

# **InvestMaryland**

## **ANNUAL STATUS REPORT**

Economic Development Article

SECTION 6-529

Submitted by:

Maryland Department of Business and Economic Development

January 1, 2016

## Overview

Pursuant to Section §6–529 of the Economic Development Article as amended (the “Act”), on or before January 1<sup>st</sup> 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 fourth 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, 2015.

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.

<b>Purchasers</b>	<b>Amount Awarded</b>	<b>Price</b>	<b>Designated Capital Contributed</b>	<b>Remaining Due 6/30/2015</b>
The Hartford Financial Services Group	\$35,000,000	\$29,400,000	\$29,400,000	\$0
Hartford Fire Insurance Company				
Hartford Accident and Indemnity Company				
Hartford Casualty Insurance Company				
Hartford Underwriters Insurance Company				
Twin City Fire Insurance Company				
Hartford Insurance Company of the Midwest				
Trumbull Insurance Company				
Property & Casualty Insurance Co. of Hartford				
Sentinel Insurance Company, Ltd.				
Hartford Life and Accident Insurance Company				
Hartford Life and Annuity Insurance Company				
Metropolitan Life Insurance Company	\$22,500,000	\$18,900,000	\$18,900,000	\$0
Medical Mutual Liability Insurance Society of MD	\$10,000,000	\$8,400,000	\$8,400,000	\$0
New York Life Insurance Company	\$10,000,000	\$8,400,000	\$8,400,000	\$0

Chubb — Federal Insurance Company	\$6,100,000	\$5,124,000	\$5,124,000	\$0
Selective Insurance Group, Inc.	\$5,000,000	\$4,200,000	\$4,200,000	\$0
GEICO	\$4,900,000	\$4,116,000	\$4,116,000	\$0
Travelers	\$2,500,000	\$2,100,000	\$2,100,000	\$0
Chubb — Great Northern Insurance Company	\$2,000,000	\$1,680,000	\$1,680,000	\$0
Agency Insurance Company of Maryland Inc.	\$1,000,000	\$840,000	\$840,000	\$0
Injured Workers Insurance Fund	\$1,000,000	\$840,000	\$840,000	\$0
<b>TOTAL</b>	<b>\$100,000,000</b>	<b>\$84,000,000</b>	<b>\$84,000,000</b>	<b>\$0</b>

\*As of the end of Fiscal Year 2015, all tax credits have been Transferred Under § 6-514

## 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. The InvestMaryland private venture fund investment allocation was committed to a total of eight venture firms.

As of June 30, 2015, 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 FY15	Cumulative Designated Capital Paid	Designated Capital Remaining Uncalled	Amount of Qualified Distributions in FY15
Core Equity Partners III, L.P.	1401 I Street N.W., Suite 1000 Washington, DC 20005	William Dunbar	\$4,546,000	\$543,937	\$2,267,643	\$2,278,357	\$0
Enertech Capital Partners IV L.P.	Building D Suite 105 625 W. Ridge Pike Conshohocken, PA 19428	Tucker Twitmyer	\$7,000,000	\$1,120,000	\$3,324,999	\$3,675,001	\$0
Flare Capital Partners Fund IV, L.P.	105 Rowayton Ave Rowayton, CT 06853	Lee Wrubel, Andrew Firlik,	\$10,000,000	\$804,740	\$1,429,740	\$8,570,260	\$0

Grotech Ventures II, L.P.	230 Schilling Circle Suite 362 Hunt Valley MD 21031	Frank Adams, Chuck Cullen, Steve Frederick, Don Rainey, Lawson Devries	\$12,000,000	\$1,751,498	\$7,617,631	\$4,382,369	\$0
Kinetic Ventures IX, L.P.	2 Wisconsin Circle, Suite 620, Chevy Chase, MD 20815	Jake Tarr, William Heflin, Nelson Chu	\$5,000,000	\$430,263	\$1,714,476	\$3,285,524	\$27,333
New Atlantic Fund IV, LLC	11911 Freedom Drive, Suite 1080 Reston, VA 20190	John Backus, Thanasis Delistathis, Todd Hixon, Scott Johnson	\$8,000,000	\$1,346,123	\$2,270,886	\$5,729,114	\$0
New Markets Education Partners, L.P.	8161 Maple Lawn Boulevard, Suite 350 Fulton, MD 20759	Rob Doub	\$3,000,000	\$450,000	\$1,980,000	\$1,020,000	\$133,104
Edison Partners VIII, L.P.	1009 Lenox Dr. #4 Lawrenceville, NJ 08648	Chris Sugden	\$5,000,000	\$0	\$0	\$5,000,000	
			<b>\$54,546,000</b>	<b>\$6,446,561</b>	<b>\$20,605,375</b>	<b>\$33,940,625</b>	<b>\$160,437</b>

\*Shortly after the reporting period, MVF's \$8,000,000 commitment to NAV was reduced to \$3,521,995. Thus, \$1,270,886 remains uncalled.

The venture firms invested \$13,702,296 in the following Qualified Businesses in the State of Maryland through 2015, which in turn leveraged \$76,906,100 in additional private investment as indicated:

Venture Firm	Name and Location of Qualified Businesses	Investment Close Date	Amount Received by Qualified Business	Additional Private \$\$ Leveraged
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.	Luminal, Inc. 47 All Saints Street Frederick, MD 21701	Oct-14	\$250,000	\$0
Core Equity Partners III, L.P.	STAQ, Inc. 8 Market Place, STE 403 Baltimore, MD 21202	Sep-14	\$700,000	\$1,788,409
Enertech Capital Partners IV, L.P.	Blue Pillar, Inc. 4539 Metropolitan Ct., STE 217 Frederick, MD 21704	Feb-15	\$4,500,000	\$5,250,000
Grotech Ventures II, L.P.	Optoro, Inc. 5001 Forbes Boulevard Lanham, MD 20706	Nov-14	\$2,999,990	\$47,000,010
Kinetic Ventures IX, L.P.	STAQ, Inc. 8 Market Place, STE 403 Baltimore, MD 21202	Sep-14	\$550,000	\$0
New Atlantic Fund IV, LLC	Bambeco, Inc. 3430 2nd Street, Suite 300 Baltimore, MD 21225	Nov-14	\$162,000	\$1,402,000
New Atlantic Fund IV, LLC	Bambeco, Inc. 3430 2nd Street, Suite 300 Baltimore, MD 21225	May-15	\$200,000	\$900,000
New Atlantic Fund IV, LLC	Gusto, Inc. 7315 Wisconsin Ave. Bethesda, MD 20814	Mar-15	\$425,000	\$2,475,000
New Markets Education Partners, L.P.	CES Acquisition Corp. 10713 Gilroy Road, Suite B Hunt Valley, MD 21031	May-15	\$200,000	\$2,800,759
New Markets Education Partners, L.P.	Three Ring, Inc. 1111 Light St., 4th Fl Baltimore, MD 21230	Sep-14	\$548,501	\$501,449
New Markets Education Partners, L.P.	Three Ring, Inc. 1111 Light St., 4th Fl Baltimore, MD 21230	Mar-15	\$100,000	\$149,000
New Markets Education Partners, L.P.	Fishtree, Inc. 7th FL 5425 Wisconsin Ave Chevy Chase, MD 20815	Aug-14	\$1,049,996	\$949,993
New Markets Education Partners, L.P.	Regent Education, Inc. 12 W. Church St. Frederick, MD 21701	Jul-14	\$1,500,000	\$2,500,048
New Markets Education Partners, L.P.	Regent Education, Inc. 12 W. Church St. Frederick, MD 21701	Apr-15	\$177,211	\$2,430,882
			<b>\$13,702,269</b>	<b>\$76,906,100</b>

### 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 entailed negotiating the terms of investment with each venture firm. As noted above, commitments in eight venture firms have been closed, and the InvestMaryland allocation to venture funds was fully committed as of June 30, 2015. Subsequent to the end of the fiscal year, \$4,450,000 of the commitment to New Atlantic Ventures was released and the Venture Fund Authority consequently reallocated. The MVFA has recommended that available funds be divided equally between two venture funds, but the exact amount of available funds (after reserves for TEDCO program operating costs) has not yet been determined. 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. Five (5) firms including Grotech Ventures II, Kinetic Ventures IX, Core Equity Partners, New Markets Education Partners, and Eneritech Capital Partners, have already met their aggregate \$31,546,000 in InvestMaryland commitments to Qualified Businesses.

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% (\$20,602,500) is allocated to MVF for direct investment. Designated capital received by MVF to date is as follows:

<b>Designated Capital Allocation</b>	<b>Designated Capital Received in FY2015</b>	<b>Cumulative Designated Capital Received</b>	<b>Designated Capital Remaining Uncommitted to Date*</b>
\$20,602,500	\$0	\$20,602,500	\$0

In Fiscal Year 2015, MVF directly invested in a total of \$2,800,503 InvestMaryland dollars into thirteen Qualified Businesses as follows:

<b>Date</b>	<b>Qualified Business</b>	<b>Location</b>	<b>Designated Capital Received by Qualified Business in FY2015</b>	<b>Total Committed Incl. Encumbered Follow-on Reserve</b>	<b>Valuation of Capital Received by Business in FY2015</b>
Aug-14	Harpoon Medical, Inc.	Queen Anne's County	\$500,000	\$1,500,000	\$500,000
Aug-14	Luminal, Inc.	Frederick County	\$450,940	\$1,900,000	\$450,940
Aug-14	Pulse8, Inc.	Anne Arundel County	\$90,000	\$1,500,000	\$90,000
Oct-14	6th Street, Inc. (SalesWarp)	Baltimore City	\$50,000	\$1,000,000	\$50,000
Nov-14	Synapsify, Inc.	Montgomery County	\$50,000	\$745,000	\$50,000
Sep-14	Three Ring, Inc.	Baltimore City	\$200,000	\$600,000	\$200,000
Nov-14	Bambeco, Inc.	Baltimore City	\$250,000	\$2,400,000	\$250,000
Dec-14	Triumfant, Inc.	Montgomery County	\$250,000	\$750,000	\$250,000
Feb-15	Tales2Go, Inc.	Montgomery County	\$100,000	\$650,000	\$100,000
Feb-15	Mobile System 7, Inc.	Montgomery County	\$100,000	\$1,200,000	\$100,000
Feb-15	Gray Bug, inc.	Baltimore City	\$239,999	\$1,200,000	\$239,999
Apr-15	Bambeco, Inc.	Baltimore City	\$200,000	-	\$200,000
Apr-15	CES Acquisition Corp.	Baltimore County	\$69,564	\$800,000	\$69,564
May-15	Maxtena, Inc.	Montgomery County	\$250,000	\$1,120,000	\$250,000
			<b>\$2,800,503</b>	<b>\$15,365,000</b>	<b>\$2,800,503</b>

#### **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 through June 30, 2015 is as follows:

<b>Designated Capital Committed</b>	<b>Designated Capital Received in 2015</b>	<b>Cumulative Designated Capital Rec'd</b>	<b>Designated Capital Remaining Uncommitted</b>
\$843,000	\$0	\$6,845,217	\$6,002,217

Note: As of June 30, 2015, MSBDFA was in discussion with three business for InvestMaryland in the amount of \$1,000,000 but not yet committed.

Qualified Business	Location	Designated Capital Received by Qualified Business in 2015	Total Committed Incl. Encumbered Follow-on Reserve	Valuation of FY2015 Investments
Text Behind, LLC	Forest Hill	\$12,000	\$93,000	\$12,000
Integrata, Inc.	Columbia	\$150,000	\$150,000	\$150,000
		<b>\$162,000</b>	<b>\$243,000</b>	<b>\$162,000</b>

## V. Qualified Businesses

With respect to the Qualified Businesses in which venture firms, MVF, or MSBDFA have invested designated capital, a total of 182 Maryland jobs have been created or retained with an average wage of over \$88,000. 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
Harpoon Medical, Inc.	Medical Device	Small	1	\$65,000	2	\$164,000
Luminal, Inc.	Cyber Security	Small	19	\$117,105	0	\$0
Pulse8, Inc.	Health IT	Small	9	\$88,000	3	\$125,000
6th Street, Inc. (SalesWarp)	eCommerce/Software	Small	4	\$49,763	6	\$85,245
Synapsify, Inc.	Software	Small	4	\$57,000	9	\$75,000
Three Ring, Inc.	Education Technology	Small	0	\$0	1	\$115,000
Bambeco, Inc.	eCommerce	Small	10	\$103,851	18	\$85,793
Triumphant, Inc.	Cyber Security	Small	1	\$150,000	4	\$166,500
Tales2Go, Inc.	Education Technology	Small	1	\$45,000	5	\$80,200
Mobile System 7, Inc.	Cyber Security	Small	4	\$100,000	0	\$0
Gray Bug, Inc.	Life Sciences	Small	2	\$50,000	2	\$75,587
CES Acquisition Corp.	Education Technology	Small	5	\$103,800	58	\$62,051
Maxtena, Inc.	Wireless Technology	Small	4	\$102,500	10	\$122,100
			<b>64</b>	<b>\$79,386</b>	<b>118</b>	<b>\$88,960</b>