

**MINUTES OF THE
MEETING OF THE INVESTMENT COMMITTEE OF
THE BOARD OF DIRECTORS OF
MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**

August 8, 2023

The Investment Committee (the “Committee”) of the Board of Directors of Maryland Technology Development Corporation (“TEDCO”) convened at 1:03 p.m. on August 8, 2023, via a Zoom video conferencing link provided for that purpose. Three out of the total five members of the Committee attended the meeting; a quorum was present.

Committee Members Present:

Chung Hei Sing, Chair
David Tohn
Myra Norton

Representatives, TEDCO Staff, and Guest Present:

Troy LeMaile-Stovall, CEO TEDCO
Jack Miner, Staff Liaison to Committee
Terry Rauh, Staff
Mark Crosby, Staff
Theodore Gresser, Staff
Katherine Hill Ritchie, Staff
Jean Luc Park, Staff
Avanti Shetye, Staff
Leah Franklin, Staff
Renee Winsky, Maryland Venture Fund Authority (“MVFA”) Member, Observer to Committee
Lara Hjortsberg, Office of the Attorney General (“OAG”)
Jigita Patel, OAG

Additional Board Members Present:

Omar Muhammad, Board Chair

Committee Members Not Present:

Kathie Callahan Brady

I. Meeting called to Order/Roll Call:

The meeting was called to order by Mr. Sing, the Chair, at 1:03 pm.

II. Action Item: Approval of the June 2023 Meeting Minutes

Upon motion duly made and seconded, the Committee unanimously approved the Minutes of the Open and Closed Sessions of the Meeting of the Committee held on June 13, 2023 in the forms presented to the Committee prior to the meeting.

III. Update: SSBCI Fund to Funds (“VCLP”) Program

Mr. Miner summarized the status of the SSBCI VCLP program. He noted that negotiation was taking some time given the complexities of incorporating the Maryland and SSBCI requirements into the investment documents. Ms. Hjortsberg added that the form of side letter had been distributed to the first venture firm and that she was in the process of negotiating with that firm’s legal counsel.

IV. Update: Compliance and Operations

Mr. Miner stated that there were no policies for review or approval before the Committee. Mr. Miner noted that he is working on materials to be presented to the Committee in the next couple of months.

V. Update: Fund Performance

Mr. Miner noted the goal is better reporting and that the team has been working with Aumni to input data. As of this meeting, Aumni has 70% of the data input. He noted that due to the current gaps in the data, the financial returns to be presented by the investment team were the best available at this time.

Mr. Park summarized the following regarding Social Impact Fund:

- Annual Allocation:
 - \$6.2 Million Builder Fund
 - \$750K Inclusion Fund
- Expected Deployment
 - 45% Follow-on
 - 55% New Companies
- Targeted 7-year return:
 - 16% IRR
- Average Investment size, with the goal of a total investment of \$800,000 into a company:
 - Initial investment: \$100,000
 - 1st Follow on: \$200,000
 - 2nd Follow on: \$500,000
- Industry Sector Focus:
 - Agnostic to Technology Sector
- Performance:
 - 67 investments
 - \$7.88 million allocated
 - 18 follow on investments
 - 49 new investments
 - MOIC¹: 0.97 (based on available Aumni data)
 - TVPI²: 0.97 (based on available Aumni data)

Mr. next Gresser summarized the following regarding Seed Fund:

- Allocation: \$3.1M/year, approx. \$35M AUM
 - \$850K Life Sciences Investment Fund (LSIF)

¹ Multiple on invested capital; defined as the value or performance of an investment relative to its initial cost.

² Total value paid in; defined as the ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid into the fund to date.

- \$800K Cybersecurity Investment Fund (CIF)
- \$850K Gap Fund
- \$600K Technology Commercialization Fund (TCF)
- Expected Deployment:
 - 50% Follow on
 - 50% New Companies
- Targeted 7-year return:
 - 8% IRR
- Average Investment Size:
 - \$200,000
- Industry Sector Focus:
 - Determined by sub-program (e.g., life sciences, cyber, technology)
- Performance
 - 175 investments held across LSIF, CIF, TCF and GAP funds and SSBCI
 - \$27.8 million allocated
 - 22 follow on investments
 - 153 new investments
 - MOIC: 1.25 (based on available Aumni data)
 - TVPI: 1.28 (based on available Aumni data)

Ms. Hill Ritchie then summarized the following regarding Venture Fund:

- Allocation:
 - \$6.5 million venture fund yearly allocation (InvestMD II; no longer investing out of Enterprise Fund)
 - SSBCI and new Maryland Equity Investment Fund
- Expected Deployment
 - 65% Follow on
 - 35% New Companies
- Targeted 7-year return
 - 20% IRR
- Average Investment Size:
 - \$500K to \$1,500,000
- Industry Sector Focus
 - Agnostic to Technology Sector
- Performance
 - 68 investments (Enterprise, InvestMD, SSBCI and legacy portfolios)
 - \$65.25 million allocated
 - 47 follow on investments
 - 23 new investments
 - MOIC: 1.03(based on available Aumni data)
 - TVPI: 1.22 (based on available Aumni data)

Following the investment team presentation, it was noted that the information presented would be useful to the entire TEDCO Board and would also serve as an educational tool for stakeholders in Annapolis. Mr. Miner responded that Ms. Lehman has been working with those in Annapolis but wanted to reiterate the focus is on aligning the reporting structure with that of an institutional investor.

In response to questions about the metrics for the portfolios, Mr. Miner shared that each fund manager uses its own IRR calculation and that the fund managers must deal with the effect on IRR of the timing of when the investment was made. Mr. Miner added that 27% IRR is standard for the industry, but he noted that in TEDCO's case it is appropriate to use these industry metrics but also explain via footnotes why the IRR for each fund is what it is. Mr. Sing noted he wanted to ensure that TEDCO is following the dual mandate and, therefore, returns will not be as high as that of a typical institutional investor.

A discussion followed regarding TEDCO's management of Board seats with portfolio companies. Mr. Miner clarified that TEDCO does not take board seats for public ethics/conflicts of interest and historical reasons but that TEDCO has retained observer rights from about 24 companies in the portfolio, noting that the team negotiates observer rights when the fund manager feels that he/she can add value. In response to questions about the purpose and effectiveness of these rights, Mr. Miner undertook to provide additional information regarding board observer seats at the next meeting, including the number of observer seats and the number of meetings attended by the investment team in the last fiscal year.

Ms. Shetye reviewed the InvestMaryland I VCLP performance, including IRR for Q12023, fees, and fund multiples for each of the eight funds in this portfolio. She noted that \$44 million, or 97%, of committed capital in this program has been deployed by the eight funds. It was noted that for the SSBCI VCLPs, the intent was to provide similar reporting metrics.

VI. New Fund Executive Summary

Mr. Miner introduced and summarized a proposal for a new fund, TEDCO Legacy Fund, a summary of which had been distributed to the Committee prior to the meeting. Mr. Miner noted one current challenge with the portfolio is that TEDCO cannot invest in non-Maryland companies and also noted that this concept would allow TEDCO to pursue outside funding in alignment with the Board's core pillar to increase funding outside of the State appropriation process. He noted that, if the TEDCO Board determined to pursue this concept, which is in the very initial stages of development, legislation would be required to address TEDCO's ability to invest in companies located outside of Maryland and the parameters for such investments. He noted that at this stage, his intent was to garner input on the idea from the Committee and that he would be presenting a case study on a specific TEDCO portfolio company during the Closed Session to illustrate the need to expand TEDCO's funding sources.

In response to questions as to the legal authority of TEDCO to raise such a fund, Ms. Patel noted that Mr. Schwartz (General Counsel) had communicated with Mr. Stovall regarding certain aspects of the legality of such a fund, noting that there were statutory authority, State ethics, and organizational structure issues that need to be resolved. Ms. Hjortsberg added that there were also securities law issues (e.g., broker-dealer and investment adviser) that would need to be examined and addressed once there was more detail provided to OAG as to the structure and relationship of the fund to TEDCO.

VII. Action Item: Motion to Close the Meeting

Mr. Sing noted the Closed Session on the meeting agenda and provided the statutory justification under the Open Meetings Act for closing the meeting as follows: General Provisions ("GP") GP §3-103(a)(1)(i) to carry out an administrative function; GP §3-305(b)(13), to comply with specific constitutional, statutory, or judicially imposed requirements that prevent public disclosures about a particular proceeding or matter; GP §3-305(b)(7), to consult with counsel to obtain legal advice; and GP §3-305(b)(5), to consider the investment of public funds.

Upon motion duly made and seconded, the Committee unanimously approved that the meeting enter Closed Session for the referenced statutory justifications at 1:51 p.m. (A copy of the Statement for Closing a Meeting is attached hereto.) In addition to the Committee members who voted in favor of entering Closed Session, the following individuals remained during the Closed Session at the invitation of the Committee: Messrs. Miner, Asad, Crosby, Gresser, Park, and Stovall, and Ms. Ritchie, Ms. Shetye, Ms. Franklin, Ms. Patel, Ms. Hjortsberg, and Ms. Winsky.

The following is a summary of what occurred during the Closed Session:

The investment team continued with its portfolio review, providing specific information on portfolio companies as follows:

- Social Impact Funds: Pirl and ARMOR
- Seed Funds: EcoMap, Flexnode, and Astek Diagnostics
- Venture Funds: Kalocyte, Din Din, and Machfu

Continuing the discussion with respect to reasons behind the TEDCO Legacy Fund proposal from the Open Session of the meeting, Mr. Miner presented a case study with respect to one of TEDCO's portfolio companies in which TEDCO was no longer able to invest due to the Maryland qualified business requirements. He outlined the history of the investment, noting that the Maryland Venture Fund was an early investor in the company, investing \$2 million dollars in several tranches since 2012. He noted that in the company's last financing it had been valued at \$635 million but that because the company has transitioned from a Maryland-based business to a virtual work environment, TEDCO was unable to invest in that financing round and that this was an example where if TEDCO does not continue to invest in companies such as this one, TEDCO's investment becomes diluted and TEDCO does not achieve the ultimate financial return.

There followed a discussion of whether the investment team could provide historical examples of instances where TEDCO has not been able to invest due to an inability to meet the Maryland requirements as to location/employees and lost out on exit profit/return. The need for statutory changes was suggested. Ms. Patel reminded the Committee of the regulations allowing the Committee to designate a company as a qualified business based on a substantial economic impact ("SEI") analysis and suggested that the team could also look at the SEI factors, determine why companies are unable to satisfy them, and consider revising the factors accordingly. Mr. Miner added that TEDCO still required a greater pool of capital to potentially increase returns for the portfolio.

The meeting was adjourned in Closed Session at 2:07 pm.