

MAINE STATE LEGISLATURE

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To: Senate Chair and House Chair
Joint Standing Committee on Innovation, Development & Economic Advancement, & Commerce Committee

From: Timothy P. Agnew, Chair, Small Enterprise Growth Board
John F. Burns, Managing Director, Small Enterprise Growth Fund d/b/a Maine Venture Fund

Date: December 7, 2018

Re: Periodic Report for Fiscal Year 2018

Overview

Maine Venture Fund (“MVF” or “Fund”) was established through legislation in 1997 as the Small Enterprise Growth Fund (Maine Venture Fund is the dba name for the Fund). The Fund was created to address the paucity of risk capital in Maine for early stage companies that have the potential to expand significantly and therefore contribute to the growth of Maine’s economy. Statutory authority for the Fund resides with an eleven-member Board of Directors overseeing the efforts of a small professional staff.

The Fund invests in innovative Maine companies that are too risky for traditional sources of capital like banks. We are proactive investors, working closely with entrepreneurs and other investors to help our companies grow. The companies we invest in have a unique product or service in a rapidly growing sector and possess the potential to provide a very strong return on investment and make a significant impact on the State’s economy.

Below is a formal summary submitted annually per statute. It provides detail on our charter, history, status and key plans.

We look forward to working with you on issues related to economic development and particularly capital and capital access issues. As always, we welcome advice and guidance.

2018 Periodic Report

We respectfully submit the Fiscal Year 2018 Periodic Report as required by 10 M.R.S.A., §388(1), providing a detailed review of the Fund’s activities and status.

It has been a busy and a positive seventeen months (F’18 and 5 months of F’19). Fourteen new investments were made, three in organizations new to MVF, and eleven follow-on’s to prior investments. There are currently 25 companies in the MVF portfolio.

After four portfolio companies sold to larger businesses in F’17, providing returns to founders and investors including Maine Venture Fund, F’18 was a year dedicated to supporting and nurturing other promising companies in the portfolio. Most of the Fund’s direct investing activities were follow-on investments in these promising current portfolio companies. It should be

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www.maineventurefund.com

The Fund’s mission is to provide resources to attract, support, and help develop eligible small businesses with the potential for substantial growth and success that will contribute to the prosperity of Maine.



noted that all four of the companies that “exited” the portfolio in F’17 remain in Maine and are contributing ever more significantly to the economy and prosperity of Maine. The capital returned from those investments, almost \$5 million, is now back in the fund and being invested in other promising scalable Maine companies. These successful exits underline the beneficial economic impact that Maine Venture Fund can have while still providing a return on the State’s investment.

In terms of overall investments in fiscal 2018, the Fund invested a total of \$1,052,872, which included:

Initial investments totaling \$175,000 in one new company, *Farming Fungi, LLC d/b/a Mousam Valley Mushrooms*, which grows and sells organic, regional fresh mushrooms, launching commercial sales in 2015.

Follow-on investments totaling \$877,872 in seven existing portfolio companies:

1. *Cerahelix, Inc.*, developer of ceramic membrane filter technology that provides high purity under harsh conditions;
2. *Hyperlite Mountain Gear, Inc.*, designer and manufacturer of durable outdoor products for a range of adventures;
3. *Maine Craft Distilling LLC*, “A Farm to Flask Distillery; real people using real products making real spirits”;
4. *NBT Solutions, LLC*, a ten-year old company now offering a Saas product, *Vetro Fiber Map*, a cutting-edge platform for ISP’s and other service providers that build and manage fiber optic networks and other distributed technology;
5. *Nyle Systems LLC*, a manufacturer of drying systems and water heating equipment;
6. *Orono Spectral Solutions, Inc.*, specializing in the development of advanced chemical sampling materials that are packaged into simple-to-use products that streamline the entire sample collection-to-detection process;
7. *R.E.D.D., Inc.*, developer of a healthy, gluten free, delicious energy bar.

These follow-on investments demonstrate MVF support for these companies that still show good promise of future success.

Subsequent events:

In the balance of calendar 2018, from July 1, 2018 to December 31, 2018, the Fund invested an additional \$880,939.

Investments include two companies new to the portfolio:

- *MedRhythms, Inc.*, a digital therapeutics company that uses sensors, music, and artificial intelligence to build evidence based neurologic interventions to measure and improve walking, and
- *Mobile Price Card, Inc.*, developer of a patented mobile application which displays dynamic content on in-store display devices.

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And four follow-on investments in existing portfolio companies:

- *Redd, Inc.*, convertible note
- *Maine Craft Distilling, Inc.*, convertible note
- *Ocean Approved, Inc.*, Maine farmed sea vegetable products - convertible note
- *Pika Energy, Inc.*, accelerating the world's transition to clean energy by building products that make it simple and efficient to store solar power - preferred stock and conversion into those preferred shares of two existing Convertible Notes (from FY16 and FY17) and their accrued interest.

Current Status:

The capital returned from FY17 exits, plus \$5 million that recently was added to the Fund from an economic development bond have put the Fund into a strong position to be able to support more early stage companies that have scalable potential and therefore the potential to significantly contribute to the prosperity of Maine. In addition, there are twenty-five active, promising companies which remain in the MVF portfolio.

Since 2013, Maine Venture Fund has partnered with the Finance Authority of Maine ("FAME") in deploying capital available through the federal State Small Business Credit Initiative ("SSBCI") program. Maine Venture Fund has been a successful conduit for those funds. This strong partnership on SSBCI continued through fiscal 2018 though only to utilize the final remaining capital available in the program. It is not being continued by the US Treasury Department.

Despite the large number of liquidity events in FY17, there are still a number of portfolio companies that may be headed toward positive return exit events within the next few years. That said, predicting when Maine Venture Fund will see a return on its invested capital is difficult due to this type of investing. The Fund's returns typically occur when a company in which it has invested is sold to a larger company.

Maine Venture Fund was included in the FY18 – FY19 biennium budget for a \$500,000 annual appropriation. MVF heretofore had only one annual appropriation, in 2000. This steady stream of baseline funding is critical to ensure that MVF stays consistently in the market and is perceived as a continuing source of capital for Maine's early stage scalable companies.

During the 129th Legislature, we look forward to continuing a conversation about creating a private/public fund which would be managed by an experienced team and would co-mingle private capital (at least \$10 million) with State capital. This larger pool of capital would allow for larger investments and perhaps investments in somewhat later stage companies, providing even more impact and resource for Maine's entrepreneurial and scalable companies.

Impact:

We are proud of what the Fund has accomplished to date. We have developed a process that is flexible and provides entrepreneurs with prompt decisions and guidance. Maine Venture Fund's Management Team and Board work closely with portfolio companies and companies of interest, serving as advisors, working with company boards, and helping source additional capital. The accompanying documents, graphs and tables present data portraying the impact of the Fund.

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Following are some of the highlights:

- As of June 30, 2018, Maine Venture Fund has 25 portfolio companies that employ approximately 585 FTEs; companies that were in the portfolio for the full year added 88 jobs, a 16% annual increase. Jobs added in these types of growth companies are primarily high wage and high benefit. Since 1997, Maine Venture Fund portfolio companies have created over 10,000 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies.
- Maine Venture Fund's successful execution of its mission over the years led FAME to allocate over 1/3rd of the \$13 million SSBCI funds to MVF for deployment. Maine Venture Fund successfully partnered with FAME to deploy these funds and invested much needed capital in early stage scalable Maine companies. SSBCI was a multi-year Federal program to stimulate small business growth and was precisely aligned with Maine Venture Fund's mission. As noted, this program has now expired.
- Maine Venture Fund plays a key role in Maine's research & development (R&D) continuum from research to commercialization. Many companies that have successfully leveraged Maine Technology Institute ("MTI") and Maine Economic Improvement Fund ("MEIF") grants and loans are often not ready for traditional venture capital. Maine Venture Fund plays a critical role in filling that gap, helping to continue to shepherd those most promising companies. A recently launched series of MVF webinars brings guidance and expertise to portfolio companies, prospect companies, and companies at very early stages. MVF provided ongoing mentoring and eventual investments in *MedRhythms (Portland)*, *CourseStorm (Orono)*, *Mobile Price Card (Bangor)*, and *Farming Fungi (Springvale)*. These are prime examples of how MVF fits into the R&D continuum. A Maine Venture Fund investment complements and protects the investment of earlier investors like MTI (and ecosystem mentors, incubators and accelerators) by aiding their successful investments to raise additional capital to continue to grow: i.e., avoid stranded MTI investments.
- Since 1997, Maine Venture Fund has catalyzed over an additional \$166 million in outside capital invested in its portfolio companies. Our investments, paired with the appropriate guidance, position companies to be successful in raising larger investments from additional professional investors, often from outside the State. The absence of this local infrastructure would result in many entrepreneurs not getting the funds needed to launch, or pursuing their ideas outside the State.
- Maine Venture Fund's mission and purpose are as critical now as when the Fund was created. Sources of risk capital for Maine companies continue to be very limited. One of the critical functions of Maine Venture Fund is its ability to leverage and attract private capital to invest alongside. Historically, \$8 has been invested by private capital providers for each \$1 invested by Maine Venture Fund.
- Maine Venture Fund works to create linkages to capital providers in and outside of Maine in an effort to bring more attention to Maine-based opportunities. Management and the Board cultivate and maintain relationships with early stage venture capital funds, angel groups, and other investment professionals throughout northern New England. MVF often negotiates terms of investment with companies, providing a framework and catalyst for other investors to

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invest alongside with confidence that the security which they are purchasing is well structured and appropriately researched. Maine Venture Fund is an affiliate member of the national Angel Capital Association and an active member of the New England chapter.

Maine Venture Fund is an essential part of the continuum of support, along with Maine Technology Institute, Finance Authority of Maine, and private investors like Maine Angels, for Maine companies with the potential for growth and economic impact. We look forward to maintaining a strong partnership with the Legislature to ensure the Fund continues its important role in the enhancement of Maine's economic development.

We invite you to contact any of us at any time, and we encourage you to visit our web site at www.maineventurefund.com.

Thank you for your support.

Digital Copies Will Be Sent To:

Honorable Janet Mills, Governor-Elect

Denise Garland, Acting Commissioner, Department of Economic and Community Development

Don Perkins, Chair, Maine Innovation Economy Advisory Board

Bruce Wagner, Chief Executive Officer, FAME

William Norbert, Governmental Affairs Manager, FAME

Brian Whitney, President, Maine Technology Institute

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About Maine Venture Fund (“MVF”)

Mission:

The mission of the Fund is

“...to provide resources to attract, support, and help develop eligible small businesses with the potential for substantial growth and success that will contribute to the prosperity of Maine.”

Governance:

Authority for the Fund resides with an eleven-member Board of Directors. The Governor appoints ten of these individuals through the gubernatorial appointment application process, and the eleventh is an *Ex-Officio* seat for the Department of Economic and Community Development Commissioner (or designee).

The governing statute requires specific experience/knowledge requirements for each gubernatorial board seat appointment:

- *Five members must have relevant experience or background in early-stage investing, or in managing high-growth small businesses,*
- *Three members must have experience in the development of technological innovation,*
- *One must be involved in commercial lending, and*
- *One must be an attorney with experience in securities law.*

The function of the Board is to:

- *determine the Fund’s mission and purpose in keeping with the Statute;*
- *approve investments to qualifying small Maine businesses;*
- *provide ongoing support and guidance to, and evaluation of, the Managing Director and management team;*
- *provide ongoing support and guidance to portfolio companies in pursuit of the Fund’s twin goals of driving financial returns and supporting companies in the creation of high quality jobs and other community benefits;*
and
- *work closely with the Managing Director in keeping the Legislature and Governor apprised of the Fund’s activities.*

This highly experienced Board devotes a tremendous amount of volunteer time from their busy professional schedules to help make the Fund successful in reaching the goals of its mission.

History:

The Small Enterprise Growth Fund, now doing business as Maine Venture Fund (“Fund” or “MVF”), is the State of Maine’s venture capital fund. It was created by statute in the 117th Maine Legislature in 1996, and as of December 2018, had received \$19 million in capital from the State, mostly through economic development bond proceeds. Maine Venture Fund recycles returns and pays its annual expenses from the Fund itself.

In September 2011, the U.S. Department of the Treasury announced the approval of Maine’s State Small Business Credit Initiative (SSBCI) application, submitted by the Finance Authority of Maine (“FAME”) earlier that year. In recognition of the Fund’s effectiveness, and importance in the early stage company sector in Maine, FAME chose to allocate at least



\$4.3 million, of the total \$13.2 million, to the Fund to support its mission. In 2016, FAME opened up access to the balance of the SSBCI dollars to the conduit entities on a first-come-first-served basis. To date, Maine Venture Fund has invested nearly \$5 million of SSBCI capital.

Maine Venture Fund is a competitive venture capital fund, meaning many business plans are reviewed, but the Fund invests, after thorough due diligence, in only those companies that stand out as providing the combination of best expected return on investment and the greatest positive impact on the State.

Maine Venture Fund seeks to accomplish the Fund's mission in partnership with other public and private entities engaged in the entrepreneurial and small business marketplace in Maine, including FAME, Maine Technology Institute ("MTI"), DECD, Maine Accelerates Growth ("MxG"), privately managed venture capital funds, individual investors, whether in organized angel groups, like Maine Angels, or not, and entrepreneurs and small business owners throughout the State of Maine.

Since its first investment in December of 1997 through June 30, 2018, the end of FY18, the Fund invested \$20,461,564 in 64 Maine companies and has a portfolio of 25 companies. By the end of the 2018 calendar year, the Fund estimates it will have reached just over a total of \$21.5 million in investments in 65 Maine companies.

For every \$1 invested by the Maine Venture Fund, other private investors have typically invested an additional \$8, providing significant leverage on Maine Venture Fund dollars.

Two investment examples demonstrate the way the Fund works in the market:

Farming Fungi is a company which began to grow and develop a scalable plan. CEI's Natural Resource fund and private investors rallied around the company but they needed a lead investor that could negotiate terms of a suitable investment structure. After significant diligence, MVF committed to lead the investment, issued a term sheet, and took the company to a regional syndication event in Boston (something we've done with many other companies).

Mobile Price Card was a company borne of the highly relevant experience of one of the founders. They knew their business well but were inexperienced in raising investment capital. MVF's diligence resulted in a decision to lead a round by providing a term sheet and helping the company to access other investors. We actively participate in board discussions through our observer role.



Summary of FY 2018 MVF Investments (7/1/17 - 6/30/18)

Date of Investment	Company Name	Location	Security	Source of Funds	Investment	# of FTEs	Type
08/07/17	Redd, Inc.	Portland	Series A Preferred Stock	SEGF	\$82,138	5	Follow On
08/23/17	Maine Craft Distilling LLC	Freeport	Series Seed Preferred Mbrshp Units	SSBCI	\$112,500	15	Follow On
01/08/18	Hyperlite Mountain Gear Inc.	Biddeford	Series A-2 Preferred	SEGF	\$200,000	58	Follow On
01/08/18	NBT Solutions LLC	Portland	Series A Conv Preferred Units	SEGF	\$56,667	15	Follow On
02/02/18	Orono Spectral Solutions, Inc.	Orono	Convertible Promissory Note	SSBCI	\$39,398	4	Follow On
03/05/18	Farming Fungi LLC d/b/a Mousam Valley Mushrooms	Springvale	Convertible Promissory Note	SSBCI/SEGF	\$175,000	15	New Investment
03/13/18	Cerahelix, Inc.	Orono	Series B Preferred Stock	SSBCI	\$105,469	11	Follow On
04/10/18	NBT Solutions LLC	Portland	Convrtible Note	SEGF	\$120,000	See above	Follow On
05/08/18	Orono Spectral Solutions, Inc.	Orono	Convertible Promissory Note	SEGF	\$61,700	See above	Follow On
06/05/18	Nyle Systems LLC	Brewer	Short Term Note	SEGF	\$100,000	47	Follow On
					<i>Total SEGF Funds Invested</i>	\$903,474	
					<i>Total SSBCI Funds Invested</i>	\$149,398	
					<i>FY18 Grand Total Investments</i>	\$1,052,872	

Subsequent MVF Investment Activities - FY19 YTD (7/1/18-11/30/18)

Date of Investment	Company Name	Location	Security	Source of Funds	Investment	# of FTEs	Type
07/27/18	MedRhythms, Inc.	Portland	Series A Preferred Stock	SEGF	\$99,996	12	New Investment
07/27/18	Redd, Inc.	Portland	Convertible Note	SSBCI	\$187,500	See above	Follow On
08/07/18	Mobile Price Card, Inc.	Bangor	Convertible Note	SSBCI/SEGF	\$200,000	4	New Investment
08/28/18	Maine Craft Distilling LLC	Freeport	Convertible Note	SEGF	\$125,000	See above	Follow On
08/31/18	Pika Energy, Inc.	Westbrook	Series A-1 Preferred Stock	SEGF	\$118,443	26	Follow On
09/14/18	Ocean Approved, Inc.	Saco	Convertible Note	SSBCI/SEGF	\$150,000	5	Follow on
					<i>Total SEGF Funds Invested</i>	\$768,439	
					<i>Total SSBCI Funds Invested</i>	\$112,500	
					<i>FY18 Grand Total Investments as of 11/30/18</i>	\$880,939	

Key Metrics

We measure the performance and impact of the Fund often and in a variety of ways. The charts and graphs that follow provide information on the impact of Maine Venture Fund.

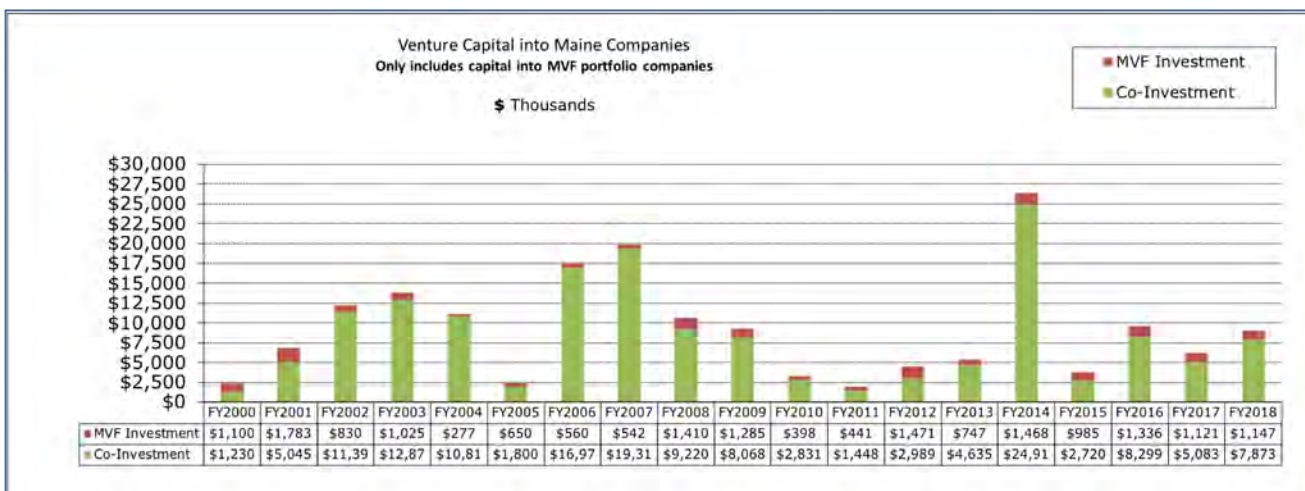
#1 Co-Investment

Maine Venture Fund (“MVF”) invests in Maine companies alongside other venture capital funds and individual accredited investors.

In FY18, MVF invested over \$1.1 million in eight Maine companies with an average investment of \$131,609 per company, accompanied by additional venture capital and angel investments of over \$7.8 million.

- As of December 31, 2018, MVF estimates it will have invested a total of over \$21.5 million in 65 Maine companies with an average investment of \$331,000 per company and has catalyzed over \$159 million in additional venture capital and angel investment into Maine companies.

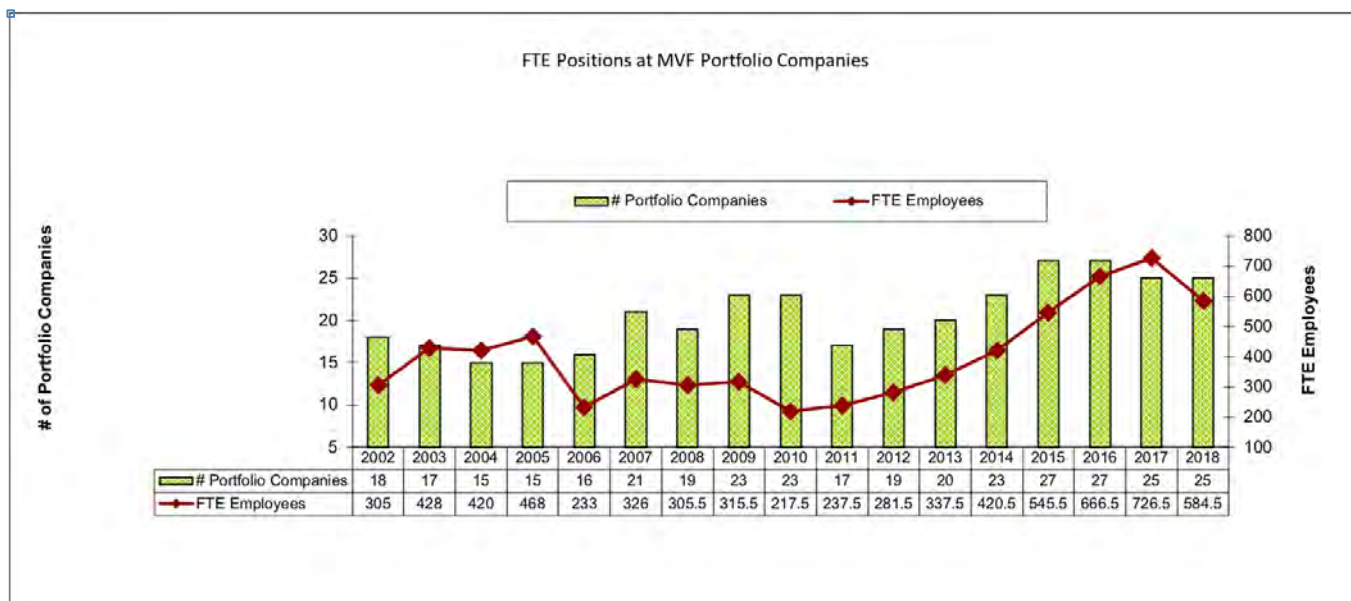
For every \$1 invested by the Maine Venture Fund an additional \$8 is invested in Maine companies.



#2 Job Creation

Maine Venture Fund (“MVF”) portfolio companies provide careers to highly skilled, educated Maine professionals, and job opportunities for a range of skill levels as companies grow. Typical jobs include: information technology, sales, marketing, and finance, including executive level positions.

- *Since 1997, MVF portfolio companies are estimated to have created over 10,000 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies.*
- *In calendar year 2018, MVF portfolio companies employed approximately 666 people, provided internship opportunities for a summer intern from the Tuck School of Business at Dartmouth, and facilitated teams of Babson MBA students and Innovate for Maine (University of Maine) interns working with MVF portfolio companies.*



#3 Intellectual Property

Many Maine Venture Fund (“MVF”) portfolio companies develop proprietary products, software or brands; examples of which are listed here:

■ **Licensing Agreements:**

- **Chemogen, Inc.** has an agreement with **Alere (NYSE: ALR) (fka Inverness Medical)** for the worldwide manufacture and distribution of tests for the rapid detection of Mycobacterium, the primary causative agent of tuberculosis.

■ **Patents & Patent Applications:**

- **Aiko BioTechnology** - Primary US patent 6,713,488 entitled "Neutral Antagonists and the Use Thereof in Treating Drug Abuse" - issued 3/30/04 w/protection until 2020; Claim 25: "A method of alleviating adverse effects associated with opioid use by an individual in need thereof comprising administration to the individual of a therapeutically effective amount of a naloxone analog..."; Claim 29: "The method of claim 25 wherein the adverse effects of opioid use include alteration of gastrointestinal transit."; an International PCT has issued providing foreign coverage.
- **Cerahelix, Inc** - 3 Issued US Patents (8,431,508, 8,431,509, and 8,426,333) as of April 2013. Patents protect the process of making a ceramic membrane using DNA template, and the use of the DNA template ceramic as a molecular separation membrane. Protection for use of product specifically for molecular filtration. They all cover the same thing - which is the basic idea of using DNA as a template for a molecular separations membrane. Cerahelix has broad coverage for its technology above and beyond using it only to make a water filter. Cerahelix has filed patents based on the PCT in the EU, Japan and China. Within the EU Cerahelix will eventually narrow to 3-4 countries. The Chinese patent is currently in office action.
- **Nyle Systems, LLC** – Patent No. 7266959 for Heat Pump; expired patent on lumber dryer.
- **Orono Spectral Solutions, Inc** – Patent Nos. 8,393,198 & 8,613,214, “Apparatus and method for determining analyte content in a fluid”; US non-provisional 13/416,777 “Apparatus & Method for Pre-concentrating and Transferring Analytes from Surfaces & Measurement Thereof Using Spectroscopy”.
US nonprovisional 13/416,777 for Clear Sampler: “Apparatus & Method for Preconcentrating and Transferring Analytes from Surfaces & Measurement Thereof Using Spectroscopy”. Also, 8,393,198 “Apparatus and method for determining analyte content in a fluid”.
- **Pika Energy, Inc** - Pika has filed one international Patent Cooperation Treaty (PCT), one US utility patent application, and two US provisional applications. One filing covers the low-cost blade manufacturing technique that was advanced during the Phase I project, and another covers the safety brake technology. Two additional filings cover aspects of Pika’s REbus™ microgrid technology, which facilitates grid connection of wind, solar, and other resources. Pika will continue to file and upgrade applications as it moves toward commercialization.

#4 Network Building

Maine Venture Fund (“MVF”) Management Team and Board Members maintain relationships with a broad range of regional economic development entities as well as equity and near-equity providers, and is an active participant in Maine’s innovation economy ecosystem.

The MVF is highly selective in the companies in which it invests; however, the Fund’s Management Team actively assist all interested companies in finding appropriate capital and resources.

Memberships, Affiliates, & Co-Investors



ANGEL CAPITAL ASSOCIATION

www.angelcapitalassociation.org



Maine Accelerates Growth

www.maineacceleratesgrowth.com



www.mitc.com



www.mainetechnology.org



www.ceimaine.org



www.econdev.com



www.maineangels.org



www.famemaine.com



www.mced.biz



#5 Portfolio Returns

It is the aim of the Maine Venture Fund (“MVF”) to have a positive impact on the growth and stability of scalable Maine companies, thus contributing to sustainable economic development in Maine. The Fund does this by investing capital in companies that scale, add jobs, and enrich the economy. If and when these companies have a successful “liquidity event”, usually a sale of the company to another industry participant or private equity firm, that return comes back into the Fund for investment in other promising scalable Maine based companies. Venture investing is high risk (nascent companies with many risk factors and barriers to growth) though accompanied by the opportunity for high return (unique products or services in high growth sectors, often based on proprietary intellectual property), so many investments fail to produce any or very little return. Others produce very profitable returns. The most common successful liquidity event for the MVF is when a portfolio company is sold to another, typically larger, company at a price per share significantly higher than the price the Fund paid for shares in the company. The Fund has had a number of successful “exits” over the years; exits which have returned capital to the Fund greater than that invested, and which money was then used to invest in other promising Maine companies.

- *With the \$19 million of State funds (\$5 million in 1997; \$3 million in 2000; \$1 million in 2005; \$4 million in 2010, \$500,000 in FY18, \$500,000 in FY19 and \$5 million in 2018) combined with nearly \$5 million in Federal State Small Business Credit Initiative (“SSBCI”) funds, the MVF has invested over \$21.5 million dollars in 64 Maine companies and paid for 22 years of Fund operations to date.*

--See next page for Returns table--



MVF Portfolio Company	Industry	Date of investment	Total Investment Amount	Capital Returned to MVF	Rate of Return	Type of Exit
Angela Adams LLC	Consumer Products	October 2002	\$400,000	\$600,000	IRR: 15%; 1.5X investment	Stock buyback
Anodyne Health Systems, Inc.	Healthcare Services	August 2006	\$425,000	\$944,886	IRR: 35.4%; 2X investment	Acquired by athenahealth, Inc. (NASDAQ: ATHN), and AdvantEdge
Bourgeois Guitars LLC	Luthiers	May 2001	\$16,000	\$17,182	IRR: 10%	Repayment of Note
Capricorn Products, Inc.	Medical device supply	October 1998	\$150,000	\$213,834	IRR: 8%; 1.4X investment	Repayment of Note
Certify Inc.	Business Expense Management Software	August 2009	\$500,000	\$3,418,896	IRR: 39.9%; 6.05X investment	Acquired by Nexonia Investors, LLC
Coast Of Maine Organic Products, Inc.	Soil amendments	April 2000	\$85,000	\$393,587	IRR: 10.1%; 4.1X investment	Acquired by Gemini Investors
Common Census, Inc.	Insurance Software	December 1999	\$500,000	\$810,250	IRR: 6.7%	Conversion of Equity to Note followed by Repayment of Note
ComNav Engineering, Inc.	Electronics Manufacturing	January 1998	\$150,000	\$237,356	IRR: 2%; 1.6X investment	Repayment of Note
Interspec, Inc.	Architecture & construction software	June 2001	\$200,000	\$252,326	IRR: 1.4%; 1.25X investment	Acquired by Arcom, Inc
Looks Gourmet Food Company, Inc.	Premium seafood products	April 2007	\$300,000	\$754,150	IRR: 10.1%; 2.5X investment	Acquired by SeaWatch, Inc
Phytex LLC	Specialty Chemicals	Sept 2001	\$150,000	\$195,945	IRR: 29%; 1.33X investment	Partner buyout of SEGF
RecruiterNet, Inc.	Software	June 2001	\$250,000	\$1,961,294	IRR: 63%; 8X investment	Acquired by First Advantage (NASDAQ: FADV)
RedZone Wireless, Inc.	Internet	December 2008	\$50,000	\$81,760	IRR: 9.1%	Repayment of Note

#6 Education and Economic Development

In addition to working with portfolio companies and Maine companies interested in risk capital, Maine Venture Fund (“MVF”) typically holds an educational networking event each year, and participates in entrepreneurial and small business events statewide, including:

- **Maine Accelerates Growth (“MxG”):** *MxG is an initiative of Statewide partners to support and enhance innovation and entrepreneurship. MxG has almost twenty partner organizations including MTI, Maine Center for Entrepreneurial Development and MVF. MxG has established a fund at the Maine Community Foundation to enable gifts and bequests from a wide variety of individuals and organizations interested in contributing to Maine’s innovation economy.*
- **Maine Center for Entrepreneur’s (“MCE”) Top Gun Program:** *This program was developed to teach emerging entrepreneurs what they really need to know to manage and grow a successful growth-oriented business. John Burns, Managing Director, and Jayme Okma Lee, Investment Manager, serve as advisors and panelists throughout this twelve-week program. The Fund further provided sponsorship and staff volunteer time during the working session for the final entrepreneur pitch event.*
- **Angel Capital Association:** *MVF is an affiliate member of the Angel Capital Association (“ACA”). The ACA provides resources and education for angel groups and small venture organizations and their portfolio companies. For example, the New England Chapter of the ACA holds a quarterly syndication summit, where investment groups can nominate companies to pitch for capital. Since 2012, a number of MVF portfolio and prospect companies have presented to over 100 regional angel investors and received subsequent support and investment capital. The MVF actively works with Maine companies to attract investment capital from outside the state and the New England angel groups are an important source of such capital.*
- **Portfolio Company Recognition Event:** *Portfolio Company CEOs and key figures in the Maine entrepreneurial community come together each fall for an evening of learning, networking, awards and idea sharing. This annual event features a keynote speaker and provides both education and inspiration for the growth stage company community.*



Abierto Networks LLC

High-impact, centrally-managed Digital Menu Services for convenience stores and retail

Website: www.ab-net.us

Location: Eliot, ME

ME Employees: 12

Management Team

Rick Sales, President

Roger Brooks, Chairman

Other Major Co-Investors

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program

Maine Technology Institute Development Loan

MVF Investments

January 2013: \$100,000 (Note) - *since converted*

April 2014: \$100,000 (Note) - *since converted*

June 2015: \$228,666.74, *converted P&I to Equity*

Total Cost: \$200,000

Total other capital raised: \$707,000

Company Overview

Digital Solutions for the convenience store industry. Abierto Networks is a leading provider of Digital Marketing solutions and POS Transaction Processing solutions.



Academic Merit LLC d/b/a Fine Tune Learning

The only cloud-based platform that seamlessly integrates competency-based professional learning with student assessment and instructional content

Website: www.finetunelearning.com

Location: Portland, ME

ME Employees: 26

Management Team

Steve Shapiro, CEO

Ogden Morse, Founder, Chief of Product

Other Major Co-Investors

Maine Angel Members

Red Bear Angel Members

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program

Maine Technology Institute Development Loan

MVF Investments

December 2015: \$180,000

January 2016: \$20,000

April 2017: \$150,000

Total Cost: \$350,000

Total other capital raised: \$1,750,000

Company Overview

Academic Merit is the developer of a cloud-based platform designed to strengthen instruction and learning in any setting by seamlessly integrating competency-based professional learning, standards-aligned assessments, and content-driven instruction.

Founded by practicing teachers with the original goal of finding ways to leverage technology to make classic literature more accessible for contemporary students, Academic Merit has steadily evolved and expanded as a company, reflecting deep pedagogical roots, close



AIKO Liquidating Trust

Drug discovery leading to increased safety and efficacy of opioids

Website: www.aikobiotech.com

Location: Portland, ME

ME Employees: 0

Management Team

Wolfgang Sadee, Board Chair, and sole member of Laudent LLC

Other Major Co-Investors

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program

Maine Technology Institute Development Loan

MVF Investments

December 2009: \$75,000

Total other capital raised: \$395,000

Company Overview

All shares in Aiko were either liquidated or converted into shares of Aiko Liquidating Trust. The Trust has a contingent royalty agreement with Laudent, LLC. Laudent will continue Aiko's effort to characterize and validate therapeutic candidates for the management of pain, addiction and adverse side effects resulting from prescription opioid pain reliever use. Even if Laudent successfully commercialized and realizes revenue, MVF could at most recover only 20% of its original investment.



Blue Tarp, Inc.

B2B credit management

Website: www.bluetarp.com

Location: Portland, ME

ME Employees: 156

Management Team

Scott Simpson, President & CEO

Shawn Cunningham, COO

Will Porter, CFO

Other Major Co-Investors

Coastal Ventures II ("CVII")

Flybridge Capital Partners

Highland Capital Partners

Little Diamond Island Enterprises

Long Ridge Equity Partners

Spicewood Investment Partners

Trinity Ventures

Village Ventures Partners Fund

Other State of Maine support

Maine Seed Capital Tax Credit Program

MVF Investments

May 2003: \$350,000

2004 (various dates): \$142,012

February 2006: \$10,000

August 2010: \$2,210

August 2013: \$100,000

Total Cost: \$604,224

Total other capital raised: \$54,442,500

Company Overview

BlueTarp Financial, Inc. provides commercial trade credit services to more than 400 building material dealers and 10,000 contractors across the United States. BlueTarp dealers benefit from increased cash flow, reduced back office work, and a healthier bottom line. BlueTarp contractors enjoy a rewards program that allows them to earn points with every



Cerahelix, Inc.

Nano-ceramic coatings to provide faster filtration at high purity

Website: www.cerahelix.com

Location: Orono, ME

ME Employees: 11

Management Team

Susan MacKay, CEO

Other Major Co-Investors

Maine Angels Members

Individuals

MTI equity program

Other State of Maine support

Maine Seed Capital Tax Credit Program

Top Gun

Blackstone Accelerates Growth

Maine Technology Institute Development Loan

MVF Investments

February 2012: \$75,000

January 2014: \$50,000

April 2015: \$50,000 (Note) - *since converted*

February 2016: \$54,263.89, *converted P&I to equity*

February 2016: \$75,000

November 2016: \$100,000 - *since converted*

June 2017: \$100,000

March 2018: \$105,468.76, *converted P&I to equity*

March 2018: \$100,000

Total Cost: \$559,732.65

Total other capital raised: \$1,791,000

Company Overview

Cerahelix, Inc is developing energy saving filtration products based on its patent pending technology using



Chemogen, Inc.

Novel diagnostic test for tuberculosis

Website: www.chemogen.com

Location: Portland, ME

ME Employees: 0.5

Management Team

John O'Sullivan, President

Other Major Co-Investors

Masthead Venture Partners

Coastal Ventures LP and CVII

Flory Investments

Other State of Maine support

Maine Technology Institute Development Loan

Maine Seed Capital Tax Credit Program

MVF Investments

December 2001: \$250,000

April 2004: \$144,932

May 2006: \$55,000

Total Cost: \$449,932

Total other capital raised: \$6,700,000

Company Overview

Chemogen, Inc. is a biotechnology company which developed a novel and proprietary platform technology for the rapid diagnosis of infectious diseases. The initial application of this technology is in the area of tuberculosis ("TB"), the world's deadliest infectious disease. Chemogen has a license and royalty agreement with Alere (NYSE: ALR) for the worldwide manufacture and distribution of tests for the rapid detection of Mycobacterium, the primary



Chimani, Inc.

Mobile app travel guides for national parks and other outdoor destinations

Website: www.chimani.com

Location: Portland, ME

ME Employees: 1

Management Team

Kerry Galivan, CEO

Other Major Co-Investors

Maine Angels

Individual Investors

Other State of Maine support

Maine Seed Capital Tax Credit Program

MVF Investments

March 2015: \$100,000

Total Cost: \$100,000

Total other capital raised: \$400,000

Company Overview

Chimani, Inc. was founded by Kerry Gallivan and Shaun Meredith, in January 2010. The concept was born on top of Gorham Mountain in Acadia National Park one rainy day in April 2008. Kerry was hiking 7+ miles and wanted some data on where he was going, what route he should take, the amount of rain he could expect, and the steepness on the western side of Cadillac Mountain. Kerry had his iPhone, but there was neither cell phone coverage nor an app to guide him. Frustrated and alone in the rain in Maine, Chimani was conceived.



CourseStorm

CourseStorm, Inc.

Class registration software that's impossibly simple

Website: www.coursestorm.com

Location: Orono, ME

ME Employees: 7

Management Team

Brian Rahill, CEO

Matt James, CTO

Other Major Co-Investors

Bangor Angel Fund

Maine Angel Members

Maine Technology Institute

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program

Maine Technology Institute Development Loan

Maine Technology Institute Equity Program

MVF Investments

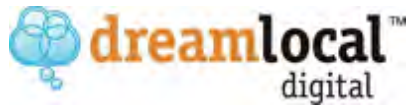
October 2016: \$165,000

Total Cost: \$165,000

Total other capital raised: \$545,296

Company Overview

CourseStorm Inc is a SAAS company that provides informal, non-credit, education organizations with an online class catalog, registration, and marketing platform. The company is focused on STEAM (Science,



Dream Local Digital LLC

Social media strategy and management

Website: www.dreamlocal.com

Location: Rockland, ME

ME Employees: 29

Management Team

Shannon Kinney, CEO

Other Major Co-Investors

Maine Angels Members

Individual Investors

Other State of Maine support

Maine Seed Capital Tax Credit Program

Maine Technology Institute Seed Grants

Blackstone Accelerates Growth

MVF Investments

July 2013: \$170,000 (Notes) - *since converted*

May 2017: \$258,071.44, converted P&I to equity

Total Cost: \$258,071.44

Total other capital raised: \$186,000 (original Note)

Company Overview

Dream Local Digital helps local businesses use social media marketing to communicate with existing customers, find new customers and increase sales.



Farming Fungi LLC d/b/a Mousam Valley Mushrooms

Grower and seller of organic/regional mushrooms

Website: www.mousamvalleymushrooms.com

Location: Springvale, ME

ME Employees: 15

Management Team

John Sharood, President

Aron Gonsalves, General Manager

Devin Stehlin, Operations Manager

Emily-Anne Sharood, Sales & marketing

Other Major Co-Investors

Coastal Enterprises, Inc.

Bangor Angel Fund

Individual Investors

Other State of Maine support

None

MVF Investments: \$175,000 (Note)

Total Cost: \$175,000

Total other capital raised: \$726,132

Company Overview

Farming Fungi LLC d/b/a Mousam Valley Mushrooms, sells organic, regional fresh mushrooms to retail outlets and restaurants.



The Gelato Fiasco, Inc.

Gelato. Inspired by Italy. Perfected in Maine

Website: www.gelatofiasco.com

Location: Brunswick, ME

ME Employees: 48

Management Team

Joshua Davis, Founder & CEO

Bruno Tropeano, Founder

Other Major Co-Investors

CEI Ventures

Individual Investors

Other State of Maine support

None

MVF Investments: \$200,000 (Note)

Total Cost: \$200,000

Total other capital raised: \$8,800,000

Company Overview

Gelato Fiasco serves guests at two stores: the original Flagship Store in Brunswick, Maine, and a store in the historic Old Port section of Portland, Maine. Flavors are made daily from an always-growing collection of more than 1,500 house recipes. A catering team scoops flavors at weddings throughout New England. And pints of Gelato Fiasco's most delicious and appealing flavors are available at more than 500 grocery, specialty, and corner stores in the United States. Wherever it is sold or served, Gelato Fiasco strives to offer bold, intense flavors with a dessert whose commitment to quality and integrity is unmatched.



Genextropy, Inc

predictive, non-invasive genetic risk assessment tests

Website: www.genextropy.com

Location: New Hampshire & Utah

ME Employees: 1

Management Team

Phil Ferneau, Board Chair

Other Major Co-Investors

Borealis Ventures

Other State of Maine support

None

MVF Investments: Common shares granted to MVF commensurate to its proportionate interest in Bar Harbor Biotechnology, Inc., from which Genextropy was spun out into a separate company.

Total Cost: \$0

Total other capital raised: \$0

Company Overview

Genextropy, Inc. develops predictive, non-invasive genetic risk assessment tests for cancers, autoimmune diseases, neurodegeneration diseases and metabolism disorders.



Hyperlite Mountain Gear, Inc.

Ultralight backpacks, shelters, tarps and accessories for adventurers

Website: www.hyperlitemountaingear.com

Location: Biddeford, ME

ME Employees: 58

Management Team

Mike St. Pierre, CEO

Dan St. Pierre, CFO

Other Major Co-Investors

Telluride Venture Fund

Individual investors

Other State of Maine support

Maine Technology Institute Tech Start Grant

MVF Investments

July 2014: \$250,000

November 2015: \$250,000

January 2018: \$200,000

Total Cost: \$650,000

Total other capital raised: \$2,514,778

Company Overview

Hyperlite Mountain Gear designs and manufactures premium, durable outdoor products for a range of adventures.



Maine Craft Distilling LLC

A farm to flask distillery producing small batch spirits

Website: www.mainecraftdistilling.com

Location: Portland, ME

ME Employees: 15

Management Team

Luke Davidson, Founder, President

Other Major Co-Investors

CEI Ventures

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program

MVF Investments

June 2016: \$266,000

August 2017: \$112,500

August 2018: \$125,000 (Note)

Total Cost: \$503,500

Total other capital raised: \$1,328,000

Company Overview

Maine Craft Distilling marries Maine agricultural products to traditional methods, creating unique spirits that combine the terroir of Maine with, Founder, Luke Davidson's perfectionist sense of craft. Building stills from repurposed tomato juice vats and washbacks from Maine-grown fir, Davidson has imbued Maine Craft Distilling with his Yankee, can-do approach to life and liquor.



MedRhythms, Inc.

A digital therapeutics company

Website: www.medrhythms.com

Location: Portland, ME

ME Employees: 12

Management Team

Brian Harris, Founder, CEO

Owen McCarthy, Founder, President

Other Major Co-Investors

Other State of Maine support

MVF Investments

July 2018: \$99,996

Total Cost: \$99,996

Total other capital raised: \$4,452,726

Company Overview

MedRhythms is a digital medicine company that uses sensors, music, and AI to build evidence-based neurologic interventions to measure and improve walking.

Mingle Healthcare Solutions, Inc.

An industry leader in Medicare reporting

Mingle Analytics/Silvervue merger was completed August 2018, creating Mingle Healthcare Solutions, Inc.

Website: www.minglehealth.com

Location: South Paris, ME

ME Employees: 55

Management Team

William West, CEO

Daniel Mingle, M. D., Executive Chair

Other Major Co-Investors

CEI Ventures

Maine Angels members

Boston Millennial Partners

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program

MVF Investments

April 2016: \$95,800 (Note) - since converted

June 2017: \$125,000 (Note) - since converted

August 2018 - \$250,221, *Both Notes P&I converted to equity*

Total Cost: \$220,800

Total other capital raised: \$950,000

Company Overview

Mingle is a software and consulting company focused on improving medicare quality reporting, operational efficiency and profitability of physician offices.



Mobile Price Card, inc.

developer of mobile application for in-store display devices

Website: www.mobilepricecard.com

Location: Bangor, ME

ME Employees: 4

Management Team

Chad O'Leary, CEO

Kevin Downs, CTO

Other Major Co-Investors

Other State of Maine support

MVF Investments

August 2018: \$200,000

Total Cost: \$200,000

Total other capital raised: \$620,000

Company Overview

Mobile Price Card is a technology company that uses the phone screens at cellular stores for marketing and store efficiency. The initial product provides seamless pricing and specs across stores on the phones themselves and also enables accessory brands to advertise specials on products such as cases, screen protectors,

NBT Solutions LLC

SAAS GIS enabled software

Website: www.nbtsolutions.com

Location: Portland, ME

ME Employees: 15

Management Team

Will Mitchell, Founder, CEO

Sean Myers, Founder, COO

Other Major Co-Investors

Individual investors

Other State of Maine support

Maine Seed Capital Tax Credit Program

MVF Investments

June 2017: \$193,333

January 2018: \$56,667

April 2018: \$120,000 (Note)

Total Cost: \$370,000

Total other capital raised: \$680,000

Company Overview

NBT designs, builds and maintains web mapping applications that leverage interactive and informative cartographic maps. The company blends GIS, consumer mapping, location services and business systems to create geographic data presentation apps that support business analysis, communication and decisions. Saas based product.



Nyle Systems LLC

Designer and manufacturer of quality drying, heating, dehumidification, dehydration and energy recovery systems

Website: www.nyle.com

Location: Brewer, ME

ME Employees: 47

Management Team

Ton Mathissen, CEO

Other Major Co-Investors

Individual investors

Other State of Maine support

None

MVF Investments

November 2010: \$250,000

November 2011: \$100,000

June 2012: \$21,060

June 2018: \$100,000 (Note)

Total Cost: \$471,060

Total other capital raised: \$922,940

Company Overview

Nyle Systems is an innovative company that has developed a world-wide reputation for expertise in high temperature drying and dehumidification. Thousands of Nyle Dry Kilns are used around the world for kiln drying lumber in the most energy efficient manner possible. Nyle's patented technologies are also used in drying other products such as food, as well as innovative energy recovery systems. Nyle is dedicated to the design, manufacture, installation, and service of Heat Pump technology products that meet the needs of its customers and the environment. All Nyle's manufacturing is conducted in Brewer, Maine USA.



Ocean Approved, Inc.

Fresh, frozen kelp from Maine

Website: www.oceanapproved.com

Location: Portland, ME

ME Employees: 5

Management Team

Briana Warner, CEO

Other Major Co-Investors

Coastal Ventures

Island Institute

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program

MVF Investments

April 2016: \$100,000

May 2017: \$100,000

September 2018: \$150,000 (Note)

Total Cost: \$350,000

Total other capital raised: \$1,547,000

Company Overview

Ocean Approved farms and harvests kelp and processes it into value-added food products such as slaw, and smoothie cubes. It is the only fresh/frozen (not dried) seaweed product on the market.



Orono Spectral Solutions, Inc.

Develops absorbent materials and sampling methods that enable the trace level detection of chemical and biological agents in air and water

Website: www.ossmaine.com
Location: Bangor, ME
ME Employees: 4

Management Team:

Roland Sirois, CEO

Other Major Co-Investors

Bangor Angel Fund
Individual investors

Other State of Maine support

None

MVF Investments

September 2014: \$200,000
April 2016: \$125,000
November 2017: \$38,300 (Note) - *since converted*
February 2018: \$39,397.93 (Note), *converted P&I to new note*
May 2018: \$61,700

Total Cost: \$426,097.93

Total other capital raised: \$2,124,000

Company Overview

OSS is a Maine-based company dedicated to providing its customers with innovative solutions for the trace level detection and identification of chemical and biological targets by incorporating novel sampling methodologies with proven capabilities of optical spectroscopic techniques.



penbaysolutions

Global Leaders in Facilities GIS

PenBay Solutions LLC

InVision software for facilities management

Website: www.penbaysolutions.com
Location: Topsham, ME
ME Employees: 17

Management Team

Bill Barron, CEO
Stuart Rich, CTO

Other Major Co-Investors

Individuals

Other State of Maine support

None

MVF Investments

April 2012: \$250,000
June 2014: \$100,000

Total Cost: \$350,000

Total other capital raised: \$1,300,000

Company Overview

PenBay uses a combination of technology and business intelligence to help customers run cost effective facility operations, maintain safe and secure built environments, and maximize real estate portfolio performance. PenBay's solutions give users the ability to analyze and view spatial data within new or existing enterprise information systems, helping companies to make better-informed decisions about critical investments throughout the facility life cycle. PenBay sells InVision software for facilities GIS.



Pika Energy, Inc.

Revolutionary products to capture and manage clean power

Website: www.pika-energy.com
Location: Westbrook, ME
ME Employees: 20

Management Team

Ben Polito, Founder, CEO
Joshua Kaufman, Founder, Dir. of R&D
Andrew Hickok, Founder, Dir. of B.D.
William Hetzel, Operations Manager

Other Major Co-Investors

Individuals
Maine Angels Members
eCoast Angels Members
Clean Energy Venture Fund

Other State of Maine support

Blackstone Accelerates Growth
Maine Technology Institute Development Loans
Maine Seed Capital Tax Credit Program

MVF Investments

April 2013: \$150,000
October 2013: \$67,924
June 2014: \$53,167
February 2016: \$100,000 (Note) - *since converted*
June 2017: \$88,000 (Note) - *since converted*
August 2018: \$100,787.73, *converted P&I to equity*
August 2018: \$105,654.79, *converted P&I to equity*
August 2018: \$100,000

Total Cost: \$677,534

Total other capital raised: \$9,648,462

Company Overview

Founded in 2010 by MIT-trained engineers, Pika Energy develops high-performance, cost-effective small wind turbines and related electronic components for the residential market. Pika Energy's X3001 inverter and T701 Wind Turbine operate on REbus™ DC Microgrid, an intelligent energy networking technology that makes it easy to build



R.e.d.d., Inc.

Superfood energy bars

Website: www.reddbar.com
Location: Brunswick, ME
ME Employees: 5

Management Team

Peter VanAlstine, CEO
Alden Blease, Founder

Other Major Co-Investors

Individuals
Maine Angel Members

Other State of Maine support

Maine Seed Capital Tax Credit Program

MVF Investments

February 2016: \$124,000
April 2017: \$100,000
August 2017: \$82,138.21
August 2018: \$187,500

Total Cost: \$493,638

Total other capital raised: \$3,614,634

Company Overview

Redd is more than just a bar. It's science, chemistry, and engineering. The synergy of three products into one. How Vitamins, Caffeine, and Protein optimally combine to propel you. At it's best, it's a dynamic example of how humans excel with nutrient dense, sustainable energy.

Redd has been developed for people who want to indulge the senses without compromising health, wish to support mental and physical stamina with naturally sourced energy, and have an active lifestyle that demands nutrient-dense superfoods to maintain optimal performance.



Sea Bags LLC, a Subsidiary of Solstice Group, Inc.
Handcrafting handbags and accessories from recycled sails in Portland, Maine

Website: www.seabags.com
Location: Portland, ME
ME Employees: 107

Management Team
Don Oakes, CEO
Beth Shissler, President

Other Major Co-Investors
Individuals

Other State of Maine support
Maine Seed Capital Tax Credit Program

MVF Investments
December 2013: \$250,000

Total Cost: \$250,000

Total other capital raised: \$3,950,000

Company Overview

Sea Bags are made from recycled sails, handcrafted in Portland, Maine, on Custom House Wharf. The bags have a sensibility and style that take their cues from the sea. They are authentic in their concept and genuine in every detail. For anyone who wants to be connected to the nautical lifestyle, Sea Bags have an unimpeachable pedigree.



Warrior (Aero-Marine), Inc.
Enabling economical aircraft to work effectively throughout the global maritime sector

Website: www.centaurseaplane.com
Location: Scarborough, ME
ME Employees: 0.5

Management Team
James Labouchere, President

Other Major Co-Investors
Individuals

Other State of Maine support
CDBG – Sanford

MVF Investments
April 2003: \$ 300,000

Total other capital raised: \$300,000

Company Overview

Warrior (Aero-Marine), Inc. is an engineering firm specializing in the development of aircraft. The company's Centaur aircraft is a 6 or 7 seat composite amphibious flying boat. The wings can be actuated to fold while on the water to enable access to marina docks and yacht berths. The configuration suits turboprop and piston engines.

Small Enterprise Growth Board

An eleven-member Board of Directors, ten of who are private sector individuals appointed by the Governor, oversee the Fund. The eleventh board member is the DECD Commissioner, or his appointee.

Board members have relevant experience or background in early-stage investing, managing or investing in high-growth small businesses, the development of technological innovation, and commercial lending or securities law.

These professionals volunteer their time to the Board of Directors and spend many hours pursuing and ensuring a well-managed Fund by:

- Meeting monthly, as a board of directors, for up to four hours per meeting;
- Advising and directing the Fund's management team;
- Individually taking on assignments to specific portfolio company subcommittees;
- Regularly reassessing the relevance of the Fund's mission to the needs of the marketplace, and taking steps to align practices to ensure the operations reflect the mission;
- Reviewing regular reporting and metrics provided by the management team;
- Working closely with the Managing Director to provide each portfolio company with sound guidance and recommendations.

In Fiscal Year 2018, from July 1, 2017 to June 30, 2018, the Board and Management Team screened five companies for potential initial investment, seven portfolio companies for possible follow-on investments, and counseled many other early-stage companies. As the Fund considers investment opportunities, this highly experienced Board weighs the economic and societal benefits of an investment opportunity as well as the purely financial benefits. The Board and Management of the Fund are continually working to find the right balance of supporting enough early stage companies to stimulate the ecosystem (i.e. higher risk investments) and generating sufficient returns through successful companies.

In June 2018, the Board appointed Tim Agnew, Chair; John Murray, Vice Chair and Theresa Hodge, Treasurer for fiscal year 2019.

Board composition as of December 2018:

- ❑ **Timothy P. Agnew, Chair**, is a Principal at Masthead Venture Partners, a venture capital firm located in Cambridge and Portland. Prior to joining Masthead, Mr. Agnew was the Chief Executive Officer of the Finance Authority of Maine from 1988 to 1999. He is an officer of the Board of the Portland Development Corporation and is a member of the Maine Angels. He is a past Chair of the Maine Technology Institute. Mr. Agnew is a graduate of the University of Virginia School of Law and Vassar College.
- ❑ **John Murray, Vice Chair**, is Director, Business Development at Progress Engineering in Manchester, Maine, an electrical engineering company and systems integrator of advanced manufacturing control systems. Previously he held several senior management roles in sales and operations management

within the industrial automation and controls industry. John has been involved in several startup companies, including a .com and his own company, PID Inc., an industrial controls supplier, which he formed in 1984 and sold in 1999. Mr. Murray is a graduate of the University of Dayton (B.S. Business Administration) and Southern New Hampshire University (M.B.A.).

- ❑ **Theresa B. Hodge, Treasurer**, is Executive Vice President and Senior Commercial Lender at Bath Savings Institution. She began her banking career in 1986 and has been with Bath Savings since 2004. In addition to working at commercial banks, she spent ten years during the 1990's as a senior lender in the public sector with the Finance Authority of Maine and Coastal Enterprises, Inc. She graduated from the University of Southern Maine, with a BS in Business Administration and later earned her MBA from Thomas College. Theresa is a board member of MEREDA and serves as chairperson of the Eligibility Committee of United Way of Mid Coast Maine and is a senior advisory member of Risk Management Association, Maine Chapter.
- ❑ **Elizabeth Chabe** runs a privately held business strategy consultancy. She has held management positions at The Jackson Laboratory and the University of Maine's Advanced Structures and Composites Center, and remains active in Maine's research and development community. An avid entrepreneur, her startups have been recognized by Global Entrepreneurship Week, Entrepreneur Magazine, CNBC, and more. She serves as a board member of the Maine Venture Fund and is the chair of the Chinese Language and Culture Center of Maine. In her spare time, Elizabeth enjoys studying languages, investing, and travel.
- ❑ **Peter DelGreco** serves as President and CEO of Maine & Company, a privately funded business attraction and economic development organization. Charged with helping companies establish successful and profitable operations in Maine, Maine & Company's Board of Directors consists of top executives from Maine's business community. During Peter's tenure, Maine & Company has attracted numerous companies to Maine that now employ thousands of people across the state. Peter is a graduate of Colby College and he earned his MBA from the University of Southern Maine. Peter and his wife and son reside in North Yarmouth, Maine.
- ❑ **Claire Deselle** is currently the System Vice President of Applied Innovation and Performance Improvement for Northern Light Health. She is leading work within the System to optimize business and workflow processes and translating key strategic concepts into operational models. Previously, she has had a number of leadership roles including Chief Operating Officer for the Maine Institute for Human Genetics and Health, a non-profit research entity, President and CEO of CS-Keys Inc., a biotech company developing cancer diagnostics and therapeutics, and more than 14 years with Eli Lilly and Company in various management assignments. She earned a BSc from the University of New Hampshire and an MBA from the Wharton School at the University of Pennsylvania.
- ❑ **Corson "Corky" Ellis** was Founder, Chairman and CEO of *Kepware Technologies* (www.kepware.com), a Portland company that writes industrial communications software for the factory, Smart Grid, and building automation and oil and gas sector, until the sale of Kepware to PTC in 2016. Mr. Ellis is very involved in technology economic development in Maine. He is a board member of the Maine Center for Entrepreneurial Development and the Gulf of Maine Research Institute. Mr. Ellis graduated from Amherst College and received a Masters in Business Policy degree from Columbia University.

- **Gregory Fryer** heads the Securities Law Group of Verrill Dana, LLP, a New England regional firm of more than 130 lawyers, with offices in Portland ME, Boston MA, and Westport CT. A substantial part of Greg's practice is advising startup companies or investors in transactions to raise capital. His other practice areas are corporate law, securities regulation, contract negotiations, and mergers and acquisitions. Greg is a member of Maine Angels, a group of accredited investors who meet monthly in Portland, Maine and provide investment and mentoring to early-stage companies. He also is a Trustee of Maine Maritime Academy.
- **Thomas J. Dunne** was a Partner at Accenture, the management consulting firm, primarily focusing on the financial services industry. Upon retiring in 2003, Mr. Dunne has served as an advisor to several Maine businesses ranging from start-ups to mature mid-size and was one of the start-up founders of Maine Seafood Ventures, a lobster processing enterprise. Mr. Dunne, for many years, has been a volunteer/consultant for many Maine organizations. Activities include acting as Executive Director of *Dirigo Health Agency* in 2003, serving as Adjunct Professor at *USM-Muskie Graduate School* in 2005, acting as Executive Director of *Ingraham* in 2006, and consultant to several non-profit organizations on a range of initiatives such as strategic planning, sales and marketing improvements, business expansion, executive succession and merger assessments. Mr. Dunne is a member of Hub Angels, a Boston based investment group. Mr. Dunne is a graduate of S.U.N.Y, College at Geneseo receiving a B.A. in Economics and received his M.B.A. from The Amos Tuck School, Dartmouth College.
- **Christopher S. Pizey** has held various management positions, over the past twenty years, involving computing technologies, interactive media and new business development. While at *Andrews McMeel Universal*, Mr. Pizey led corporate new media ventures, including the founding of *uclick LLC*. While CEO of *uclick* he engineered new business initiatives including digital content syndication, web publishing, wireless content licensing and distribution deals with over 300 of the web's premier publishers, portals and mobile phone networks. Mr. Pizey recently returned home to Maine where he is assisting his family's business, *Hissong Development Corp.*, to grow their real estate development and construction businesses to include heavy construction materials and services, such as ready-mix concrete and aggregates.
- **Brian Whitney**, the Department of Economic and Community Development ("DECD") *ex officio* board member, is President of the Maine Technology Institute, a publicly financed, private, nonprofit organization established to diversify and grow Maine's economy by encouraging, promoting, stimulating and supporting innovation and its transformation into new products, services and companies, leading to the creation and retention of quality jobs in Maine. He has extensive experience in economic development and legislative matters at both the state and federal level. He is a board member of the Maine Innovation Economy Advisory Board, Maine Center for Entrepreneurs, Maine & Company, and the Economic Development Council of Maine.

The Management Team

John Burns, CFA, Managing Director

With 34 years of institutional investing experience, the last 18 as Maine Venture Fund Managing Director, John has been directly involved with bringing risk capital to more than 50 Maine companies, and has led the Fund through a number of successful exits. A CFA holder and MBA graduate of Babson College, John served prior as Second Vice President and Portfolio Manager for UNUM Corporation, where he managed domestic and international portfolios.

John serves the entrepreneurial neighborhood in Maine in many ways, through Board service, as an observer to company boards, and as a frequent speaker and panelist on venture capital, and public/private venture capital issues. He was class co-representative of the Upsilon class of *Leadership Maine*. He has served on a variety of non-profit boards as well, including his local community development 501(c)(3) and as Chair of his local school board.

Desmond “Des” FitzGerald, Entrepreneur in Residence (resigned November 2018)

A graduate of Harvard University, Des is a serial entrepreneur well known in Maine for his successful companies and strong civic leadership. He founded Ducktrap River Fish Farm, Inc. in 1977 and successfully led the company through significant growth through 1999, when he was named CEO of ContiSea, the holding company which merged Ducktrap and Atlantic Salmon of Maine to create an enterprise with over 300 employees and over \$50 million in annual sales. ContiSea was sold to Continental Grain in 2002.

Since his departure from ContiSea, Des has founded or co-founded three additional companies, has been very active as an adjunct professor in UMaine’s MBA program, and deeply involved in civic and cultural affairs in Maine from his midcoast home. He was a founding member of Maine Business for Social Responsibility, past President of The Natural Resources Council of Maine, past board member of The Camden Conference, Coastal Mountain Land Trust, school boards, and Maine Chapter of The Nature Conservancy. He currently serves on the Board of the Camden Film Festival and on several private company boards. Des resigned to attend Harvard’s Advanced Leadership Initiative program, and we will miss him and wish him well.

Jayne Okma Lee, Investment Manager

Jayne joined Maine Venture Fund in 2005 as a Fund Associate and now her responsibilities include the full range of venture capital investment activities. Prior to joining the Fund, she worked for General Motors as a marketing and financial analyst, and as a management consultant in the pharmaceutical industry. Jayme received an MBA from the University of Maine with the highest cumulative GPA in her class. She graduated Magna Cum Laude, with honors, from Bowdoin College with an A.B. in Economics and Mathematics.

Terri Wark, Office Operations Manager

Terri worked as Administrative Associate for the Fund since 2001; and prior to, she was with the Finance Authority of Maine (FAME) in the Legal Department and the Small Business and Commercial Loan Division. Terri attended the University of Maine.



BAKER
NEWMAN
NOYES

Small Enterprise Growth Fund
d/b/a Maine Venture Fund
(A Component Unit of the State of Maine)

Basic Financial Statements and
Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Small Enterprise Growth Fund
d/b/a Maine Venture Fund

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Small Enterprise Growth Fund d/b/a Maine Venture Fund (the Fund), a component unit of the State of Maine, which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, 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 the Small Enterprise Growth Fund d/b/a Maine Venture Fund as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors
Small Enterprise Growth Fund
d/b/a Maine Venture Fund

Emphasis of Matter

As explained in note 1, the financial statements include investments in small businesses valued at \$5,051,900 (44% of net position) and \$4,525,125 (42% of net position) at June 30, 2018 and 2017, respectively, which are not actively traded and whose carrying values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

Other Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic 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 Matter – Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Newman & Noyes LLC

Portland, Maine
October 22, 2018

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2018 and 2017

As Management of the Small Enterprise Growth Fund d/b/a Maine Venture Fund (the Fund or the SEGF), we offer readers of the Fund’s financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended June 30, 2018 and 2017. As required, the Fund’s financial statements are presented in the manner prescribed by Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* (GASB 34), as amended. Under GASB 34, the Fund is identified as a Proprietary Fund. Proprietary Funds are accounted for in a manner similar to a private business enterprise.

Overview of the Fund

The Small Enterprise Growth Fund was created in 1996 by an Act of the Maine Legislature, as a body corporate and politic and a tax-exempt instrumentality of the State of Maine. The Fund’s purpose is to provide capital to small Maine businesses with the potential for high growth and public benefit, but which are unable to obtain adequate conventional financing. The Fund is a revolving, non-lapsing fund, with net earnings remaining in the Fund for use in providing additional capital to businesses.

Overview of the Financial Statements

Management’s Discussion and Analysis is intended to serve as an introduction to the Fund’s basic financial statements. The basic financial statements include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. The Statements of Net Position present information on all of the Fund’s assets, liabilities and net position. The Statements of Revenues, Expenses and Changes in Net Position present information on the Fund’s revenues and expenses. The Statements of Cash Flows supplement those statements providing relevant information about cash sources and uses. The Fund’s financial statements are presented on an accrual basis.

FY 2018 Highlights

- Maine Venture Fund (MVF or Fund) invested (notes receivable and investments) just over \$1.14 million into nine Maine companies in FY18, one of which is new to the portfolio and eight receiving follow-on investments. In FY17, the Fund invested \$1.12 million in eight Maine companies.
- MVF is a partner with the Finance Authority of Maine (FAME) in its contract with the U.S. Treasury Department’s State Small Business Credit Initiative (SSBCI). This program began in December 2011. Since then, the Fund has invested a grand total of \$4,478,644 of SSBCI funds including \$360,800 in FY18. One company new to the portfolio was a beneficiary of an SSBCI investment. MVF provides quarterly and annual investment reporting to FAME which, in turn, reports to the U.S. Treasury Department. In FY17, MVF invested \$1,008,333 of SSBCI money.
- MVF invested a total of \$785,505 from “core” funds in six existing portfolio companies as follow-on funding, and, in a seventh new company, and converted one SSBCI-funded note with a principal balance of \$100,000, originating in November 2016, along with accrued interest in the amount of \$5,470, into preferred equity in an existing portfolio company.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018 and 2017

- Co-investors invested nearly \$7.79 million alongside the \$1.14 million invested by MVF for a 6.8:1 ratio. The co-investment ratio in FY17 was 5.3:1 on the Fund's \$1.12 million invested.
- According to the Fund's internal tracking, portfolio companies employed 718 full-time equivalent people as of June 30, 2018, an increase of 64 FTEs from the prior fiscal year end.
- MVF receives a semiannual dividend payment from one of its portfolio companies, a quarterly interest-only payment from another and a third company is making a monthly principal and interest payment on a 10-month short term note.
- In FY18, the Fund received \$456,571 in holdback distributions and final payments from three companies related to their sales in FY17.
- For FY18, the Fund was included in the State of Maine budget and received an annual appropriation of \$500,000.
- The Fund's Board of Directors, the Small Enterprise Growth Board (SEGB), and its Management Team continue to use its Strategic Business Framework to guide strategic direction, and, in FY18, developed even more focused tactical initiatives that align with the Strategic Business Framework. The Board and Management Team, throughout FY18, worked together to deploy and continue to implement most tactical initiatives.
- MVF continues to play a prominent role in a strong support network for the entrepreneurial community in Maine, working with partners like Maine Technology Institute, Maine Center for Entrepreneurs, and the Maine Angels investment group. Additionally, the staff sits on numerous Boards throughout the State, including portfolio company boards in an Observer role, the Maine Innovation Economy Advisory Board (MIEAB), and Maine Community Foundation's Impact Investing Committee, Focus Maine, and others.
- The SEGB is a deeply experienced Board knowledgeable in early stage equity investing and in growing successful companies. For a list of current board members and their backgrounds visit <http://www.maineventurefund.com/team>.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018 and 2017

Financial Information

Statements of Net Position

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Assets:			
Cash equivalents	\$ 5,307,626	\$ 5,667,968	(6.4)%
Interest receivable	47,804	21,269	124.8
Notes receivable, net	1,004,898	608,826	65.1
Investments	5,051,900	4,525,125	11.6
Prepaid expense	<u>974</u>	<u>4,704</u>	<u>(79.3)</u>
Total assets	<u>\$11,413,202</u>	<u>\$10,827,892</u>	<u>5.4</u>
Liabilities:			
Accounts payable	\$ 275	\$ 736	(62.6)
Accrued expenses	<u>23,595</u>	<u>51,528</u>	<u>(54.2)</u>
Total liabilities	23,870	52,264	(54.3)
Net Position:			
Unrestricted net position	<u>11,389,332</u>	<u>10,775,628</u>	<u>5.7</u>
Total net position	<u>\$11,389,332</u>	<u>\$10,775,628</u>	<u>5.7%</u>

Total assets increased \$585,310 due mainly to the net increase in investments and notes receivable of \$922,847 and a decrease in cash equivalents of \$360,342.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018 and 2017

Statements of Revenues, Expenses and Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Operating revenues:			
Investment income	\$ 22,239	\$ 11,446	94.3%
Dividend income	14,000	14,073	(0.5)
Interest income on notes receivable	46,010	43,240	6.4
Realized gains on sales of investments	456,571	3,238,591	(85.9)
Grant income	360,098	1,009,981	(64.4)
Other income	<u>575</u>	<u>—</u>	<u>—</u>
Total operating revenues	899,493	4,317,331	(79.2)
Operating expenses:			
Salary expense	345,486	350,842	(1.5)
Payroll benefits expense	126,192	111,551	13.1
General and administrative expense	84,111	92,308	(8.9)
Write-down/provision of investments/notes receivable	<u>230,000</u>	<u>62,565</u>	<u>267.6</u>
Total operating expenses	<u>785,789</u>	<u>617,266</u>	<u>27.3</u>
Operating income	113,704	3,700,065	(96.9)
Capital contribution from State of Maine	500,000	—	—
Net position at beginning of year	<u>10,775,628</u>	<u>7,075,563</u>	<u>52.3</u>
Net position at end of year	<u>\$11,389,332</u>	<u>\$10,775,628</u>	<u>5.7%</u>

The Fund had operating income of \$113,704 for the fiscal year. Operating revenues decreased substantially, 79.2% or \$3,417,838, primarily due to the \$3,238,591 in realized gains from the sale of investments in the prior fiscal year. Operating expenses increased 27.3% or \$168,523, due primarily to an increase on the write-down of investments and notes receivable.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018 and 2017

FY 2017 Highlights

- Maine Venture Fund invested just over \$1.12 million into eight Maine companies in FY17, two of which were new to the portfolio and six receiving follow-on investments. In FY16, the Fund invested \$1.34 million in nine Maine companies.
- MVF is a partner with the Finance Authority of Maine (FAME) in its contract with the U.S. Treasury Department's State Small Business Credit Initiative (SSBCI). This program began in December 2011. Since then, the Fund has invested a grand total of \$4,117,844 of SSBCI funds including \$1,008,333 in FY17. Both companies new to the portfolio were beneficiaries of SSBCI investment. MVF provides quarterly and annual investment reporting to FAME which, in turn, reports to the U.S. Treasury Department. \$631,700 of SSBCI money was invested by MVF in FY16.
- MVF invested a total of approximately \$113,000 from "core" funds in two existing portfolio companies as follow-on funding, and, in a third portfolio company, converted a Note with a principal and accrued interest balance of \$258,071, originated in 2014, into preferred equity.
- The Fund had four successful exits in FY17:
 - **Coast of Maine Organic Products, Inc.** (July 2016)
Original investment – \$85,000 April 2000
The preferred stock carried a dividend rate of 3% and Coast paid accrued dividends in September 2015 totaling \$39,752 and quarterly dividend payments of \$638 thereafter through June 2016. In July 2016, Coast was recapitalized with an investment from Gemini Investors. MVF converted its Series A Preferred Shares to Common and sold all for proceeds of \$298,950 at closing. \$150,000 of the total \$6 million purchase price was held back for 90 days for inventory adjustments after which the Fund received its pro rata share in December 2016 of \$10,345. \$600,000 is being held for 18 months (until December 2017) as an indemnity escrow, after which, if no adjustments, the Fund will receive its pro rata share of approximately \$42,500.
 - **Looks Gourmet Food Company, Inc.** (September 2016)
Original investment – \$300,000 August 2007
Looks Gourmet Food Company was purchased by Sea Watch International in September 2016. MVF converted its Series B Preferred to Common and sold all of its shares for proceeds of \$742,951. \$250,000 of the \$10 million purchase price was held back for the buyer to use to address certain issues at the Looks Plant and, in March 2017, the Fund received its pro rata share of the funds remaining, \$11,199.
 - **InterSpec, Inc.** (January 2017)
Original investment(s) – \$200,003 June 2001 – January 2004
InterSpec, Inc. was purchased by Arcom (MasterSpec®) in January 2017. MVF received \$232,562. Seven percent of the Fund's distribution is being held in an escrow account for 12 months, \$17,504 to be received in January 2018.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2018 and 2017

- **Certify, Inc.** (May 2017)
Original investments – \$500,000 August 2009 – April 2014
Certify, Inc. was recapitalized with an investment from K1. MVF sold 100% of its shares for proceeds of \$3,024,683. Ten percent of the Fund’s distribution is being held in escrow for 12 months until May 2018.
- Co-investors invested nearly \$5.92 million alongside just over the \$1.12 million invested by MVF for a 5.3:1 ratio. The co-investment ratio in FY16 was 6.2:1 on the Fund’s \$1.34 million of investment.
- According to the Fund’s internal tracking, portfolio companies employed 654 full-time equivalent people as of June 30, 2017, holding steady from the prior fiscal year end.
- MVF receives a semiannual dividend payment from one of its portfolio companies and a quarterly interest-only payment from another.
- The Fund’s Board of Directors, the Small Enterprise Growth Board (SEGB), and its Management Team continue to use its Strategic Business Framework to guide strategic direction, and, in FY17, developed even more focused tactical initiatives that align with the Strategic Business Framework. The Board and Management Team, throughout FY16 and FY17, worked together to implement most tactical initiatives, although some are still in process.
- MVF continues to play a prominent role in a strong support network for the entrepreneurial community in Maine, working with partners like Maine Technology Institute, Maine Center for Entrepreneurial Development, and the Maine Angels investment group. Additionally, the staff sits on numerous Boards throughout the State, including portfolio company boards in an Observer role, the Maine Innovation Economy Advisory Board (MIEAB), and Maine Community Foundation’s Impact Investing Committee, Focus Maine, and others.
- The SEGB is a deeply experienced Board knowledgeable in early stage equity investing and in growing successful companies. For a list of current board members and their backgrounds visit <http://www.maineventurefund.com/team>.

Financial Information

Statements of Net Position

	<u>2017</u>	<u>2016</u>	%
			<u>Change</u>
Assets:			
Cash equivalents	\$ 5,667,968	\$ 1,954,852	190.0%
Interest receivable	21,269	13,765	54.5
Notes receivable, net	608,826	437,037	39.3
Investments	4,525,125	4,697,525	(3.7)
Prepaid expense	<u>4,704</u>	<u>5,346</u>	<u>(12.0)</u>
Total assets	<u>\$ 10,827,892</u>	<u>\$ 7,108,525</u>	<u>52.3%</u>

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018 and 2017

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Liabilities:			
Accounts payable	\$ 736	\$ 272	170.5%
Accrued expenses	<u>51,528</u>	<u>32,690</u>	<u>57.6</u>
Total liabilities	52,264	32,962	58.6
Net Position:			
Unrestricted net position	<u>10,775,628</u>	<u>7,075,563</u>	<u>52.3</u>
Total net position	<u>\$ 10,775,628</u>	<u>\$ 7,075,563</u>	<u>52.3%</u>

Total assets increased \$3,719,367 due mainly to the \$3,713,116 increase in cash, which was caused primarily by the sale of investments during 2017 for which \$4,323,594 of proceeds were received.

Statements of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Operating revenues:			
Investment income	\$ 11,446	\$ 23,948	(52.2)%
Dividend income	14,073	55,664	(74.7)
Interest income on notes receivable	43,240	37,923	14.0
Realized gains on sales of investments	3,238,591	-	-
Grant income	<u>1,009,981</u>	<u>631,700</u>	<u>59.9</u>
Total operating revenues	4,317,331	749,235	476.2
Operating expenses:			
Salary expense	350,842	323,589	8.4
Payroll benefits expense	111,551	104,194	7.1
General and administrative expense	92,308	111,108	(16.9)
Write-down/provision of investments/notes receivable	<u>62,565</u>	<u>298,881</u>	<u>(79.1)</u>
Total operating expenses	<u>617,266</u>	<u>837,772</u>	<u>(26.3)</u>
Operating income (loss)	3,700,065	(88,537)	(4,279.1)
Net position at beginning of year	<u>7,075,563</u>	<u>7,164,100</u>	<u>(1.2)</u>
Net position at end of year	<u>\$ 10,775,628</u>	<u>\$ 7,075,563</u>	<u>52.3%</u>

The Fund had operating income of \$3,700,065 for the fiscal year. Operating revenues increased substantially, 476% or \$3,568,096, primarily due to \$3,238,591 in realized gains from the sale of investments. Operating expenses decreased 26% or \$220,506, due primarily to a decrease on the write-down of investments.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

STATEMENTS OF NET POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Cash equivalents (note 2)	\$ 5,307,626	\$ 5,667,968
Interest receivable	27,502	9,537
Notes receivable, net	100,000	-
Prepaid expense	<u>974</u>	<u>4,704</u>
Total current assets	5,436,102	5,682,209
Noncurrent assets:		
Interest receivable	20,302	11,732
Notes receivable, net of allowance for losses of \$421,153 and \$371,153 in 2018 and 2017, respectively (note 3)	904,898	608,826
Investments	<u>5,051,900</u>	<u>4,525,125</u>
Total noncurrent assets	<u>5,977,100</u>	<u>5,145,683</u>
Total assets	<u>\$11,413,202</u>	<u>\$10,827,892</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 275	\$ 736
Accrued expenses	<u>23,595</u>	<u>51,528</u>
Total current liabilities	<u>23,870</u>	<u>52,264</u>
Total liabilities	23,870	52,264
Commitments (note 4)		
<u>NET POSITION (note 7)</u>		
Unrestricted	<u>11,389,332</u>	<u>10,775,628</u>
Total net position	<u>11,389,332</u>	<u>10,775,628</u>
Total liabilities and net position	<u>\$11,413,202</u>	<u>\$10,827,892</u>

See accompanying notes.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Investment income	\$ 22,239	\$ 11,446
Dividend income	14,000	14,073
Interest income on notes receivable	46,010	43,240
Realized gains on sales of investments	456,571	3,238,591
Grant income (note 9)	360,098	1,009,981
Other income	<u>575</u>	<u>—</u>
Total operating revenues	899,493	4,317,331
Operating expenses:		
Salary expense	345,486	350,842
Payroll benefits expense	126,192	111,551
General and administrative expense (note 6)	84,111	92,308
Write-down/provision of investments/notes receivable	<u>230,000</u>	<u>62,565</u>
Total operating expenses	<u>785,789</u>	<u>617,266</u>
Operating income	113,704	3,700,065
Capital contribution from State of Maine (note 1)	500,000	—
Net position, beginning of year	<u>10,775,628</u>	<u>7,075,563</u>
Net position, end of year	<u>\$11,389,332</u>	<u>\$10,775,628</u>

See accompanying notes.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Interest received on notes receivable	\$ 12,909	\$ 10,140
Notes receivable originated	(596,072)	(313,026)
Disbursements for investments	(551,305)	(808,334)
Proceeds from sale of investments	456,571	4,323,594
Other income received	575	-
Grant income received	360,098	1,009,981
Dividend income received	14,000	14,073
Investment income received	22,239	11,446
Payments for operating expenses	(208,868)	(210,740)
Payments to employees	<u>(370,489)</u>	<u>(324,018)</u>
Net cash (used) provided by operating activities	(860,342)	3,713,116
Cash flows from financing activities:		
Contributed capital	<u>500,000</u>	<u>-</u>
Net (decrease) increase in cash equivalents	(360,342)	3,713,116
Cash equivalents, at beginning of year	<u>5,667,968</u>	<u>1,954,852</u>
Cash equivalents, at end of year	<u>\$ 5,307,626</u>	<u>\$ 5,667,968</u>
Reconciliation of operating income to net cash (used) provided by operating activities:		
Operating income	\$ 113,704	\$ 3,700,065
Adjustments to reconcile operating income to net cash (used) provided by operating activities:		
Provision for losses on notes receivable	100,000	25,000
Write-down of investments	130,000	37,565
Realized gain on sale of investment	-	(3,238,591)
Changes in assets and liabilities:		
Interest receivable	(32,005)	(33,103)
Prepaid expense	3,730	642
Notes receivable	(596,072)	(313,025)
Investments, net	(551,305)	3,515,261
Accounts payable	(461)	464
Accrued expenses	<u>(27,933)</u>	<u>18,838</u>
Net cash (used) provided by operating activities	<u>\$ (860,342)</u>	<u>\$ 3,713,116</u>

Supplemental disclosure of noncash activities:

During 2018, \$100,000 of net notes receivable and \$5,470 of interest receivable was converted to investments.

During 2017, \$116,237 of net notes receivable and \$25,597 of interest receivable was converted to investments.

See accompanying notes.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

1. Organization and Significant Accounting Policies

The accounting policies of the Small Enterprise Growth Fund d/b/a Maine Venture Fund (the Fund) conform to accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting principles are described below.

Authorizing Legislation

The Small Enterprise Growth Program was established in 1996 by the State of Maine legislature through the enactment of L.D. 1831 “An Act to Create the Small Enterprise Growth Program.” The law created the Fund as a revolving fund. The Fund is an instrumentality and component unit of the State of Maine and is a tax-exempt entity.

Purpose of the Fund

The Fund is used to provide capital to small Maine businesses that show potential for high growth and public benefit, but are unable to obtain adequate conventional financing from financial institutions. The State of Maine capitalized the Fund by issuing general obligation bonds. The initial capitalization was \$5,000,000. The Fund received an additional \$1,000,000 of capital in fiscal year 2008 from proceeds of a State of Maine economic development bond, \$3,000,000 of capital in fiscal year 2001 from general fund appropriations of the State of Maine, and \$4,000,000 in fiscal year 2011 from a state economic development bond. In fiscal year 2018, the Fund received \$500,000 from general fund appropriations of the State of Maine. In fiscal year 2019, the Fund received an additional \$5,000,000 from a State of Maine economic development bond. Currently, financing is provided to qualifying business enterprises through lending arrangements and direct equity investments. Lending agreements generally provide for the issuance of warrants to the Fund or the option of converting its investment from debt to equity through the use of convertible debentures. The Fund also makes direct equity investments in Maine businesses. Operating activities of the Fund include lending and direct equity investments.

In June 2010, the State Legislature amended the statute governing the Fund to broaden the powers of the Board of Directors. The new authority given to the Board allows it to take capital from individuals and entities other than the State for investment in Maine Companies through return-based “side car” funds. Through June 30, 2018, the Fund had not exercised such powers.

Basis of Accounting

The accounts of the Fund are maintained in accordance with the principles of “fund accounting.” These principles require that resources for various purposes be classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The Fund only has one fund, which is a proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and collectibility is assumed and expenses are recorded at the time liabilities are incurred.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

1. Organization and Significant Accounting Policies (Continued)

Fund Administration

The Fund is overseen by the Small Enterprise Growth Board which establishes rules for operations, approves and denies applications and monitors investment agreements on an ongoing basis. The Governor of the State of Maine appoints the Board members.

The Fund is administered and maintained by the Finance Authority of Maine (the Authority) per statute. The Board of the Fund has engaged a Fund Manager to provide management and oversight of the Fund.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Fund 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. The most significant estimates utilized in the preparation of the financial statements of the Fund relate to the allowance for losses on notes receivable and the valuation of investments. The Fund's investments are not traded in an active market. Because the Fund lends to and invests in small start-up businesses, some of which have not begun to generate revenues, there is a significant risk that such estimates could be revised substantially in the future.

Cash Equivalents

For purposes of preparing the statements of cash flows, the Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2018 and 2017, the Fund's cash equivalents consisted of amounts held in the State of Maine Treasurer's cash pool and bank deposits.

Investments

The Fund makes direct equity investments in Maine businesses. These investments consist of Common and Preferred Stock and Units in Limited Liability Companies. These investments are not actively traded, nor are they insured. The Fund's ownership interest in any of these businesses is normally less than 20% at any given time. The Fund owns all investments directly; therefore, there is no custodial credit risk. Investments are carried at cost on the Fund's statements of net position until there is evidence of a decrease in fair value as estimated by management in the absence of readily determinable fair values. It is the Fund's policy to review each investment for probable loss and if necessary, to write down the investment through a charge to operating expenses. Realized gains on the sale of investments are determined based on the specific identification method.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

1. Organization and Significant Accounting Policies (Continued)

The following is a summary of the cost basis and the carrying value of investments at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cost basis	\$ <u>6,638,621</u>	\$ <u>6,131,847</u>
Carrying value	\$ <u>5,051,900</u>	\$ <u>4,525,125</u>

The carrying value of \$5,051,900 consists of investments in eighteen companies, two of which have a balance which is greater than 10% of the Fund's recorded net investment balances. These two investments have a combined carrying balance of \$1,259,700 at June 30, 2018. In 2017, the carrying value of \$4,525,125 consisted of investments in twenty-two companies, one of which had a balance of \$500,000 which is greater than 10% of the Fund's recorded net investment balances.

Notes Receivable

Notes receivable are carried at the principal amounts outstanding. Interest income on notes receivable is recorded only when collectibility of principal and interest are probable, otherwise interest income is recorded on a cash basis.

Allowance for Losses on Notes Receivable

The Fund has established an allowance for losses on notes receivable. The allowance for losses account is established through a provision for losses charged to operations. The amount of the allowance is determined by management's evaluation of the notes receivable portfolio. The evaluation takes into consideration such factors as the volume of the portfolio, overall portfolio quality, specific problem borrowers and current economic conditions that may affect the borrowers' ability to repay. Management believes that the allowance for losses is adequate. While management uses available information to recognize losses, changing economic conditions and the economic prospects of the borrowers might necessitate future additions to the allowance. It is the Fund's policy to review each note receivable for potential loss and establish specific allowances if necessary.

Operating Revenues and Expenses

Operating revenues include interest earned on notes receivable, investment and dividend income, realized gains on sale of investments and grant income. Operating expenses include professional fees and services, payroll and administrative expenses and other costs of providing services and operating the program.

Grant Income

The Fund uses grant funds to make debt or equity investments in qualified Maine companies. The Fund recognizes grant income when such funds are invested, as the grants are expenditure-driven.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

2. Cash Equivalents

The Fund does not have a formal deposit or investment policy. However, monies that are not needed for immediate use are invested with the State of Maine. The Treasurer of the State of Maine sponsors an investment pool (State of Maine Treasurer's Cash Pool). The Fund's participation is voluntary. The State of Maine's investment pool is primarily comprised of investment vehicles with short maturities and management of the Fund characterizes the investments within the pool as low risk. The State of Maine Treasurer's Cash Pool is not rated by external rating agencies. The Fund is able to make withdrawals from the State of Maine investment pool at par with little advance notice and without penalty. The Fund's management considers this investment vehicle a money market instrument and generally carries the amounts in the pool at fair value. Cash equivalents consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Bank deposits	\$ 150,980	\$ 152,626
State of Maine Treasurer's cash pool	<u>5,156,646</u>	<u>5,515,342</u>
	<u>\$5,307,626</u>	<u>\$5,667,968</u>

At June 30, 2018 and 2017, bank deposits had a bank balance of \$158,502 and \$158,992, respectively, and a carrying amount of \$150,980 and \$152,626, respectively. The difference between the carrying amount of deposits and bank balance consists primarily of checks issued but not cashed. All bank deposits are covered by Federal depository insurance at June 30, 2018 and 2017.

3. Notes Receivable

The following is a summary of notes receivable at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Note dated February 2009, interest at 6%, interest accrued until maturity, due June 2012. The note is unsecured. The note is in default.	\$ 100,000	\$ 100,000
Note dated November 2010, interest at 6%, interest accrued until maturity, due June 2012. The note is unsecured. The note is in default.	73,000	73,000
Note dated March 2011, interest at 6%, interest accrued until maturity, due June 2012. The note is unsecured. The note is in default.	25,000	25,000
Note (amended) dated September 2009, interest at 6%, interest accrued until maturity, due June 2012. The note is unsecured. The note is in default.	46,154	46,154
Note dated June 2010, interest at 6%, interest accrued until maturity, due June 2012. The note is unsecured. The note is in default.	77,000	77,000
Note dated September 2014, interest at 5%, interest accrued until maturity, due September 2017. Note is unsecured and was charged-off in 2018.	-	50,000
Note dated January 2015, interest at 5%, interest accrued until maturity, due January 2020. The note is unsecured. Interest only payments until maturity.	200,000	200,000

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
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NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

3. Notes Receivable (Continued)

	<u>2018</u>	<u>2017</u>
Note dated March 31, 2016, interest at 8%, interest accrued until maturity, due March 2021. The note is unsecured.	\$ 95,800	\$ 95,800
Note dated November 2016, interest at 4%, interest accrued until maturity, due November 2021. The note is unsecured and was converted to stock in 2018.	–	100,000
Note dated June 2017, interest at 12%, interest accrued until maturity, due June 2022. The note is unsecured.	88,000	88,025
Note dated June 2017, interest at 8%, interest accrued until maturity, due June 2022. The note is unsecured.	125,000	125,000
Note dated February 2018, interest at 5%, interest accrued until maturity, due February 2023. This note is unsecured.	39,397	–
Note dated March 2018, interest at 12%, interest accrued until maturity, due March 2023. This note is unsecured.	100,000	–
Note dated March 2018, interest at 6%, interest accrued until maturity, due March 2023. This note is unsecured.	175,000	–
Note dated April 2018, interest at 6%, interest accrued until maturity, due April 2023. This note is unsecured.	120,000	–
Note dated May 2018, interest at 5%, interest accrued until maturity, due May 2023. This note is unsecured.	61,700	–
Note dated June 2018, interest at 12%, interest accrued until maturity, due March 2019. This note is unsecured.	50,000	–
Note dated June 2018, interest at 12%, interest accrued until maturity, due March 2019. This note is unsecured.	<u>50,000</u>	<u>–</u>
	1,426,051	979,979
Allowance for losses	<u>(421,153)</u>	<u>(371,153)</u>
Notes receivable, net	1,004,898	608,826
Current portion of notes receivable, net	<u>100,000</u>	<u>–</u>
Noncurrent portion of notes receivable, net	<u>\$ 904,898</u>	<u>\$ 608,826</u>

The following is the activity in the allowance for losses on notes receivable during the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Allowance for losses on notes:		
Beginning balance	\$ 371,153	\$ 462,390
Provision for losses	100,000	25,000
Transfer to investment reserves	–	(116,237)
Charge-offs	<u>(50,000)</u>	<u>–</u>
Ending balance	<u>\$ 421,153</u>	<u>\$ 371,153</u>

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
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NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

3. Notes Receivable (Continued)

The Fund's lending activities are conducted in the State of Maine. The ability and willingness of the borrowers to honor their repayment commitment is generally dependent on the health of the economic sector in the borrower's geographical area, the general economy and the borrower's financial condition. Notes receivable are issued to start-up businesses.

Certain financing agreements entered into with the business enterprises contain a provision enabling the Fund to acquire an equity interest in the business through a convertible debenture that gives the Fund future options to convert its investments from debt to equity.

4. Commitments

At June 30, 2018, the Fund did not have any commitments to provide financing to small Maine businesses. The Fund uses the same process in making commitments as it does for actual financing activities. The fund may be subject to audit or other review in conjunction with receiving funds under the State Small Business Credit Initiative (see note 9).

5. Warrants

The Fund has entered into financing agreements with business enterprises containing a provision enabling the Fund to acquire an equity interest in the business through warrants to purchase common stock at a set price in the future. The warrants are generally not exercisable during the four-year period after the issuance date and contain put and call provisions. The warrants are considered a separate investment; however, the Fund has not assigned any value to the warrants at June 30, 2018 or 2017 because there is no market for the warrants and the business enterprises are in the start-up and development phase, and as a result, the value of their common stock and related warrants is impractical to determine.

6. Transactions with the Finance Authority of Maine

The Authority provides certain financial management, legal assistance and legislative liaison services for the Fund. The Authority charges the Fund for services rendered and the fees paid to the Authority are authorized by the Fund's Board. Included in general and administrative expenses in the 2018 and 2017 statements of revenues, expenses and changes in net position, is approximately \$9,000 and \$25,000, respectively, paid to the Authority for such services. Approximately \$1,600 and \$5,600 related to these fees is included in accrued expenses at June 30, 2018 and 2017, respectively.

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
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NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

7. Total Net Position

The following schedule presents the components of total net position as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Contributed capital	\$13,506,767	\$13,006,767
Accumulated deficit	<u>(2,117,435)</u>	<u>(2,231,139)</u>
Total net position	<u>\$11,389,332</u>	<u>\$10,775,628</u>

There are no restrictions on net position at June 30, 2018 and 2017. The Fund's unrestricted net position is generally reserved for program related activities.

8. Risk Management

The Fund carries insurance to cover its exposure to various risks of loss. There were no uninsured losses during the last three years.

9. State Small Business Credit Initiative

The Fund receives monies under the State Small Business Credit Initiative (SSBCI). SSBCI was established by the *Small Business Act of 2010*. The Fund is an approved "participating State program" under SSBCI. The Fund will have in total a minimum of \$3,000,000 available for capital investment under this program. The Fund recorded \$360,800 and \$1,008,333 of revenue related to SSBCI for the years ended June 30, 2018 and 2017, respectively, which was utilized to make investments and issue a note receivable. Amounts are drawn down at the time the Fund makes an investment or loan.

ADDITIONAL INFORMATION

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

SCHEDULE OF ACTIVITIES

Year Ended June 30, 2018

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Program Investment Income</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants/ Contributions</u>	<u>Total</u>
Business-type activities:						
Capital investment program	<u>\$(785,789)</u>	<u>\$ —</u>	<u>\$517,156</u>	<u>\$360,098</u>	<u>\$ —</u>	\$ 91,465
		General revenues:				
				Unrestricted investment income		<u>22,239</u>
				Total general revenues		<u>22,239</u>
				Change in net position		113,704
				Capital contributions		500,000
				Net position, beginning of the year		<u>10,775,628</u>
				Net position, end of the year		<u>\$11,389,332</u>