

InvestMaryland

ANNUAL STATUS REPORT

Economic Development Article

SECTION 6-529

Submitted by:

Maryland Department of Business and Economic Development

January 1, 2015

Overview

Pursuant to Section §6–529 of the Economic Development Article as amended (the “Act”), on or before January 1st of each year, the Department of Business and Economic Development (the “Department”) shall submit a report on the implementation of the InvestMaryland Program (the “Program”) to the Governor and, in accordance with § 2–1246 of the State Government Article, to the Senate Budget and Taxation Committee and the House Ways and Means Committee.

The Program became fully operational in calendar year 2012, and this is the third Annual Report. Section §6–529 of the Act requires information only with respect to the previous fiscal year, which in this case is the fiscal year ending June 30, 2013. In order to provide the most up to date information on the Program, however, the Department is also providing information through December 31, 2014 to the extent that it is available.

The Program was established in 2011 with the passage of the Act, and much of the foundation for the Program was laid that year with the formation of the Maryland Venture Fund Authority (the “Authority”) and the Authority’s selection of consultant Grant Street Group to run the online auction of premium tax credits and Altius Advisors to advise the Authority on the selection of private venture funds. The online auction of \$100,000,000 of premium tax credits was conducted on March 15, 2012, and the auction yielded \$84,000,000 in proceeds which was paid to the State by the insurance company purchasers over the three year period ending in June 2014. Meanwhile, the Authority adopted a private venture fund investment strategy in consultation with Altius Advisors, and in June 2012 based on Altius Advisors’ recommendations the Authority selected and prioritized the venture firms to be considered for investment.

I. Purchasers of Premium Tax Credits

The following insurance companies purchased premium tax credits under the Program for the amounts indicated below. All amounts due have been paid in full.

Purchasers	Amount Awarded	Price	Designated Capital Contributed	Remaining Due 6/30/2014	Amount Transferred Under § 6–514 As of 3/31/2014
The Hartford Financial Services Group	\$35,000,000	\$29,400,000	\$29,400,000	\$0	\$0
Hartford Fire Insurance Company					\$2,753,334
Hartford Accident and Indemnity Company					\$466,664
Hartford Casualty Insurance Company					\$2,053,334
Hartford Underwriters Insurance Company					\$1,423,334
Twin City Fire Insurance Company					\$2,473,334
Hartford Insurance Company of the Midwest					\$1,493,334
Trumbull Insurance Company					\$2,426,666
Property & Casualty Insurance Co. of Hartford					\$420,000
Sentinel Insurance Company, Ltd.					\$2,310,000
Hartford Life and Accident Insurance Company					\$5,483,334
Hartford Life and Annuity Insurance Company					\$2,030,000
Metropolitan Life Insurance Company	\$22,500,000	\$18,900,000	\$18,900,000	\$0	\$0

Medical Mutual Liability Insurance Society of MD	\$10,000,000	\$8,400,000	\$8,400,000	\$0	\$0
New York Life Insurance Company	\$10,000,000	\$8,400,000	\$8,400,000	\$0	\$0
Chubb — Federal Insurance Company	\$6,100,000	\$5,124,000	\$5,124,000	\$0	\$0
Selective Insurance Group, Inc.	\$5,000,000	\$4,200,000	\$4,200,000	\$0	\$0
GEICO	\$4,900,000	\$4,116,000	\$4,116,000	\$0	\$0
Travelers	\$2,500,000	\$2,100,000	\$2,100,000	\$0	\$0
Chubb — Great Northern Insurance Company	\$2,000,000	\$1,680,000	\$1,680,000	\$0	\$0
Agency Insurance Company of Maryland Inc.	\$1,000,000	\$840,000	\$840,000	\$0	\$0
Injured Workers Insurance Fund	\$1,000,000	\$840,000	\$840,000	\$0	\$0
TOTAL	\$100,000,000	\$84,000,000	\$84,000,000	\$0	\$23,333,334

II. Venture Firms Receiving an Allocation of Designated Capital

Of the \$84,000,000 in designated capital raised in the premium tax credit auction, 67% or \$56,280,000 is allocated by statute to investments in private venture firms that commit to investing that amount in Qualified Businesses in the State. From among the 37 venture firms that applied for InvestMaryland investment, the Authority selected and prioritized firms for investment. It is anticipated that the InvestMaryland private venture fund investment allocation will be invested in a total of eight venture firms. Seven venture firm investment commitments had closed as of June 30, 2014 and negotiations are underway with a final eighth firm.

As of June 30, 2014, the following venture firms had received commitments of designated capital, although the capital will be called over the 10-year life of each fund.

Venture Firm	Address	Qualified Individuals	Designated Capital Committed	Designated Capital Paid in FY14*	Cumulative Designated Capital Paid*	Designated Capital Remaining Uncalled*	Amount of Qualified Distributions in FY14*
Core Equity Partners III, L.P.	1717 K St. N.W., Suite 1000 Washington, DC 20006	William Dunbar	\$4,346,000	\$1,723,705	\$1,905,018	\$2,640,982	\$0
Enertech Capital Partners IV L.P.	Building D Suite 105 625 W. Ridge Pike Conshohocken, PA 19428	William Kingsley	\$7,000,000	\$2,204,999	\$2,449,999	\$4,550,000	\$0
Foundation Medical Partners Fund IV, L.P.	105 Rowayton Ave Rowayton, CT 06853	Lee Wrubel, Mike Greeley,	\$10,000,000	\$625,000	\$929,740	\$9,070,260	\$0
Grotech Ventures II, L.P.	230 Schilling Circle	Frank Adams, Chuck	\$12,000,000	\$2,150,147	\$7,102,451	\$5,331,434	\$0

	Suite 362 Hunt Valley MD 21031	Cullen, Steve Frederick, Don Rainey, Lawson Devries						
Kinetic Ventures IX, L.P.	2 Wisconsin Circle, Suite 620, Chevy Chase, MD 20815	Jake Tarr, William Heflin, Nelson Chu	\$5,000,000	\$385,413	\$1,557,041	\$3,442,959	\$88,638	
New Atlantic Fund IV, LLC	11911 Freedom Drive Suite 1080 Reston, VA 20190	John Backus, Thanasis Delistathis ,Todd Hixon, Scott Johnson	\$8,000,000	\$924,763	\$1,315,218	\$6,684,782	\$0	
New Markets Education Partners, L.P.	8161 Maple Lawn Boulevard, Suite 350 Fulton, MD 20759	Rob Doub, Marc Grovic	\$3,000,000	\$1,530,000	\$1,650,000	\$1,350,000	\$0	
			\$49,346,000	\$9,544,027	\$16,909,467	\$33,070,417	\$88,638	

*To reflect the most up-to-date information these figures are reported up to and including 11/30/2014

The venture firms invested \$15,609,220 in the following Qualified Businesses in the State of Maryland through 2014, which in turn leveraged \$77,929,164 in additional private investment as indicated:

Venture Firm (VCLP)	Qualified Business	Investment Close Date	Investment Amount	Private \$ Leveraged
Core Equity Partners III, L.P.	Luminal, Inc. 47 All Saints Street Frederick, MD 21701	Aug-13	\$150,000	\$650,000
Core Equity Partners III, L.P.	Luminal, Inc. 47 All Saints Street Frederick, MD 21701	Aug-14	\$339,571	\$8,758,550
Core Equity Partners III, L.P.	STAQ, Inc. 1014 West 36 th Street Baltimore, MD 21211	Sep-14	\$700,000	\$1,300,000
Core Equity Partners III, L.P.	ZeroFOX, Inc. 1111 Light Street, 3rd Floor Baltimore, MD 21230	Apr-14	\$979,469	\$9,016,791
Grotech Ventures II, L.P.	Data Design Corporation	Jan-14	\$5,000,000	\$10,000,000

	7362 Calhoun Place Rockville, MD 20855			
Grotech Ventures II, L.P.	Healthcare Interactive, Inc. 3060 Maryland 97 Glenwood, MD 21738	Jun-14	\$3,000,000	\$3,000,000
Grotech Ventures II, L.P.	Optoro, Inc. 5001 Forbes Blvd. Lanham, MD 20706	Nov-14	\$2,999,990	\$36,999,963
Kinetic Ventures IX, L.P.	Weather Analytics, LLC 3 Bethesda Metro Center, #508 Bethesda, MD 20814	Aug-13	\$345,000	\$405,000
Kinetic Ventures IX, L.P.	STAQ, Inc. 1014 West 36 th Street Baltimore, MD 21211	Sep-14	\$500,000	\$0
New Atlantic Fund IV, L.P.	Bambeco, Inc. 3430 2nd Street, Suite 300 Baltimore, MD 21225	Oct-13	\$1,000,000	\$3,648,762
New Atlantic Fund IV, L.P.	Bambeco, Inc. 3430 2nd Street, Suite 300 Baltimore, MD 21225	May-14	\$250,000	\$776,007
New Atlantic Fund IV, L.P.	Bambeco, Inc. 3430 2nd Street, Suite 300 Baltimore, MD 21225	Nov-14	\$170,000	1,080,000
New Markets Education Partners, L.P.	CES Acquisition Corp. 10713 Gilroy Road, Suite B Hunt Valley, MD 21031	Feb-14	\$348,190	\$3,374,091
			\$15,779,220	\$79,009,164

III. The Enterprise Fund (Maryland Venture Fund)

The Enterprise Fund (d/b/a “Maryland Venture Fund” or “MVF”) undertook to implement the Authority’s recommendations regarding the selection of venture firms for allocations of designated capital under the Program. This has entailed negotiating the terms of investment with each venture firm. As noted above, commitments in seven venture firms have been closed, and MVF is currently in negotiations with an eighth and final venture firm. All firms that receive allocations must commit to investing in Qualified Businesses located in Maryland an amount equal to the State’s investment commitment in that firm. One firm, Grotech Ventures, has already met the \$12,000,000 commitment.

In addition to implementing that portion of the Program that invests in private venture firms, MVF has also been actively implementing the direct investment portion of the Program. As noted above, 67% of the designated capital raised in the premium tax credit auction is allocated

to private venture firm investments. Of the remaining third after first deducting \$250,000 allocated to the Rural Maryland Council, 75% is allocated to MVF for direct investment. Designated capital received by MVF in FY2014 and cumulative through June 30, 2014 is as follows:

Designated Capital Allocation	Designated Capital Received in FY2014	Cumulative Designated Capital Received	Designated Capital Remaining Uncommitted to Date*
\$20,602,500	\$6,930,000	\$20,602,500	\$0

*To provide the most current data, Designated Capital Remaining Uncommitted is as of 11/30/2014

MVF received the third (of three) installments of its allocation of designated capital in June 2014 and therefore was able to invest those funds only after the end of the 2014 fiscal year. Through November 30, 2014, MVF invested in a total of \$9,738,419 InvestMD dollars into twenty-six Qualified Businesses as follows:

Qualified Business	Location	Designated Capital Received by Qualified Business in FY2014	Total Committed Incl. Encumbered Follow-on Reserve	Valuation
3Clogic, Inc.	Montgomery County	\$100,000	\$0	\$100,000
6th Street, Inc. (SalesWarp)	Baltimore City	\$550,000	\$1,000,000	\$550,000
Bambeco, Inc.	Baltimore City	\$600,000	\$1,150,000	\$600,000
BioDatomics, Inc.	Montgomery County	\$99,997	\$299,997	\$99,997
Brainscope Company, Inc.	Montgomery County	\$400,000	\$750,000	\$400,000
CellPhire, Inc.	Montgomery County	\$1,000,000	\$1,000,000	\$1,000,000
CES Acquisition Corp.	Baltimore County	\$77,482	\$800,000	\$77,482
OneVest, Inc. (Cofounders Lab)	Montgomery County	\$75,000	\$225,000	\$75,000
CytImmune Sciences, Inc.	Montgomery County	\$200,000	\$400,000	\$200,000
NuoTherapy, Inc. (Cytomedix)	Montgomery County	\$300,000	\$500,000	\$300,000
GrayBug, LLC	Baltimore City	\$300,000	\$1,200,000	\$300,000
Harpoon Medical, Inc.	Queen Anne's County	\$500,000	\$1,500,000	\$500,000
KoolSpan, Inc.	Montgomery County	\$400,000	\$800,000	\$400,000
Luminal, Inc.	Frederick County	\$1,050,940	\$1,900,000	\$1,050,940
Maxtena, Inc.	Montgomery County	\$250,000	\$1,620,000	\$250,000
Mobile System 7, Inc.	Montgomery County	\$300,000	\$1,200,000	\$300,000
Plasmonix, Inc.	Baltimore County	\$150,000	\$150,000	\$0
Pulse8, Inc.	Anne Arundel County	\$590,000	\$1,500,000	\$590,000
ReelGenie, LLC	Montgomery County	\$150,000	\$150,000	\$0
Social Toaster, Inc.	Baltimore City	\$400,000	\$600,000	\$400,000
Synapsify, Inc.	Montgomery County	\$195,000	\$745,000	\$195,000
Tales2Go, Inc.	Montgomery County	\$350,000	\$450,000	\$350,000
Three Ring, Inc.	Baltimore City	\$200,000	\$600,000	\$200,000
Triumphant, Inc.	Montgomery County	\$500,000	\$750,000	\$500,000
Weather Analytics, Inc.	Fairfax County	\$500,000	\$1,500,000	\$500,000
Zeuss, Inc.	Talbot County	\$500,000	\$1,500,000	\$500,000

\$9,738,419 \$22,289,997 \$9,438,419

*To provide the most current data, all reported figures for FY 2014 are for the time period up to and including 11/30/2014

IV. The Maryland Small Business Development Financing Authority

As noted, 67% of the designated capital raised in the premium tax credit auction is allocated to private venture firm investments. After first deducting \$250,000 allocated to the Rural Maryland Council, 25% of the remainder is allocated to the Maryland Small Business Development Financing Authority (“MSBDFA”) for direct investment. Designated capital received by MSBDFA in FY2014 and cumulative through June 30, 2014 is as follows:

Designated Capital Committed	Designated Capital Received in FY2014	Cumulative Designated Capital Rec'd as of 11/30/2014	Designated Capital Remaining Uncommitted as of 11/30/2014
\$6,867,500	\$2,310,000	\$6,845,217	\$6,095,217

Qualified Business	Location	Designated Capital Received by Qualified Business in FY2014	Total Committed Incl. Encumbered Follow-on Reserve	Valuation
MainStreet Technologies, Inc.	Columbia	\$200,000	\$200,000	\$200,000
Text Behind, LLC	Forest Hill	\$81,000	\$200,000	\$81,000
OGOS Energy, LLC	Severna Park	\$350,000	\$350,000	\$350,000
		\$631,000	\$750,000	\$631,000

V. Qualified Businesses

With respect to the Qualified Businesses in which venture firms, MVF, or MSBDFA have invested designated capital, a total of 2042 Maryland jobs have been created or retained with an average wage of over \$85,000. The specific information required for this report is set forth below:

Qualified Business	Industry Sector	Size of Business	MD Jobs Created	Average Wage	MD Jobs Retained	Average Wage
3Clogic, Inc.	IT	Small	49	\$62,500	53	\$57,931
6th Street, Inc. (SalesWarp)	Ecommerce	Small	60	\$110,000	9	\$85,000
Bambeco, Inc.	Ecommerce	Small	30	\$71,220	22	\$97,535
BioDatomics, Inc.	Life Sciences	Small	75	\$100,000	3	\$40,000
Brainscope Company, Inc.	Medical Instruments	Small	25	\$85,000	16	\$110,000
CellPhire, Inc.	Life Sciences	Small	16	\$95,000	11	\$115,000
CES Acquisition Corp.	Education Tech	Small	21	\$68,000	110	\$66,000

OneVest, Inc. (Cofounders Lab)	IT	Small	3	\$55,000	5	\$50,000
CytImmune Sciences, Inc.	Life Sciences	Small	19	\$130,000	3	\$191,000
Cytomedix, Inc.	Life Sciences	Small	43	\$106,000	51	\$114,332
GrayBug, LLC	Life Sciences	Small	11	\$126,000	5	\$110,000
Harpoon Medical, Inc.	Medical Devices	Small	66	\$115,000	7	\$135,000
KoolSpan, Inc.	Cyber Security	Small	175	\$110,000	33	\$110,000
Luminal, Inc.	Cyber Security	Small	80	\$100,000	5	\$105,000
Maxtena, Inc.	Telecommunications	Small	18	\$100,000	12	\$110,000
Mobile System 7, Inc.	Cyber Security	Small	407	\$120,000	8	\$66,000
Plasmonix, Inc.	Life Sciences	Small	10	\$45,000	4	\$115,250
Pulse8, Inc.	Health IT	Small	19	\$91,000	3	\$133,000
ReelGenie, LLC	IT	Small	0	\$0	11	\$60,500
Social Toaster, Inc.	IT	Small	7	\$78,000	18	\$58,450
Synapsify, Inc.	IT	Small	94	\$75,000	9	\$75,000
Tales2Go, Inc.	Education Tech	Small	37	\$60,560	5	\$80,400
Three Ring, Inc.	Education Tech	Small	100	\$75,000	4	\$75,000
Triumphant, Inc.	Cyber Security	Small	171	\$110,000	14	\$130,000
Weather Analytics, Inc.	Weather Tech	Small	52	\$55,000	0	\$88,250
Zeuss, Inc.	IT	Small	28	\$63,000	5	\$63,200
			1616	\$84,857	426	\$93,917

*All reported figures for FY 2014 are for the time period up to and including 11/30/2014