

COMMONWEALTH OF MASSACHUSETTS
Executive Office of Housing and Economic Development

OFFICE OF PERFORMANCE MANAGEMENT & OVERSIGHT

MassVentures

FISCAL 2015 ANNUAL REPORT

INTRODUCTION

The MassVentures Fiscal 2015 Annual Report complies with the requirements of the Office of Performance Management Oversight created by Chapter 240 of the Acts of 2010 – An Act Relative to Economic Development Reorganization. It includes goals set for the year and the performance measurements by which to evaluate goals, programs, and initiatives.

AGENCY OVERVIEW

MassVentures meets critical capital needs in the Massachusetts innovation economy, providing seed and early-stage venture funding to high growth startups as they move from concept to commercialization.

The Boston-based venture firm was formed in 1978 as a quasi-public corporation by the Legislature of the Commonwealth of Massachusetts, governed by an independent Board of Directors, and managed by experienced venture capitalists. Leveraging the entrepreneurial spirit, educated workforce, and centers of innovation in Massachusetts, MassVentures has a track record of success with early-stage ventures.

A summary of the organizations year in review can be found in the attached Annual Report.

FISCAL YEAR 2015 ANNUAL PLAN REVIEW

GOALS	STRATEGY	MEASUREMENTS	RESULTS
Strengthen and support our innovation community	2.1.3 – Invest capital in select, promising, high-growth companies.	<ul style="list-style-type: none"> •Invest \$1.2 million in 3 new companies & invest \$5 million for expansion in existing companies. 	<ul style="list-style-type: none"> •Invested \$.8 million in 3 new companies & invested \$.3 million in existing companies.
	Administer SBIR Supplemental funding program	<ul style="list-style-type: none"> •Grant \$3.0 million in SBIR related funds to 17 companies 	<ul style="list-style-type: none"> •Granted \$3.0 million in SBIR related funds to 17 companies
	Provide counsel, direction and mentoring to start-up entrepreneurs.	<ul style="list-style-type: none"> •20 Companies to receive mentoring and introductions 	<ul style="list-style-type: none"> •Provided mentoring to 45 new companies.
	Explore new sources of investment capital from legislative, private and inter agency sources as well as exits from previously funded companies that have reached maturity.	<ul style="list-style-type: none"> •Pursue funding opportunities from both state and private sources. 	<ul style="list-style-type: none"> •Harvested \$1.6m in proceeds from sales of portfolio companies. Received \$1m in State funding and engaged with new administration to explore new programs. Possibilities for new funding in FY16.
Expand our Culture of Innovation	Coordinate more closely with academic institutions.	<ul style="list-style-type: none"> •Participate in university sponsored business plan competitions 	<ul style="list-style-type: none"> •Participated in various university sponsored competitions at MIT, Harvard and WPI.

Support growth to scale	Invest in promising companies as a catalyst for growth and attracting outside capital	•Leverage our investment 5x with private investment capital	•Investments were levered by over 30x of private capital.
	Active participation on portfolio company boards	•540 jobs retained and 100 jobs created	•Portfolio companies created 53 new jobs and 469 jobs were retained.

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ANNUAL REPORT—

FYE JUNE 30, 2015

Executive Summary

It was a year at MassVentures, the venture capital arm of the Commonwealth of Massachusetts. Originally named Massachusetts Technology Development Corporation, it was formed to support the formation and fuel the growth of innovative technology-driven companies in Massachusetts.

Through its investment gains, MassVentures has leveraged \$14M of state funding into \$94M of investments. More importantly, because of the capital and commitment of over 50 venture funds and angel groups with whom we partnered, more than \$1 billion has been invested in 141 portfolio companies, contributing to the growth of the Massachusetts economy.

For the most part MassVentures was able to achieve its goals to strengthen and support the innovation economy. The FY15 plan included investing \$1.2 million in 3 new companies and \$.5 million in the existing portfolio. MassVentures, through its traditional and Commonwealth Fund Programs, made new investments of \$.8 million in three Massachusetts companies, on target for number of companies and we expect that additional investment this coming year, as those companies reach certain benchmarks, will bring investment above \$1.2million. Our investment was leveraged by over \$29 million of private capital. The company was able to exit or begin to exit from 7 investments which returned \$1.6 million that can be used for future investments. The existing portfolio of investments is valued at approximately \$16.3 million, representing a \$.4 million unrealized gain from the previous year.

Another FY14 goal for MassVentures was granting of \$3 million in SBIR related fund to 27 companies. In 2015 MassVentures achieved this goal through its' START program. START is a \$6 million initiative to help growing companies commercialize technologies developed under Small Business Innovation Research (SBIR) contracts. The program is intended to help high-growth companies grow employment opportunities, promote manufacturing and commercialization, and stimulate innovation across the Commonwealth.

Other goals for MassVentures included mentoring of 20 companies and building relationships with new co-investors, venture capital firms and the entrepreneurial community. Mass Ventures was able to exceed these goals mentoring 45 companies this year.

CANDIDATE ACTIVITY REVIEW

Fiscal 2015

FY 2015 By Sector

- The vast majority of opportunities reviewed this year have been in:
 - Software
 - Internet Technology / Services

FY 2015 Candidates By Sector

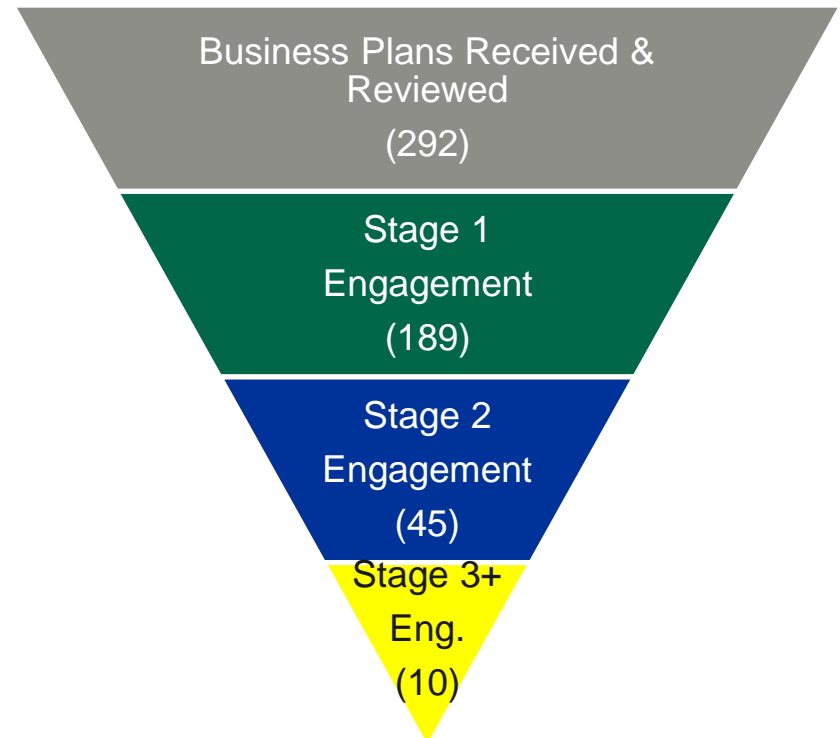
Sector	Total	Percent
Software	116	40%
Internet Tech & Services	66	23%
Life Sciences	46	16%
Consumer	21	7%
Technology Hardware	16	5%
Clean Energy/Tech	14	5%
Industrial Tech / Automation	9	3%
Other	3	1%
Material Science	1	0%
Grand Total	292	100%

Note: Life Sciences includes Healthcare IT

FY 2015 Activity Review

- MV Staff received and reviewed 292 business plans in fiscal year 2015
- MV met with 189 companies and devoted meaningful time and assistance to 45 companies
- Definitions:
 - Stage 1: Intro meeting / pitch
 - Stage 2: Deeper dive
 - Stage 3: Reference checks
 - Stage 4: Brought to MV Board

FY 2015 Candidate Summary



INVESTMENT ACTIVITY & IMPACT

Fiscal 2014

Portfolio Transaction Summary

(Traditional Fund Only)	No. of Companies	\$ Amount (000s)
Portfolio Value at June 30, 2014		\$17,928
Investments	5	\$353
Exits	7	\$(1,621)
Realized and Unrealized Gain on Investments		<u>\$(240)</u>
Portfolio Value at June 30, 2015		\$16,420

Closer Look at Investments

- Invested \$802k in 3 new companies
(Board on Track, Jebbit & Ginkgo Bioworks, including \$642k from Commonwealth Fund III)
- Invested \$284k in 2 existing companies
(Lifeimage, Curoverse) \$107 from Commonwealth Fund III)
- Total \$1.1 million of investment leveraged with \$30 million of outside capital

Employment Data

Jobs

- 16 Portfolio companies have 522 employees in MA.
- Est. jobs created in MA since 1978: >7,000;
average tenure: 8 yr

Taxes and Wages

- Total est. 2014 Gross MA Payroll from current and former portfolio companies: \$232 million
- Total est. 2014 MA Payroll Tax from current and former companies: \$14 million

Efficiency

- Avg. current (since 2004) investment cost per job year created: ~ \$10k

Proud Supporters of:

Angel Capital Association

Associated Industries of MA

NEVCA

Mass Technology Leadership Council

The Capital Network

SBANE

State Science and Technology Institute

START Program Recipients

Company Name	Business Description	Location	Award Phase	Award Amount
Agiltron, Inc.	Commercial and academic social science research software	Woburn	Phase I	\$ 100,000
Barrett Technology, Inc.	Consumer electronics, video game software, collectable toys, educational electronics	Newton	Phase I	\$ 100,000
Coventry Associates, Inc.	Anti-counterfeiting, Security, Holgraphics	W. Boylston	Phase I	\$ 100,000
Dynamo Micropower Corporation	High operating mid-wave infrared (MWIR) sensing and imaging, Plasmonic enhancement, Photonic antenna, Low cost IR camera, portable, standalone chemical and biological sensing.	Somerville	Phase I	\$ 100,000
Greentech Solutions, Inc.	Printed electronics manufacturing process technology	Woburn	Phase I	\$ 100,000
Hstars Technologies Corp.	Manufacturing, Robotics	Cambridge	Phase I	\$ 100,000
Pharyx, Inc.	Radiation detection instruments, homeland security, nonproliferation, oil and gas exploration	Woburn	Phase I	\$ 100,000
Physical Sciences Inc. (PSI) - 2	Software providing the fastest possible capture, analysis, distribution, and visualization of machine data.	Andover	Phase I	\$ 100,000
Primaira, LLC	Digital nutrition, health and wellness education platform (grades 4-7)	Woburn	Phase I	\$ 100,000
Remote Sensing Solutions, Inc.	Nanotechnology-based lightweight structural materials	Barnstable	Phase I	\$ 100,000
Cambridge Electronics, Inc.	Power electronics in 100V – 1200V applications	Cambridge	Phase II	\$ 200,000
NetBio	Military, homeland security, and law enforcement forensic DNA identification	Waltham	Phase II	\$ 200,000
Persimmon Technologies Corp	Electric motors, generators, transformers, actuators and sensors	Wakefield	Phase II	\$ 200,000
Triton System.	Explosives trace pre-concentrator for cargo screening	Chelmsford	Phase II	\$ 200,000
Xtalic Corp.	Nanotechnology-based lightweight structural materials	Marlborough	Phase II	\$ 200,000
Boston Engineering Corp.	Next Generation homeland security, military and commercial underwater AUV/HROV capability	Waltham	Phase III	\$ 500,000
Metamagnetics, Inc.	Defense and commercial electronics (military and commercial radar, automotive radar, wireless communications systems)	Canton	Phase III	\$ 500,000

Traditional Investment Program

Investments

Company Name	Location	Investment Purpose	Investment
Board on Track, Inc*	Concord	Equity Investment to Fund Operations	\$ 300,000
Curoverse, Inc*	Boston	Debt Investment to Fund Operations	\$ 133,500
Ginkgo Bioworks, Inc.*	Boston	Equity Investment to Fund Operations	\$ 150,000
Jebbit, Inc*	Boston	Equity Investment to Fund Operations	\$ 352,500
Lifelimage, Inc	Newton	Debt Investment to Fund Operations	\$ 150,667
			\$ 1,086,667

*Includes \$investment from Commonwealth Fund III