

	2020	2019
Convertible Promissory Notes Principal Advanced	$ 14,483,063	$ 11,850,245
Convertible Promissory Notes Interest Accrued	1,992,730	1,335,855
Allowance for Uncollectible Balances	(4,688,752)	(2,916,650)
Total Convertible Promissory Notes	11,787,041	10,269,450
Other Notes Receivable	21,234	27,234
Total Notes Receivable	$ 11,808,275	$ 10,296,684
Notes Receivable – Current	$ 1,212,799	$ 807,869
Notes Receivable – Noncurrent	10,595,476	9,488,815
Total	$ 11,808,275	$ 10,296,684

The increase for uncollectible balances on notes receivable of $1,772,102 comprises the increase in the allowance for uncollectible balances of $821,919 incurred during the year ended June 30, 2020 for TEDCO and the increase in the allowance for uncollectible balances of $950,183 on notes receivable under the Maryland Venture Fund program.

NOTE 5 CAPITAL ASSETS

Changes in the components of capital assets are summarized as follows for the years ended June 30:

	Balance, July 1, 2019	Additions	Deletions	Balance, June 30, 2020
Capital Assets Being Depreciated:				
Computer Equipment	$ 51,772	$ 6,940	$ -	$ 58,712
Software	-	-	-	-
Office Furniture	210,142	-	-	210,142
Leasehold Improvements	7,697	-	-	7,697
Total Assets	269,611	6,940	-	276,551
Accumulated Depreciation and Amortization:				
Computer Equipment	41,181	8,032	-	49,213
Software	-	-	-	-
Office Furniture	210,142	-	-	210,142
Leasehold Improvements	2,563	770	-	3,333
Total Accumulated Depreciation and Amortization	253,886	8,802	-	262,688
Net Book Value	$ 15,725	$ (1,862)	$ -	$ 13,863

	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019
Capital Assets Being Depreciated:				
Computer Equipment	$ 47,393	$ 4,379	$ -	$ 51,772
Software	-	-	-	-
Office Furniture	210,142	-	-	210,142
Leasehold Improvements	7,697	-	-	7,697
Total Assets	265,232	4,379	-	269,611
Accumulated Depreciation and Amortization:				
Computer Equipment	30,631	10,550	-	41,181
Software	-	-	-	-
Office Furniture	182,961	27,181	-	210,142
Leasehold Improvements	1,793	770	-	2,563
Total Accumulated Depreciation and Amortization	215,385	38,501	-	253,886
Net Book Value	$ 49,847	$ (34,122)	$ -	$ 15,725

The depreciation and amortization expense for the years ended June 30, 2020 and 2019 was $8,802 and $38,501, respectively. This amount is included in general administration under operating expenses on the statements of revenues, expenses, and changes in net position.

NOTE 6 PROFIT SHARING PLAN

TEDCO maintains a defined contribution, tax deferred "profit sharing" plan that covers all eligible contract employees. All contract employees who have completed six consecutive months of service with TEDCO and have attained age 21 are eligible for the Plan. Participants are 100% vested at all times. Each plan year, TEDCO may, in its sole discretion, make a contribution to be allocated to the accounts of eligible participants. For the years ended June 30, 2020 and 2019, TEDCO made an 8% contribution of each employee's base compensation. Contract employees do not contribute to this Plan.

Contribution expense for TEDCO was $185,318 and $252,372 for the years ended June 30, 2020 and 2019, respectively, which is allocated among programs and general administration expenses in the statements of revenues, expenses, and changes in net position.

NOTE 7 OPERATING LEASE

TEDCO has a 10-year lease agreement for an office space, which expires on February 28, 2026. This lease had a lease payment holiday until August 2016. Then, it requires annual minimum rental payments of approximately $316,000 (base rent), increasing to approximately $395,000 by the year 2025, plus a pro-rata share of common area maintenance and real estate tax charges, as defined in the lease agreement.

Future minimum lease payments for this operating lease is as follows:

Year Ending June 30,	Amount
2021	$ 348,218
2022	356,942
2023	365,902
2024	375,099
2025	384,532
2026	262,532
Total	$ 2,093,225

Total lease expense was approximately $326,000 for the years ended June 30, 2020 and 2019.

NOTE 8 INCOME TAXES

TEDCO was created by the Maryland General Assembly and is exempt from state and federal income taxes. Accordingly, no tax provision has been included in the accompanying financial statements.

NOTE 9 RELATED PARTIES

On November 9, 2017, TEDCO formed a Limited Liability Company, Maryland Innovation Opportunity Fund I, LLC (MIOF), with the Maryland State Retirement and Pension System (MSRPS). As stipulated by the operating agreement, TEDCO will manage the operations of MIOF. The purpose of MIOF is to make investments in private equity and venture capital in the State of Maryland. All capital for investment will be contributed by MSRPS. TEDCO will not receive any cost reimbursement or management fee for its management role, rather it will receive a carried interest in the fund as stipulated in the operating agreement. Additionally, TEDCO has guaranteed the investments held by the Maryland Venture Fund up to the lesser of the capital invested by MSRPS or $25,000,000 for potential losses in portfolio losses on investments held by MIOF.

NOTE 10 RISK MANAGEMENT

TEDCO, as a public instrumentality of the state of Maryland, benefits from sovereign immunity. As such, it is liable for, and exposed to risk of loss from, causes of action arising in tort (including, inter alia, causes of action alleging errors and omissions) only to the limited extent provided in the Maryland Tort Claims Act (Title 12, State Government Article, Annotated Code of Maryland).

TEDCO is exposed to various risks of loss related to theft of, damage to, and destruction of assets, including, inter alia, those caused by natural disasters. During the years ended June 30, 2020 and 2019, TEDCO carried insurance through various commercial carriers to cover such risks of loss. TEDCO has had no settled claims resulting from these risks that exceeded its commercial insurance coverage in any of the prior three fiscal years.

NOTE 11 RISKS AND UNCERTAINTIES

TEDCO invests in various investment securities, which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and those changes could materially affect investment balances.

During the year, TEDCO's operations were impacted by the spread of the Coronavirus Disease (COVID-19). Management believes the COVID-19 pandemic will continue to have significant effects on its operations at least through 2021 and that TEDCO is taking appropriate actions to mitigate the resulting impacts. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

SUPPLEMENTARY INFORMATION

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
CONSOLIDATING SCHEDULE OF NET POSITION
JUNE 30, 2020

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 15,139,677	$ 33,567,808	$ -	$ 48,707,485
Investments	4,654,450	-	-	4,654,450
Accounts Receivable	484,686	332,521	-	817,207
Grants Receivable	25,000	-	-	25,000
Current Portion of Notes Receivable (Net of Allowance of $779,931)	339,054	873,745	-	1,212,799
Prepaid Expenses and Other Current Assets	93,134	-	-	93,134
Due from Maryland Venture Fund	196,203	-	(196,203)	-
Total Current Assets	20,932,204	34,774,074	(196,203)	55,510,075
NONCURRENT ASSETS				
Restricted Cash	-	3,187,091	-	3,187,091
Investments	7,909,961	57,598,055	-	65,508,016
Grants Receivable – Noncurrent	875,000	-	-	875,000
Notes Receivable – Noncurrent (Net of Allowance of $3,908,821)	6,106,746	4,488,730	-	10,595,476
Deposits	72,340	-	-	72,340
Capital Assets (Net of Accumulated Depreciation and Amortization of $262,687)	13,863	-	-	13,863
Total Noncurrent Assets	14,977,910	65,273,876	-	80,251,786
Total Assets	$ 35,910,114	$ 100,047,950	$ (196,203)	$ 135,761,861
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$ 1,757,813	$ (5,372)	$ -	$ 1,752,441
Stem Cell Grants Payable	10,880,227	-	-	10,880,227
Other Grants Payable	2,446,322	-	-	2,446,322
Due to State of Maryland	-	4,563,043	-	4,563,043
Due to TEDCO	-	196,203	(196,203)	-
Unearned Grant Revenue	2,830,098	-	-	2,830,098
Total Current Liabilities	17,914,460	4,753,874	(196,203)	22,472,131
OTHER LIABILITIES				
Deferred Rent	270,449	-	-	270,449
Total Liabilities	18,184,909	4,753,874	(196,203)	22,742,580
NET POSITION				
Net Investment in Capital Assets	13,863	-	-	13,863
Unrestricted	17,711,342	95,294,076	-	113,005,418
Total Net Position	17,725,205	95,294,076	-	113,019,281
Total Liabilities and Net Position	$ 35,910,114	$ 100,047,950	$ (196,203)	$ 135,761,861

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
CONSOLIDATING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2019

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 9,511,416	$ 26,602,952	$ -	$ 36,114,368
Investments	6,175,586	-	-	6,175,586
Accounts Receivable	401,366	42,836	-	444,202
Grants Receivable	25,000	-	-	25,000
Current Portion of Notes Receivable (Net of Allowance of $527,986)	226,282	581,587	-	807,869
Prepaid Expenses and Other Current Assets	78,868	-	-	78,868
Due from Maryland Innovation Opportunity Fund I, LLC	-	-	-	-
Due from Maryland Venture Fund	165,160	-	(165,160)	-
Total Current Assets	16,583,678	27,227,375	(165,160)	43,645,893
NONCURRENT ASSETS				
Restricted Cash	-	8,263,638	-	8,263,638
Investments	7,379,928	67,008,970	-	74,388,898
Grants Receivable – Noncurrent	900,000	-	-	900,000
Notes Receivable – Noncurrent (Net of Allowance of $2,388,664)	5,574,734	3,914,081	-	9,488,815
Deposits	77,066	-	-	77,066
Capital Assets (Net of Accumulated Depreciation and Amortization of $253,885)	15,725	-	-	15,725
Total Noncurrent Assets	13,947,453	79,186,689	-	93,134,142
Total Assets	$ 30,531,131	$ 106,414,064	$ (165,160)	$ 136,780,035
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$ 574,209	$ 1,694	$ -	$ 575,903
Stem Cell Grants Payable	8,941,135	-	-	8,941,135
Other Grants Payable	2,314,357	-	-	2,314,357
Due to State of Maryland	-	4,759,160	-	4,759,160
Due to TEDCO	-	165,160	(165,160)	-
Unearned Grant Revenue	2,794,369	511,115	-	3,305,484
Total Current Liabilities	14,624,070	5,437,129	(165,160)	19,896,039
OTHER LIABILITIES				
Deferred Rent	288,512	-	-	288,512
Total Liabilities	14,912,582	5,437,129	(165,160)	20,184,551
NET POSITION				
Net Investment in Capital Assets	15,725	-	-	15,725
Unrestricted	15,602,824	100,976,935	-	116,579,759
Total Net Position	15,618,549	100,976,935	-	116,595,484
Total Liabilities and Net Position	$ 30,531,131	$ 106,414,064	$ (165,160)	$ 136,780,035

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
CONSOLIDATING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
OPERATING REVENUES				
State of Maryland Grants				
Maryland Stem Cell Research	$ 9,388,012	$ -	$ -	$ 9,388,012
Maryland Innovation Initiative	5,628,298	-	-	5,628,298
TEDCO Operations	6,060,751	-	-	6,060,751
Total State of Maryland Grants	21,077,061	-	-	21,077,061
Federal Grants	297,767	511,115	-	808,882
Sponsorships	113,704	-	-	113,704
Royalties	395,260	-	-	395,260
Other Revenues	895,523	-	-	895,523
Total Operating Revenues	22,779,315	511,115	-	23,290,430
OPERATING EXPENSES				
Stem Cell Program	9,388,014	-	-	9,388,014
Tech Transfer	8,141,328	-	-	8,141,328
Business Incubation	2,066,100	-	-	2,066,100
Maryland Venture Fund Program	-	1,929,465	-	1,929,465
General Administration	1,045,677	-	-	1,045,677
Total Operating Expenses	20,641,119	1,929,465	-	22,570,584
NET OPERATING INCOME	2,138,196	(1,418,350)	-	719,846
NONOPERATING REVENUES				
Investment Earnings (Loss)	(31,540)	298,534	-	266,994
TRANSFER TO STATE OF MARYLAND	-	(4,563,043)	-	(4,563,043)
INCREASE IN NET POSITION	2,106,656	(5,682,859)	-	(3,576,203)
Net Position – Beginning of Year	15,618,549	100,976,935	-	116,595,484
NET POSITION – END OF YEAR	$ 17,725,205	$ 95,294,076	$ -	$ 113,019,281

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
CONSOLIDATING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2019

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
OPERATING REVENUES				
State of Maryland Grants:				
Maryland Stem Cell Research	$ 8,203,324	$ -	$ -	$ 8,203,324
Maryland Innovation Initiative	5,252,393	-	-	5,252,393
TEDCO Operations	6,172,996	-	-	6,172,996
Total State of Maryland Grants	19,628,713	-	-	19,628,713
Federal Grants	1,454,266	2,189,604	-	3,643,870
Sponsorships	51,645	-	-	51,645
Royalties	333,033	-	-	333,033
Other Revenues	1,664,887	899	-	1,665,786
Total Operating Revenues	23,132,544	2,190,503	-	25,323,047
OPERATING EXPENSES				
Stem Cell Program	8,203,472	-	-	8,203,472
Tech Transfer	10,151,401	-	-	10,151,401
Business Incubation	2,252,857	-	-	2,252,857
Maryland Venture Fund Program	-	1,910,251	-	1,910,251
General Administration	1,700,136	-	-	1,700,136
Total Operating Expenses	22,307,866	1,910,251	-	24,218,117
NET OPERATING INCOME	824,678	280,252	-	1,104,930
NONOPERATING REVENUES				
Investment Earnings	2,158,721	3,418,300	-	5,577,021
TRANSFER TO STATE OF MARYLAND GENERAL FUND	-	(4,759,160)	-	(4,759,160)
INCREASE IN NET POSITION	2,983,399	(1,060,608)	-	1,922,791
Net Position – Beginning of Year	12,635,150	102,037,543	-	114,672,693
NET POSITION – END OF YEAR	$ 15,618,549	$ 100,976,935	$ -	$ 116,595,484

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions	Expenses	Program Revenues: Operating Grants	Program Revenues: Sponsorships and Royalties	Net (Expenses) Revenues and Change in Net Position
Stem Cell Program	$ 9,388,014	$ 9,388,012	$ 3,942	$ 3,940
Tech Transfer	8,141,328	9,188,065	400,172	1,446,909
Business Incubation	2,066,100	2,168,559	104,850	207,309
Maryland Venture Fund	1,929,465	511,115	-	(1,418,350)
General Administration	1,045,677	630,192	-	(415,485)
Total	$ 22,570,584	$ 21,885,943	$ 508,964	(175,677)

General Revenues	
Other Revenues	895,523
Unrestricted Investment Earnings	266,994
Total General Revenues	1,162,517
Transfer to State of Maryland General Fund	(4,563,043)
Change in Net Position	(3,576,203)
Net Position – Beginning of Year	116,595,484
Net Position – End of Year	$ 113,019,281

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
SCHEDULE OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2019

		Program Revenues		
Functions	Expenses	Operating Grants	Sponsorships and Royalties	Net (Expenses) Revenues and Change in Net Position
Stem Cell Program	$ 8,203,472	$ 8,203,324	$ 124	$ (24)
Tech Transfer	10,151,401	10,550,798	326,739	726,136
Business Incubation	2,252,857	1,698,665	57,815	(496,377)
Maryland Venture Fund	1,910,251	2,189,604	-	279,353
General Administration	1,700,136	630,192	-	(1,069,944)
Total	$ 24,218,117	$ 23,272,583	$ 384,678	(560,856)
	General Revenues			
	Other Revenues			1,665,786
	Unrestricted Investment Earnings			5,577,021
	Total General Revenues			7,242,807
	Transfer to State of Maryland General Fund			(4,759,160)
	Change in Net Position			1,922,791
	Net Position - Beginning of Year			114,672,693
	Net Position - End of Year			$ 116,595,484

Exhibit D: MIOF FY2020 Audited Financial Statements

MARYLAND INNOVATION OPPORTUNITY FUND I, LLC

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

MARYLAND INNOVATION OPPORTUNITY FUND I, LLC
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YEAR ENDED JUNE 30, 2020 AND 2019

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Maryland Innovation Opportunity Fund I, LLC
Columbia, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Maryland Innovation Opportunity Fund I, LLC (MIOF), which comprise the statements of assets, liabilities and members' equity, including the schedules of portfolio investments as of June 30, 2020 and 2019, and the related statements of operations, changes in members' equity, and cash flows for the year ended June 30, 2020 and 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MIOF as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the year ended June 30, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 3, the financial statements include investments classified as level 3 investments in the fair value hierarchy, valued at $12,706,904 and $13,702,739 as of June 30, 2020 and 2019, respectively, whose fair values have been estimated by MIOF's managing member in the absence of readily ascertainable market values. MIOF's managing member's estimates are based on financial information provided by the portfolio companies. Because of the inherent uncertainty of valuation techniques, those estimated values may differ significantly from the values that would have been used had readily determinable fair values existed for the investments, and the differences could be material. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

Baltimore, Maryland
October 29, 2020

MARYLAND INNOVATION OPPORTUNITY FUND I, LLC
STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Investments, at Fair Value (Cost of $12,981,306 as of June 30, 2020 and 2019)	$ 12,706,904	$ 13,702,739
Accrued Interest Receivable	-	42,082
Total Assets	$ 12,706,904	$ 13,744,821
LIABILITIES AND MEMBERS' EQUITY		
Members' Equity	$ 12,706,904	$ 13,744,821
Total Liabilities and Members' Equity	$ 12,706,904	$ 13,744,821

See accompanying Notes to Financial Statements.

MARYLAND INNOVATION OPPORTUNITY FUND I, LLC
SCHEDULE OF PORTFOLIO INVESTMENTS
JUNE 30, 2020

Shares or Principal Amount	Description	Investment Cost	Fair Value	Percentage of Members' Equity
Aledade, Inc.				
Preferred Stock				
188,990	Series B-2 Preferred Shares	$ 1,488,995	$ 1,534,259	12.1%
Apkudo, Inc.				
Preferred Stock				
336,091	Series A Preferred Shares	1,313,836	1,630,109	12.8%
Ashvattha Therapeutics, LLC				
Preferred Stock				
412,825	Series A-1 Preferred Shares	599,999	727,810	5.7%
CareSave Technologies, Inc.				
Preferred Stock				
7,261	Series B Preferred Shares	499,934	470,585	3.7%
Graybug Vision, Inc.				
Preferred Stock				
1,037,913	Series B Preferred Shares	1,028,572	844,757	6.6%
iLearningEngines, Inc.				
Convertible Loan				
$1,000,000	Convertible debt 8%, convertible into Preferred Shares, original maturity May 31, 2019, due on demand	1,000,000	-	0.0%
Optoro, Inc.				
Preferred Stock				
88,859	Series D Preferred Shares	1,499,984	1,362,208	10.7%
Personal Genome Diagnostics, Inc.				
Preferred Stock				
526,645	Series B Preferred Shares	1,499,999	1,648,399	13.0%
RackTop Systems, Inc.				
Preferred Stock				
538,502	Series A-1 Preferred Shares	1,399,998	1,335,485	10.5%
Xometry, Inc.				
Preferred Stock				
150,168	Series C Preferred Shares	999,999	1,503,302	11.8%
164,821	Series D Preferred Shares	1,649,990	1,649,990	13.0%
Total Portfolio Investments		$ 12,981,306	$ 12,706,904	100.0%

See accompanying Notes to Financial Statements.

MARYLAND INNOVATION OPPORTUNITY FUND I, LLC
SCHEDULE OF PORTFOLIO INVESTMENTS
JUNE 30, 2019

Shares or Principal Amount	Description	Investment Cost	Fair Value	Percentage of Members' Equity
Aledade, Inc.				
Preferred Stock				
188,990	Series B-2 Preferred Shares	$ 1,488,995	$ 1,488,995	10.8%
Apkudo, Inc.				
Preferred Stock				
336,091	Series A Preferred Shares	1,313,836	1,630,109	11.9%
Ashvattha Therapeutics, LLC				
Preferred Stock				
412,825	Series A-1 Preferred Shares	599,999	727,809	5.3%
CareSave Technologies, Inc.				
Preferred Stock				
7,261	Series B Preferred Shares	499,934	499,934	3.6%
Graybug Vision, Inc.				
Preferred Stock				
1,037,913	Series B Preferred Shares	1,028,572	1,028,572	7.5%
iLearningEngines, Inc.				
Convertible Loan				
$1,000,000	Convertible debt 8%, convertible into Preferred Shares, original maturity May 31, 2019, due on demand	1,000,000	1,000,000	7.3%
Optoro, Inc.				
Preferred Stock				
88,859	Series D Preferred Shares	1,499,984	1,405,049	10.2%
Personal Genome Diagnostics, Inc.				
Preferred Stock				
526,645	Series B Preferred Shares	1,499,999	1,648,399	12.0%
RackTop Systems, Inc.				
Preferred Stock				
538,502	Series A-1 Preferred Shares	1,399,998	1,399,998	10.2%
Xometry, Inc.				
Preferred Stock				
150,168	Series C Preferred Shares	999,999	1,222,368	8.9%
164,821	Series D Preferred Shares	1,649,990	1,651,506	12.0%
Total Portfolio Investments		$ 12,981,306	$ 13,702,739	99.7%

See accompanying Notes to Financial Statements.

MARYLAND INNOVATION OPPORTUNITY FUND I, LLC
STATEMENTS OF OPERATIONS
YEAR ENDED JUNE 30, 2020 AND 2019

	2020	2019
INVESTMENT INCOME		
Interest	$ (42,082)	$ 168,032
EXPENSES	-	-
Net Investment Income	(42,082)	168,032
REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS		
Net Realized Gain	-	1,165,929
Net Increase (Decrease) in Unrealized Appreciation	(995,835)	721,433
Net Realized and Unrealized Gain (Loss) from Investments	(995,835)	1,887,362
NET INCREASE (DECREASE) IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	$ (1,037,917)	$ 2,055,394

See accompanying Notes to Financial Statements.

MARYLAND INNOVATION OPPORTUNITY FUND I, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED JUNE 30, 2020 AND 2019

	Member	Managing Member	Total
BALANCE AT JUNE 30, 2018	$ 4,568,028	$ -	$ 4,568,028
Capital Contributions	9,453,257	-	9,453,257
Distributions to Partners	(2,331,858)	-	(2,331,858)
Net Increase in Members' Capital Resulting from Operations	2,055,394	-	2,055,394
BALANCE AT JUNE 30, 2019	13,744,821	-	13,744,821
Capital Contributions	-	-	-
Distributions to Partners	-	-	-
Net Decrease in Members' Capital Resulting from Operations	(1,037,917)	-	(1,037,917)
BALANCE AT JUNE 30, 2020	$ 12,706,904	$ -	$ 12,706,904

See accompanying Notes to Financial Statements.

MARYLAND INNOVATION OPPORTUNITY FUND I, LLC
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Members' Equity Resulting from Operations	$ (1,037,917)	$ 2,055,394
Adjustments to Reconcile Net Increase in Members' Equity Resulting from Operations to Net Cash Used by Operating Activities:		
Purchase of Investments	-	(9,453,256)
Proceeds from Sale of Investments	-	2,265,929
Net Realized Gain from Investments	-	(1,165,929)
Net (Increase) Decrease in Unrealized Appreciation	995,835	(721,433)
Increase (Decrease) in Accrued Interest Receivable	42,082	(102,104)
Increase (Decrease) in Due to Maryland Venture Fund	-	(999,999)
Net Cash Used by Operating Activities	-	(8,121,398)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Contributed	-	10,453,256
Capital Distributed	-	(2,331,858)
Net Cash Provided by Financing Activities	-	8,121,398
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
Cash and Cash Equivalents - Beginning of Period	-	-
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ -	$ -
NONCASH FINANCING ACTIVITIES		
Due from Maryland State Retirement and Pension System for Capital Contribution Receivable	$ -	$ (999,999)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Maryland Innovation Opportunity Fund I, LLC (MIOF) (the Fund) is a Delaware limited liability company which commenced operations on October 24, 2017 for the purpose of making and managing investments in private equity and venture capital located in the State of Maryland on behalf of the Board of Trustees of the Maryland State Retirement and Pension System (MSRPS). The original term of the Fund is set to expire on November 9, 2027, with an option to extend for one-year periods, thereafter. Significant accounting policies followed by the Fund are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As explained below, the financial statements include portfolio investments whose fair values have been estimated by the managing member in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuations, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is possible that the differences could be material.

For GAAP purposes, the Fund is considered an investment company pursuant to the guidance contained Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 946, *Financial Services — Investment Companies*.

Investments

Investments are valued at fair value as determined in good faith by the managing member and approved by the advisory committee. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment Income

The Fund records security transactions based on the trade date and under the specific identification method. Dividend income is recognized on the ex-dividend date, and interest income is recognized on an accrual basis. Discounts and premiums on securities purchased are accreted and amortized over the lives of the respective securities.

Income Taxes

The Fund is a pass-through entity for income tax purposes, whereby any income tax liabilities or benefits are attributable to the members. The members of the Fund were created by the Maryland General Assembly and are exempt from state and federal income taxes. Accordingly, no tax provision has been included in the accompanying financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through October 29, 2020, the date the financial statements were available to be issued.

NOTE 2 MANAGEMENT AND RELATED PARTY TRANSACTIONS

The Fund has a contract with Maryland Technology Development Corporation (TEDCO) to provide management services to the Fund. As further described in Note 4, TEDCO is a member of the Fund. There is no management fee in accordance with the Fund's operating agreement. In lieu of management fees, TEDCO will receive 25% of distributions once MSRPS recovers their initial commitment amount via distributions. TEDCO did not receive any distributions for the years ended June 30, 2020 and 2019. During the period ended June 30, 2018, TEDCO funded an acquisition of an investment for the Fund in the amount of $999,999. Accordingly, the Fund recorded a payable to TEDCO and a corresponding capital call receivable from MSRPS as of June 30, 2018. During the year ended June 30, 2019, the Fund repaid TEDCO with the funds received from MSRPS.

NOTE 3 FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table summarizes Fund's fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Preferred stock	-	-	12,706,904	12,706,904
Total Investments at Fair Value	$ -	$ -	$ 12,706,904	$ 12,706,904

The following table summarizes the Fund's fair value measurements as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Notes	$ -	$ -	$ 1,000,000	$ 1,000,000
Preferred stock	-	-	12,702,739	12,702,739
Total Investments at Fair Value	$ -	$ -	$ 13,702,739	$ 13,702,739

The following table summarizes the valuation techniques and significant inputs used for the Fund's investments that are categorized in Level 3 of the fair value hierarchy as of June 30, 2020.

	Fair Value at June 30, 2020	Valuation Technique	Inputs	Range of Inputs
Investments, at Fair Value:				
Preferred Stock:				
Third Party Valuation	$ 7,195,693	Market Approach	Risk-Free Interest Rate	0.18-1.42%
			Equity Volatility	50-55%
			Weighted Time to Exit	3 Years
Recent Round of Financing	$ 5,511,211	Recent Round of Financing	Stock Price	$1.76-$10.01 per share

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth a summary of changes in the fair value of the Fund's Level 3 assets for the period from July 1, 2018 through June 30, 2020:

Balance - July 1, 2018	$ 4,564,214
Net Realized Gains	1,165,929
Net Unrealized Gains Relating to Investments Still Held at Year End	721,433
Purchases, Including Accrued Interest Conversion	9,517,092
Sales	(2,265,929)
Balance - June 30, 2019	13,702,739
Net Realized Gains	-
Net Unrealized Gains Relating to Investments Still Held at Year End (Excluding Accrued Interest)	(995,835)
Purchases, Including Accrued Interest Conversion	-
Sales	-
Balance - June 30, 2020	$ 12,706,904

The Fund measures the fair value of Level 3 financial instruments utilizing the third-party valuations of equity instruments and, for the investment in convertible debt, information about the investee company's financial position and operation, including an analysis of the collectibility of the investment in debt.

NOTE 4 CAPITAL ACCOUNTS

Profit and loss and cash available for distribution are allocated to the members in accordance with the Fund Agreement. Unless otherwise indicated, the allocations are in proportion to the members' respective contributions to the Fund. Distributions of distributable proceeds, other than tax distributions and liquidating distributions, are to be made to the members in accordance with the following priorities:

1. 100% to MSRPS until the aggregate amount distributed to MSRPS is equal to its contributions.

2. Thereafter, 75% to MSRPS and 25% to TEDCO.

The net gain or net loss, if any, of the Fund is generally allocated among the members in a manner and amount so that the Capital Account of each member, after making such allocation, is, as nearly as possible, equal to the distributions that would be made to such member if the Company were dissolved.

NOTE 4 CAPITAL ACCOUNTS (CONTINUED)

MSRPS and TEDCO's capital commitments and contributions at June 30, 2020 are as follows:

	MSRPS	TEDCO	Total
Total Commitments	$ 26,499,984	$ -	$ 26,499,984
Contributions Through June 30, 2020	14,017,471	-	14,017,471
Unfunded Commitments	$ 12,482,513	$ -	$ 12,482,513
Percentage Contributed	52.9%	0.0%	52.9%

NOTE 5 FINANCIAL HIGHLIGHTS

The internal rate of return since inception (IRR) of the members is 4.99% and 24.81% through June 30, 2020 and 2019, respectively.

The IRR was computed based on the actual dates of the cash inflows (capital contributions), outflows (distributions), and the ending total net members' capital at the end of the period (residual value) of the members' capital account as of the measurement date. An individual member's return may vary based on timing of capital transactions and other allocation arrangements.

The total expense and net investment income ratios of the limited members for the years ended June 30, 2020 and 2019 were as follows. The average limited members' capital used in the calculations below was computed on a monthly basis.

	2020	2019
Expenses to Average Members' Capital	0.00 %	0.00 %
Net Investment Income to Average Members' Capital	(7.56)%	1.80 %

The expense ratio and net investment loss ratio are calculated for the limited members taken as a whole. The computation of such ratios based on the amount of expenses or investment income assessed to an individual limited member's capital may vary from these ratios based on the timing of capital transactions.

NOTE 6 IMPACT OF COVID-19

During the year, MIOF's operations were impacted by the spread of the Coronavirus Disease (COVID-19). Management believes the COVID-19 pandemic will continue to have significant effects on its operations at least through 2021 and that MIOF is taking appropriate actions to mitigate the resulting impacts. However, the full impact of COVID-19 on MIOF's portfolio of investments cannot be reasonably estimated as these events were too recent in relation to the evaluation of MIOF's year-end.

Exhibit E: Proposal Cost Estimate Form

Proposal Cost Estimate Form

Name of Bidder:

TEDCO Annual Audit Report 1- Fiscal Year 2021

Maximum Bid Price:

TEDCO Audit Report 2- Fiscal Year 2022

Maximum Bid Price:

TEDCO Audit Report 3- Fiscal Year 2023

Maximum Bid Price:

TEDCO Audit Report 4- Fiscal Year 2024

Maximum Bid Price:

MIOF Annual Audit Report 1- Fiscal Year 2021

Maximum Bid Price:

MIOF Annual Audit Report 2- Fiscal Year 2022

Maximum Bid Price:

MIOF Annual Audit Report 3- Fiscal Year 2023

Maximum Bid Price:

MIOF Annual Audit Report 4- Fiscal Year 2024

Maximum Bid Price:

Exhibit F: TEDCO Professional Services Contract Standard Terms and Conditions

PROCUREMENT CONTRACT AGREEMENT
BETWEEN
MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
AND
____

THIS AGREEMENT (the "Agreement" or "Contract"), is made as of the _____ day of __________, 20__, by and between the **MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION** ("TEDCO"), a body politic and corporate and a public instrumentality of the State of Maryland, and:

_________________________ ("Contractor")
____
____

TEDCO and Contractor do mutually agree as follows:

1. Services to be Provided.

(a) TEDCO shall purchase Contractor's services, and Contractor shall ____, in accordance with Contractor's Proposal dated _____________, 20__ ("the Proposal"), attached as Exhibit A and incorporated herein, to the extent that the Proposal is consistent with this Agreement.

(b) TEDCO retains the unilateral right to require changes in the services to be rendered, so long as the changes are within the general scope of work to be performed hereunder.

2. Term of Agreement. Performance under this Agreement commences on __________________, 20__, and continues until agreed upon services are completed, but in any case no later than _________________, 20__.

3. Compensation and Method of Payment.

(a) Compensation. TEDCO shall compensate Contractor for services satisfactorily performed at the rates set forth in Exhibit A. The total cost to TEDCO for the services to be provided by Contractor under this Agreement may not exceed _________________________________ Dollars ($___________).

(b) Method of Payment. TEDCO shall pay Contractor no later than thirty days after TEDCO receives a proper invoice from Contractor, which invoices shall be tendered at monthly intervals. Charges for late payment of invoices, other than as prescribed by Title 15, Subtitle 1, State Finance and Procurement Article, Maryland Code, are prohibited.

4. Contract Officer. TEDCO designates ___________________ to serve as Contract Officer for this Agreement. All contact between TEDCO and Contractor regarding all matters relative to this Agreement shall be coordinated through the Contract Officer.

5. Responsibility of Contractor. Contractor shall perform the services with that standard of care, skill, and diligence normally provided in the performance of similar services.

6. Disputes. This Agreement shall be deemed subject to Title 15, Subtitle 2 (Dispute Resolution), State Finance and Procurement Article, Maryland Code and to COMAR 21.10 (Administrative and Civil Remedies). Pending resolution of a claim, Contractor must proceed diligently with the performance of the Agreement in accordance with the Contract Officer's decision. Unless a lesser period is provided by law, Contractor must file a written notice of claim with the Contract Officer within thirty days after the basis for the claim is known or should have been known, whichever is earlier. Contemporaneously with or within thirty days of the filing of a notice of claim, but no later than the date of final payment under the Agreement, Contractor must submit to the Contract Officer its written claim containing the information specified in COMAR 21.10.04.02.

7. Termination for Convenience. TEDCO may terminate the performance of work under this Agreement in whole, or, from time to time, in part, whenever TEDCO determines that such termination is in the best interest of TEDCO. TEDCO shall pay all reasonable costs associated with this Agreement that Contractor has incurred up to the date of termination and all reasonable costs associated with termination of the Agreement. TEDCO may not reimburse Contractor for any anticipatory profits that have not been earned up to the date of termination.

8. Termination for Default. If Contractor fails to fulfill its obligations under this Agreement properly and on time, or otherwise violates any provision of the Agreement, TEDCO may terminate the Agreement by written notice to Contractor. The notice must specify the acts or omissions relied on as cause for termination. All finished or unfinished supplies and services provided by Contractor shall, at TEDCO's option, become TEDCO's property. TEDCO shall pay Contractor fair and equitable compensation for satisfactory performance prior to receipt of notice of termination, less the amount of damages caused by Contractor's breach. If the damages caused by Contractor are more than the compensation payable to the Contractor hereunder, Contractor remains liable after termination and TEDCO may affirmatively collect such damages.

9. Set-Off, Etc. TEDCO may deduct from and set off against any amounts due and payable to Contractor any back-charges, penalties, or damages sustained by TEDCO, by virtue of any breach of this Agreement by Contractor. Nothing herein shall be construed to relieve Contractor of any liability for additional costs resulting from a failure to satisfactorily perform the services. Upon receipt and acceptance of the final payment due under the Contract in accordance with its original terms or with an early termination by TEDCO, the Contractor waives any and all rights or claims arising under the Contract, unless otherwise agreed in writing by TEDCO.

10. Contingent Upon Appropriations. If the General Assembly fails to appropriate funds or if funds are not otherwise made available for continued performance for any period of this Agreement, this Agreement must be canceled automatically as of the beginning of the period for which funds were not appropriated or otherwise made available. Cancellation does not affect either TEDCO's rights or Contractor's rights under any termination clause in this Agreement. The effect of cancellation of the Agreement hereunder will be to discharge both Contractor and TEDCO from future performance of the Agreement, but not from their rights and obligations existing at the time of termination. TEDCO shall reimburse Contractor for the reasonable value of any nonrecurring costs incurred but not amortized in the price of the Agreement. TEDCO shall notify Contractor as soon as it has knowledge that funds may not be available for the continuation of this Agreement.

11. Dissemination of Information. (a) Contractor shall not release any information related to the services or performance of the services under this Agreement, nor publish any final reports or documents, without the prior written approval of TEDCO, or unless such release is otherwise required by law or reasonably necessary to be disclosed in judicial proceedings.

(b) Contractor agrees: (i) to keep all information Contractor may acquire during the performance of this Agreement about TEDCO or any entity applying to TEDCO for financial or other assistance ("Information") in strict confidence; (ii) not to disclose, divulge or reveal the Information or any part of it to any person without TEDCO's prior written consent; and (iii) not to disclose, other than to TEDCO or its designee, any analysis or conclusions made by Contractor about any such Information without TEDCO's prior written consent.

(c) Notwithstanding the aforegoing, Contractor shall not be obligated to maintain in confidence any Information: (i) which was already known to Contractor; or (ii) which is or comes into the public domain through no fault of Contractor; or (iii) which is independently developed by Contractor; or (iv) which comes to Contractor from a third party who is not in violation of any obligation of confidentiality to TEDCO or, if applicable, to the entity applying to TEDCO for financial or other assistance.

12. Ownership of Documents, Equipment, and Materials. (a) *Ownership*. Contractor agrees and shall ensure that all documents, equipment, and materials including but not limited to reports, drawings, studies, specifications, estimates, maps, software, photographs, designs, graphics, mechanicals, artwork, and computations prepared by or for, or purchased by or for, Contractor in connection with the performance of this Contract shall at any time during the term of the Contract be available to TEDCO and shall become and remain the exclusive property of TEDCO upon termination or completion of the services. TEDCO shall have the right to use same without restriction and without compensation to Contractor or others other than that provided in this Contract. TEDCO shall be the owner for purposes of copyright, patent or trademark registration, and Contractor hereby transfers to TEDCO any rights it may have in the work produced pursuant to this Contract. Contractor agrees that at all times during the term of this Contract and thereafter, the works created and services performed shall be “works made for hire” as that term is interpreted under copyright law. To the extent that any products created under this Contract are not TEDCO works for hire, Contractor hereby transfers and assigns to TEDCO all of its rights, title and interest (including all intellectual property rights) to all such products created under this Contract, and will cooperate reasonably with TEDCO in effectuating and registering any necessary assignments. (b) *Third party; Indemnification*. If Contractor obtains or uses for purposes of this Contract any design, device, material, process, or work covered by patent, copyright, or trademark, Contractor shall ensure TEDCO that it is licensed to possess and to use such design, device, material, process, or work. Contractor shall indemnify TEDCO, its officials, agents and employees with respect to any claim, action, cost or judgment for patent, trademark or copyright infringement by Contractor arising out of the possession or use of any design, device, material, process, supplies, equipment, services or other work covered by this Contract.

13. Retention of Records. Contractor shall retain and maintain all records and documents relating to this Agreement for three years after final payment by TEDCO hereunder or any applicable statute of limitations, whichever is longer. Contractor shall make such records and documents available for inspection and audit by authorized representatives of TEDCO, including the Contract Officer or designees, at all reasonable times.

14. Responsibility for Claims and Liability. TEDCO is not liable in any action of tort, contract, or otherwise for any actions of Contractor arising out of this Agreement. Contractor shall be responsible for all damage to life and property due to its activities or those of its agents or employees. Contractor shall indemnify and absolve TEDCO, the State, their officials, agents, and employees from and against all claims, suits, judgments, expenses, actions, damages and costs of every name and description, including reasonable attorney's fees, arising out of or resulting from the goods provided or Contractor's performance of services under this Agreement.

15. Compliance with Laws. Contractor hereby represents and warrants that:

(a) It is qualified to do business in the State of Maryland and that it will take such action as, from time to time, may be necessary to remain so qualified;

(b) It is not in arrears with respect to the payment of any monies due and owing the State of Maryland, or any department or unit thereof, including, but not limited to, the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of this Agreement;

(c) It shall comply with all federal, State, and local laws applicable to its activities and obligations under this Agreement; and

(d) It shall obtain, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Agreement.

[(e) Contractor hereby further represents and warrants that:

(i) It is not currently, and will not during the term of this Contract become, listed on the government-wide exclusions in the System for Award Management (SAM);

(ii) It will include a provision requiring such compliance in any lower tier subcontract; and

(iii) Should it, or any lower-tier subcontractor, become listed on the government-wide exclusions in SAM during the term of this Contract, it will immediately so notify TEDCO in writing.]

Commented [IS1]: *INSERT for use in federally-funded contracts.*

16. Non-Discrimination in Employment. Contractor shall operate under this Agreement so that no person, otherwise qualified, is denied employment or other benefits on the basis of: (a) race, color, creed, national origin, or marital status; (b) sex or age, except when sex or age constitutes a bona fide occupational qualification; or (c) the physical or mental disability of a qualified individual with a disability. Except in subcontracts for standard commercial supplies or raw materials, Contractor shall include a clause similar to this clause in all subcontracts. Contractor shall provide actual notice of the foregoing to employees and applicants for employment.

17. Subcontracting; Assignment. Contractor may not, during the term of this Agreement or any renewals or extensions of the Agreement, assign any of its rights hereunder nor delegate or subcontract all or any part of its duties hereunder without the prior written approval of the Contract Officer. Any approved subcontract or assignment is subject to all terms and conditions that TEDCO deems necessary. TEDCO is not responsible for Contractor's obligations to its subcontractors.

18. Contract Modification. Except as provided in section 1(b) above, this Agreement may be amended only as TEDCO and Contractor mutually agree in writing. Except for the specific provision of the Agreement which is amended, the Agreement remains in full force and effect after such amendment and is subject to the same laws, obligations, conditions, provisions, rules, and regulations, as it was before the amendment.

19. Maryland Law. This Agreement shall be construed, interpreted, and enforced according to the laws of the State of Maryland.

20. Entire Agreement. This Agreement, together with any Exhibits incorporated by reference, represents the complete and final understanding of the parties. No other understanding or representations, oral or written, regarding the subject matter of this Agreement, may be deemed to exist or to bind the parties at the time of execution.

[Remainder of page intentionally left blank- signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement on or before the date first set forth herein.

WITNESS/ATTEST: **CONTRACTOR**:

_________________________ By: __________________________________

Name Typed

____

Title

WITNESS: **TEDCO:**

_________________________ By: __________________________________

Linda Singh, Executive Director
& Chief Executive Officer

Approved for form and legal sufficiency:

____

Ira Schwartz, Esq., TEDCO Gen'l. Counsel
Office of the Attorney General

Attachment: Exhibit A: Contractor's Proposal