

MAINE STATE LEGISLATURE

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To: Senator Erin Herbig and Representative Matthea Daughtry, Chairs
Joint Standing Committee on Innovation, Development, Economic Advancement, & Business

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

Date: December 20, 2019

Re: Periodic Report for Fiscal Year 2019

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 actively working with (overseeing the efforts of) a small professional staff.

The Fund invests in innovative Maine companies that are relatively early stage and therefore too risky for traditional sources of capital like banks. Typically, MVF organizes the capital raise process, mobilizing experts and potential co-investors. 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.

This year’s Periodic Report come to you just as the Governor has released her ten-year economic development strategy for the State. Maine Venture Fund is a key proven resource in the State helping to ***promote innovation***, one of the specific strategies and, in particular, is perfectly aligned with the three overarching goals of the Strategy:

- Increase the average wage: the types of innovative scalable companies in which the fund invests provide salaries and benefits well in excess of the current Maine average;
- Value per worker: Innovative companies sell products and services that meet a critical need of their market, commanding value pricing and resulting in higher worker productivity;
- Attracting talent: well-funded, early-stage, high growth potential companies attract technical and managerial talent.

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 innovation and economic development and particularly capital and capital access issues, especially as policy proposals are crafted to operationalize the Governors ten-year economic development strategy.

Maine Venture Fund | P. O. Box 63 | Newport, ME 04953
207-924-3800
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.



2019 Periodic Report

We respectfully submit the Fiscal Year 2019 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 eighteen months (FY19 and 6 months of FY20). Six companies new to the portfolio received investments, and sixteen follow-on investments were made in existing portfolio companies. There are currently 30 companies in the MVF portfolio.

Since 2017, six portfolio companies have been sold to larger businesses, including one in FY19 and one in early FY20, providing returns to founders and investors including Maine Venture Fund. It should be noted that all six of the companies that "exited" the portfolio remain in Maine and are contributing ever more significantly to the economy and prosperity of Maine. The capital returned from those investments, over \$7 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 fiscal 2019, the Fund invested a total of \$2,012,516, which included:

Initial investments totaling \$699,996 in four new companies: **MedRhythms, Inc.**, a digital therapeutics company; **Mobile Price Card, Inc.**, developer of mobile application for in-store display devices; **Mathematics & Problem Solving LLC**, a school curriculum developer; and **Amplify, Inc.**, an additive manufacturing supplier for 3D printed titanium orthopedic implants.

Follow-on investments totaling \$1,312,520.33 were made in FY19 in twelve existing portfolio companies to support growth:

- **R.E.D.D., Inc.**, developer of a healthy, gluten free, delicious energy bar;
- **Maine Craft Distilling LLC**, "A Farm to Flask Distillery; (two investments in FY19);
- **Pika Energy, Inc.**, creator of revolutionary products to capture and manage clean power;
- **Ocean Approved, Inc. d/b/a Atlantic Sea Farms**, harvester and processor of Maine kelp;
- **Farming Fungi LLC d/b/a Mousam Valley Mushrooms**, grower and seller of organic regional mushrooms;
- **CourseStorm, Inc.**, developer of class registration software;
- **Hyperlite Mountain Gear, Inc.**, designer/manufacturer of durable outdoor products;
- **Dream Local Digital, Ltd.**, developer of strategy/management of social media;
- **Orono Spectral Solutions, Inc.**, advanced chemical sampling materials;
- **Cerahelix, Inc.**, ceramic membrane filter technology that provides high purity under harsh conditions;
- **The Gelato Fiasco, Inc.**, gelato maker.

Several follow-on investments included the conversion of accrued Note interest into equity holdings. In total, \$69,519 in accrued interest on Notes was converted to equity holdings in FY19.

Subsequent events:

In the balance of calendar 2019, from July 1, 2019 to December 31, 2019, the Fund invested an additional \$1,030,000.

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Investments include two companies new to the portfolio:

- **Defendify, Inc.**, developer and provider of cybersecurity protection for small businesses; and
- **Shellfish Solutions, Inc.**, developer of software for shellfish management and supply chain.

And four follow-on investments in existing portfolio companies:

- **MedRhythms, Inc.**
- **Sea Bags Holdings, Inc.**, manufacturer of handcrafted handbags and accessories from recycled sails;
- **NBT Solutions LLC d/b/a/ 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;
- **Orono Spectral Solutions, Inc.**

Current Status:

The capital returned from FY17 and FY19 exits, plus \$5 million that was added to the Fund in September 2018 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 a large number of active, promising companies which remain in the MVF portfolio.

Even though the Fund has delivered a large number of liquidity events over the past three years, there are still a number of portfolio companies that may be headed toward positive return exit events within the next few years. That said, year to year results and capital events are uneven; history shows there will be good and bad periods. 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 and FY19/FY20 biennium budgets 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.

We look forward to working with you, DECD, and the Governor's Office to contribute to conversations about how best to actualize the economic development strategy of **Promoting Innovation**.

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, analyzing each investment opportunity, 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 September 30, 2019, Maine Venture Fund has 30 portfolio companies that employ 731.5 FTEs. Jobs added in these types of growth companies are primarily high wage and high benefit. This number does not include 253.5 FTE's still in Maine at exited portfolio companies. Since 1997, Maine Venture Fund portfolio companies have created 12,000 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies. Many of these jobs have attracted talented technical, managerial, and sales/customer service workers back to the State to join these exciting 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. These federal funds, if / when there is a return from the deployment of those funds, become part of MVF's capital. 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. MVF 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 *Vetro Fiber Map (Portland)*. 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. Significant time is spent communicating and coordinating with other entities in the ecosystem – our shared goal is to serve the interests of the state by applying our distinctive competencies.
- Since 1997, Maine Venture Fund has catalyzed over an additional \$178 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.

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- 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 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

Heather Johnson, Commissioner, Department of Economic and Community Development

Denise Garland, Deputy 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”)

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 its goals and fulfilling 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 2019, has received \$19.5 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, though it has received an appropriation in the last two biennium’s that cover some of the annual expenses.

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. From 2011 to 2019, MVF partnered with DECD & FAME on the State Small Business Credit Initiative, putting more than \$13 million to work with Maine companies from a U.S. Treasury program.

Since its first investment in December of 1997 through June 30, 2019, the end of FY19, the Fund invested \$22,543,600 in 68 Maine companies and has a current portfolio of 30 companies. By the end of the 2019 calendar year, the Fund estimates it could reach over a total of \$24.2 million in investments in 72 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.





Summary of FY19 Investment Activity (7/1/18 - 6/30/19)

Date of Investment	Company Name	Location	Security	Investment	Converted (Note) Interest	# of FTEs	Type
07/27/18	MedRhythms, Inc.	Portland	Series A Preferred Stock	\$ 99,996.00		11	New Investment
07/27/18	Redd, Inc.	Brunswick	Note	\$ 187,500.00		5	Follow On
08/07/18	Mobile Price Card, Inc.	Bangor	Note/Converted to Equity Jan19	\$ 200,000.00	\$ 4,082.19	3	New Investment
08/18/19	Mingle Healthcare Solutions, Inc.	So. Paris/Salt Lake City, UT	Notes/Converted to Equity at Merger		\$ 29,421.00	74	Conversion/Merger
08/28/18	Maine Craft Distilling LLC	Freeport	Note & Extension of Maturity	\$ 125,000.00	\$ 10,027.40	27	Follow On
08/31/18	Pika Energy, Inc.	Westbrook	Series A-1 Preferred Stock	\$ 100,020.33	\$ 18,443.00	31	Follow On
09/14/18	Ocean Approved, Inc. d/b/a Atlantic Seafood Company	Saco	Note/Converted to Equity Jan19	\$ 150,000.00	\$ 3,649.00	6	Follow on
11/01/18	Gelato Fiasco, Inc. (The)	Brunswick	Note Converted to Equity		\$ 3,417.00	38	Conversion
12/17/19	Farming Fungi LLC d/b/a Mousam Valley Mushrooms	Springvale	Promissory Note	\$ 125,000.00		16	Follow On
12/19/18	CourseStorm, Inc.	Orono	Note/Converted to Equity Jan19	\$ 250,000.00	\$ 479.45	9	Follow On
01/11/19	Hyperlite Mountain Gear, Inc.	Biddeford	Note	\$ 50,000.00		72	Follow On
01/16/19	Mathematics & Problem Solving LLC	Portland	Preferred Units	\$ 200,000.00		15	New Investment
01/28/19	Dream Local Digital, Ltd.	Rockland	Series A-1 Convertible Preferred Stock	\$ 200,000.00		25	Follow On
03/01/19	Orono Spectral Solutions, Inc.	Bangor	Note	\$ 45,000.00		4.5	Follow On
03/05/19	Cerahelix, Inc.	Orono	Note	\$ 25,000.00		14	Follow On
03/08/19	Gelato Fiasco, Inc. (The)	Brunswick	Note	\$ 5,000.00		see above	Follow On
05/01/19	Amplify, Inc.	Scarborough	Term Note	\$ 200,000.00		3	New Investment
05/15/19	Maine Craft Distilling LLC	Freeport	Series B 2019 Convertible Note	\$ 50,000.00		see above	Follow On
				Total Funds Invested	\$2,012,516		
				Total Accrued Interest Converted to Equity or Compounded	\$69,519		
				FY19 Grand Total Investments	\$2,082,035		

Subsequent Investment Activities - FY20 YTD (7/1/19-12/31/19)

Date of Investment	Company Name	Location	Security	Investment		# of FTEs	Type
09/19/19	Shellfish Solutions, Inc.	Castine	Series AA Preferred Stock	\$150,000		4	New Investment
09/24/19	Defendify, Inc.	Portland	Series A Preferred Stock	\$250,000		13	New Investment
11/18/19	MedRhythms, Inc.	Portland	Series A-1 Preferred Stock	\$100,000		see above	Follow On
11/21/19	Sea Bags Holdings, Inc.	Portland	Senior Nonconvertible Preferred Shares/Common Stock	\$350,000		98	Follow On
11/26/19	NBT Solutions d/b/a Vetro FiberMap	Portland	Convertible Promissory Note	\$130,000		18	Follow On
12/05/19	Orono Spectral Solutions, Inc.	Orono	Convertible Promissory Note	\$50,000		see above	Follow On
				Total Funds Invested	\$1,030,000		
				FY20 Grand Total Investments as of report date	\$1,030,000		

**Abierto Networks LLC**

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

Website: www.ab-net.us

Location: Eliot

ME Employees: 10

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

Jan13: \$100,000 (Note) converted P&I Jun15

Apr14: \$100,000 (Note) converted P&I Jun15

Jun15: \$228,666.74

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**

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

Website: www.finetunelearning.com

Location: Portland

ME Employees: 1.5

Outside Maine Employees: 18

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

Dec15: \$180,000

Jan16: \$20,000

Apr17: \$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,

**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

Dec09: \$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.

**Amplify, Inc.**

Amplify is positioning to be an additive manufacturing supplier for 3D printed titanium orthopaedic implants

Website: www.am-plify.com

Location: Scarborough

ME Employees: 4

Management Team

Brian McLaughlin, CEO

Other Major Co-Investors**Other State of Maine support****MVF Investments**

May19: \$200,000

Total Cost: \$200,000

Total other capital raised: \$1,557,000

Company Overview

Amplify Additive is an Additive Manufacturing Supplier providing engineering & design services coupled with having the capability for prototyping & production onsite leveraging GE Additive's Arcam Electron Beam Melting (EBM) technology whereby we melt Titanium powder into fully solid parts.



Acquired by CapitalOne in September 2019

Blue Tarp, Inc.

B2B credit management

Website: www.bluetarp.com

Location: Portland

ME Employees: 163

Outside Maine Employees: 7

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

May03: \$350,000

'04 (multiple dates): \$142,012

Feb06: \$10,000

Aug10: \$2,210

Aug13: \$100,000

Total Cost: \$604,224

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

Company Overview

BlueTarp Financial 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,



Cerahelix, Inc.

Nano-ceramic coatings to provide faster filtration at high purity

Website: www.cerahelix.com

Location: Orono

ME Employees: 14

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

Feb12: \$75,000

Jan14: \$50,000

Apr15: \$50,000 (Note) *converted P&I Feb16*

Feb16: \$54,263.89

Feb16: \$75,000

Nov16: \$100,000 (Note) *converted P&I Mar18*

Jun17: \$100,000

Mar18: \$105,468.76

Mar18: \$100,000

Mar19: \$25,000

Total Cost: \$584,732.65

Total other capital raised: \$1,766,000

Company Overview

Cerahelix is developing energy saving filtration products based on its patent pending technology using DNA to create nano-engineered ceramics. Cerahelix



Chemogen, Inc.

Novel diagnostic test for tuberculosis

Website: www.chemogen.com

Location: Portland

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

Dec01: \$250,000

Apr04: \$144,932

May06: \$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 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

Mar15: \$100,000

Total Cost: \$100,000

Total other capital raised: \$400,000

Company Overview

Developer of a national park mobile app which includes descriptions of points of interest, trails, amenities, and more. "No service" when you're out in the wilderness? No problem. Chimani's app

**CourseStorm, Inc.**

Class registration software that's impossibly simple

Website: www.coursestorm.com

Location: Orono

ME Employees: 9

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

Oct16: \$165,000

Dec18: \$250,000 (Note) converted P&I Jan19

Jan19: \$250,479.45

Total Cost: \$419,475.45

Total other capital raised: \$1,832,572

Company Overview

CourseStorm is a SAAS company that provides informal, non-credit, education organizations with an online class catalog, registration, and marketing

**Defendify, Inc.**

Cybersecurity protection for small business

Website: www.defendify.com

Location: Portland

ME Employees: 14

Management Team

Rob Simopoulos, CEO

Andrew Rinaldi, Co-Founder

Other Major Co-Investors

3dot6

York I.E.

Other State of Maine support

Maine Technology Institute

MVF Investments

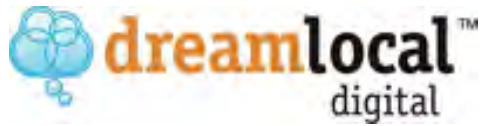
Sep19: \$250,000

Total Cost: \$250,000

Total other capital raised: \$1,500,000

Company Overview

Defendify provides cybersecurity solutions to small businesses. Leveraging best-in-class tools alongside their own proprietary tools, Defendify offers clients a simple interface through which to engage, educate



Dream Local Digital Ltd.

Social media strategy and management

Website: www.dreamlocal.com

Location: Rockland

ME Employees: 25

Outside ME Employees: 11

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

Jul13: \$170,000 (Notes) converted P&I May17

May17: \$258,071.44

Jan19: \$200,000

Total Cost: \$458,071.44

Total other capital raised: \$711,000.

Company Overview

Dream Local Digital helps local businesses use social



Farr

Mus

Grower and seller of organic/regional mushrooms

Website: www.mousamvalleymushrooms.com

Location: Springvale

ME Employees: 16

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:

Mar18: \$175,000

Dec18: \$125,000

Total Cost: \$300,000

Total other capital raised: \$1,101,132

Company Overview

Farming Fungi LLC d/b/a Mousam Valley Mushrooms grows and 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 Employees: 38

Management Team

Joshua Davis, Founder & CEO

Other Major Co-Investors

CEI Ventures

Individual Investors

Other State of Maine support

None

MVF Investments:

Jan15: \$200,000 (Note) converted P&I Nov18

Nov18: \$203,417

Mar19: \$5,000

Total Cost: \$208,417

Total other capital raised: \$2,001,583

Company Overview



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 Employees: 72

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

Jul14: \$250,000

Nov15: \$250,000

Jan18: \$200,000

Jan19: \$50,000

Total Cost: \$750,000

Total other capital raised: \$3,244,778

Company Overview

Hyperlite Mountain Gear designs and manufactures



Maine Craft Distilling LLC

A farm to flask distillery producing small batch spirits

Website: www.mainecraftdistilling.com

Location: Portland

ME Employees: 27

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) *maturity extended & interest compounded Aug19*

May19: \$50,000 (Note)

Aug19: \$135,027

Total Cost: \$563,527

Total other capital raised: \$1,459,319

Company Overview

Maine Craft Distilling marries Maine agricultural products to traditional methods, creating unique



Mathematics & Problem Solving LLC
Leading school curriculum developer

Website: www.curriculumengine.com
Location: Portland
ME Employees: 15
Outside ME Employees: 3

Management Team
Al Noyes, CEO

Other Major Co-Investors

Other State of Maine support

MVF Investments
Jan19: \$200,000

Total Cost: \$200,000

Total other capital raised: \$470,000

Company Overview
Mathematics & Problem Solver is a leading developer and publisher of math technologies, curriculum and resources aligned to the Common



MedRhythms, Inc.
A digital therapeutics company

Website: www.medrhythms.com
Location: Portland
ME Employees: 11
Outside ME Employees: 5

Management Team
Brian Harris, Founder, CEO
Owen McCarthy, Founder, President

Other Major Co-Investors

Other State of Maine support
Maine Technology Institute

MVF Investments
Jul18: \$99,996
Nov19: \$100,000

Total Cost: \$199,996

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



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: So. Paris, ME and Salt Lake City, UT
ME Employees: 74

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

Apr16: \$95,800 (Note) converted P&I Aug18
Jun17: \$125,000 (Note) converted P&I Aug18
Aug18 - \$250,221

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 Employees: 4

Outside ME Employees: 1

Management Team

Chad O'Leary, CEO
Kevin Downs, CTO

Other Major Co-Investors

Other State of Maine support

MVF Investments

Aug18: \$200,000 (Note) converted P&I Jan19
Jan19: \$204,082

Total Cost: \$200,000

Total other capital raised: \$650,000

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

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3T Solutions LLC d/b/a Vetro FiberMap
AS GIS enabled software

Website: www.vetrofibermap.com
Location: Portland
Full Time Employees: 19
Part-time ME Employees: 8

Management Team
Bill Mitchell, Founder, CEO
Dan Myers, Founder, COO

Other Major Co-Investors
Individual investors
Pastal Ventures IV

Other State of Maine support
Maine Seed Capital Tax Credit Program

MF Investments
Nov17: \$193,333
Nov18: \$56,667
Nov18: \$120,000 (Note)
Nov19: \$130,000

Total Cost: \$450,000

Total other capital raised: \$680,000

Company Overview
3T designs, builds and maintains web mapping applications that leverage interactive and informative cartographic maps. The company provides GIS, consumer mapping, location services and business systems to create cartographic data presentation apps that support business analysis, communication and decisions. Map 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 Employees: 42

Management Team
Ton Mathissen, CEO

Other Major Co-Investors
Individual investors

Other State of Maine support
None

MVF Investments
Nov10: \$250,000
Nov11: \$100,000
Jun12: \$21,060
Jun18: \$100,000 (Note - Paid in Full)

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. d/b/a Atlantic Sea Farms
Fresh, frozen kelp from Maine

Website: www.oceanapproved.com
Location: Portland
ME Employees: 6

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
Apr16: \$100,000
May17: \$100,000
Sep18: \$150,000 (Note) *converted P&I Jan19*
Jan19: \$153,649

Total Cost: \$350,000

Total other capital raised: \$2,343,808

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 Employees: 4.5

Management Team:
Roland Sirois, CEO

Other Major Co-Investors
Bangor Angel Fund
Individual investors

Other State of Maine support
None

MVF Investments
Sep14: \$200,000
Apr16: \$125,000
Nov17: \$38,300 (Note) *converted P&I Feb18*
Feb18: \$39,397.93 (New Note)
May18: \$61,700
Mar19: \$45,000
Nov19: \$50,000

Total Cost: \$521,098

Total other capital raised: \$1,224,600

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.



PenBay Solutions LLC

InVision software for facilities management

Website: www.penbaysolutions.com

Location: Topsham

ME Employees: 7

Outside ME Employees: 7

Management Team

Bill Barron, CEO

Stuart Rich, CTO

Other Major Co-Investors

Individuals

Other State of Maine support

None

MVF Investments

Apr12: \$250,000

Jun14: \$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



Acquired by Generac in April 2019

Pika Energy, Inc.

Revolutionary products to capture and manage clean power

Website: www.pika-energy.com

Location: Westbrook

ME Employees: 31

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

Apr13: \$150,000

Oct13: \$67,924

Jun14: \$53,167

Feb16: \$100,000 (Note) converted P&I Aug18

Jun17: \$88,000 (Note) converted P&I Aug18

Aug18: \$100,787.73

Aug18: \$105,654.79

Aug18: \$100,000

Total Cost: \$529,683.52

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

R.E.D.D.

R.e.d.d., Inc.

Superfood energy bars

Website: www.reddbar.com

Location: Brunswick

ME Employees: 5

Management Team

Emma Frelinghuysen, 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

Feb16: \$124,000

Apr17: \$100,000

Aug17: \$82,138.21

Aug18: \$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 Employees: 116

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

Dec13: \$250,000

Nov19: \$350,000

Total Cost: \$600,000

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



Shellfish Solutions, Inc. d/b/a Oyster Tracker
Developer of software for shellfish farm management

Website: www.oystertracker.com
Location: Castine
ME Employees: 2

Management Team
Wyllys "Chip" Terry, CEO

Other Major Co-Investors

Other State of Maine support
Maine Technology Institute

MVF Investments
Sep19: \$150,000

Total Cost: \$150,000

Total other capital raised: \$650,000

Company Overview

Oyster Tracker digitizes the paper workflow for shellfish farmers, and in doing so provides greater efficiency, resiliency and decision-making power to users. With a focus initially on the growing oyster industry, Oyster Tracker will expand to serve



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

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

Management Team
James Labouchere, President

Other Major Co-Investors
Individuals

Other State of Maine support
CDBG – Sanford

MVF Investments
Apr03: \$ 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.



Key Metrics

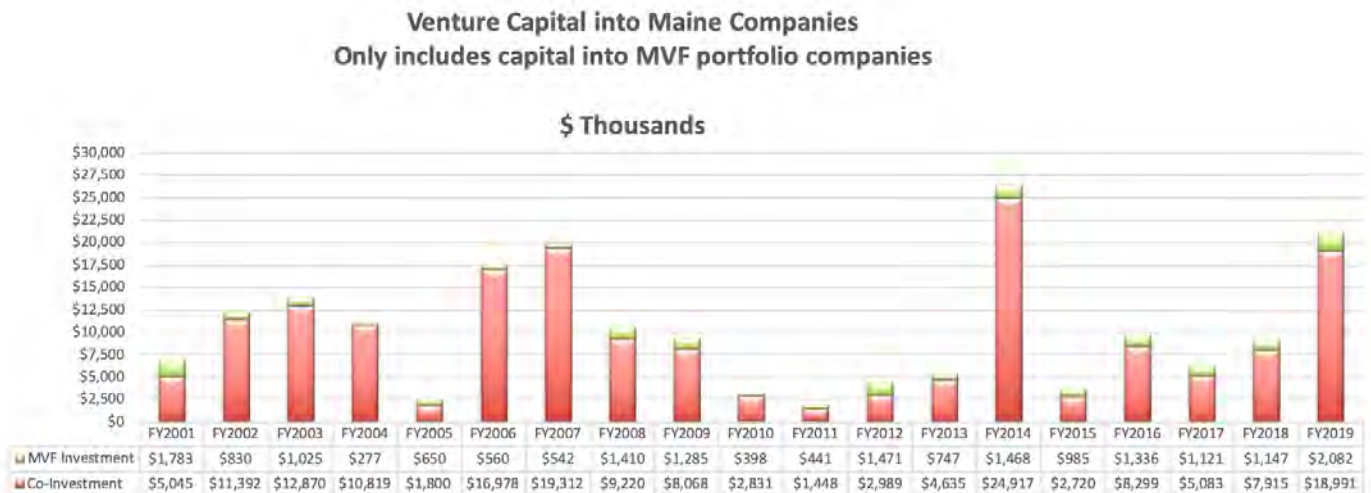
We measure the performance and impact of the Fund often and in a variety of ways. The charts and graphs that follow provide information on the impact of Maine Venture Fund.

#1 Co-Investment

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

In FY19, MVF invested nearly \$2.1 million in fourteen Maine companies with an average investment of \$176,020 per company, accompanied by additional venture capital and angel investments of over \$18.9 million.

As of December 31, 2019, MVF estimates it will have invested a total of over \$24 million in 72 Maine companies with an average investment of \$336,092 per company and has catalyzed over \$178.5 million in additional venture capital and angel investment into 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 12,000 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies.
- In calendar year 2019, MVF portfolio companies employed approximately 715 people and provided a special-project for a Tuck School of Business 2nd year student. The Fund reports an overall total of 850 FTEs which includes portfolio company FTEs at time of exit.

FTE Positions at 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.
- **MedRhythms, Inc.** - US patent US20170296116A1, "Systems and Methods for Neurologic Rehabilitation." The company is developing digital therapeutics, which use sensors, software, and music to support gait rehabilitation in adults suffering from neurologic injuries or diseases.
- **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 are active participants in Maine’s innovation economy ecosystem.

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.mtc.com



www.mainetechnology.org



www.ceimaine.org



www.econdev.com



www.maineangels.org



www.famemaine.com



www.mced.biz



<https://www.scratchpadaccelerator.com/>

#5 Portfolio Returns

It is the aim of 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 provides the opportunity for high return, but is also high-risk. As a result, some investments produce very profitable returns while others fail to produce any or very little return. The most common successful liquidity event for 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 \$19.5 million of State funds (\$5 million in 1997; \$3 million in 2000; \$1 million in 2005; \$4 million in 2010, \$500,000 in FY18, \$5 million in 2018 and \$500,000 in FY19) combined with nearly \$5 million in Federal State Small Business Credit Initiative (“SSBCI”) funds, MVF has invested over \$22.5 million dollars in 68 Maine companies and paid for 24 years of Fund operations to date.

Please see Returns Chart on following page

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
Blue Tarp, Inc	Financial Services	2005&2006	\$110,000	\$153,253	IRR: 2.2%; 1.4X investment	Acquired by Capital One Financial Corp (NYSE: COF)
Blue Tarp, Inc	Financial Services	August 2013	\$100,000	\$182,567	IRR: 10.6%; 1.8X investment	Acquired by Capital One Financial Corp (NYSE: COF)
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
Pika Energy, Inc.	Residential/Commercial Wind Turbines	April 2013	\$677,554	\$1,026,290	IRR: 28.3%; 1.5X investment	Acquired by Generac, Inc.
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 Entrepreneurs (“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. Maine Venture Fund Management Team members 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, including a cohort of four Maine companies who were selected through a competitive nomination process to present at the 2019 Summit. 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.*

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 her/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;
- Working closely with the Managing Director in keeping the Legislature and Governor apprised of the Fund's activities.

In Fiscal Year 2019, from July 1, 2018 to June 30, 2019, the Board and Management Team screened numerous companies for potential initial investment, a significant number of 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 and sustained economic growth 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 2019:

- **John Murray, 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.).

- ❑ **Thomas J. Dunne, Vice Chair**, 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.
- ❑ **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.
- ❑ **Timothy P. Agnew** 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.
- ❑ **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. *Mr. Ellis stepped down from the Board in September 2019, having served three two-year terms.*
- ❑ **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.
- ❑ **Charlotte Mace** is the Director of the Office of Business Development at the Maine Department of Economic & Community Development. She was previously the Executive Director of the manufacturing trade association *Biobased Maine*. Ms. Mace is on the Executive Committee of the industry-led group Forest Opportunity Roadmap Maine, and Co-Chairs FOR/Maine’s Market Attraction Committee. Prior to *Biobased Maine*, Ms. Mace worked in consulting, assisting clients in preparing sustainability reports and identifying issues related to their triple bottom line. Ms. Mace began her career at consulting firm Woodard & Curran, where she was a Project Manager on environmental and sustainability consulting projects. Charlotte has an undergraduate degree in biochemistry from Bowdoin College, and an MBA from the University of Southern Maine, where she concentrated her studies on marketing and sustainable business. Ms. Mace serves as the *ex officio* seat for the Department of Economic and Community Development.
- ❑ **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.

The Management Team

John Burns, CFA, Managing Director

With 35 years of institutional investing experience, the last 19 as Maine Venture Fund Managing Director, John has been directly involved with bringing risk capital to more than 55 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.

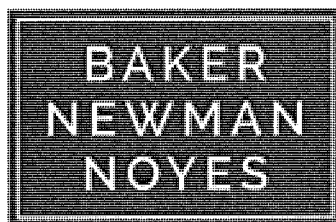
Joe Powers, Investment Manager

Joe joined Maine Venture Fund in 2019 as Investment Manager. Prior to MVF, Joe worked for a number of startup technology firms (Tesla, Zoox, Clean Marine Energy) in a variety of operational roles. Joe also has experience as an entrepreneur (Ripso) and angel investor. Joe volunteers as a SCORE mentor and holds an MBA from Dartmouth's Tuck School of Business.

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.





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, 2019 and 2018

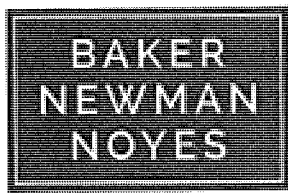
**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 \$5,860,328 (33% of net position) and \$5,051,900 (44% of net position) at June 30, 2019 and 2018, 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 28, 2019

**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, 2019 and 2018

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, 2019 and 2018. As required, the Fund's financial statements are presented in the manner prescribed by Governmental Accounting Standards Board (GASB). 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 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, the Statements of Cash Flows and related notes to the financial statements. 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. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

FY 2019 Highlights

- Maine Venture Fund (MVF or Fund) invested just over \$2 million in fourteen Maine companies in FY19, four of which were new to the portfolio and ten receiving follow-on investments. In FY18, the Fund invested just over \$1.1 million in nine Maine companies.
- MVF was 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 and concluded in the spring of 2019. Overall investments using SSBCI funds totaled \$4,953,644 from December 2011 to May 2019. In FY19, MVF invested \$475,000 of SSBCI funds; one company new to the portfolio, and follow-on investments in two existing portfolio companies. MVF provided quarterly and annual investment reporting to FAME which, in turn, was reported to the U.S. Treasury Department. The SSBCI program is now completed.
- MVF invested a total of \$1,025,000 from "core" funds in ten existing portfolio companies as follow-on funding and \$512,496 in four new portfolio companies. In two instances, SSBCI and core funds were both deployed for the same 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, 2019 and 2018

- Three notes converted to equity on January 2, 2019: one SEGF-funded Note purchased from CourseStorm Inc. in the amount of \$250,000 (Dec18) plus accrued interest of \$479 converted to Series A-1 Preferred Stock; and two SEGF/SSBCI-funded Notes purchased from Mobile Price Card, Inc. in the amount of \$200,000 (Aug18) plus accrued interest totaling \$4,082 converted to Series A Preferred Stock, and Ocean Approved, Inc. in the amount of \$150,000 (Sep18) plus accrued interest totaling \$3,649 converted to Series A-1 Preferred Stock.
- Co-investors invested nearly \$19 million alongside the \$2 million invested by MVF for a ratio of 9.5 to 1. The co-investment ratio in FY18 was 6.8 to 1 on the Fund's \$1.14 million of investment.
- According to the Fund's internal tracking, portfolio companies employed 688 full-time equivalent people as of June 30, 2019, a decrease of approximately 7 FTEs from the prior fiscal year end.
- MVF receives a semiannual dividend payment from one of its portfolio companies.
- In April 2019, Pika Energy, Inc. and Generac Power Systems, Inc. finalized a merger/acquisition and, as a result, the Fund received \$1,703,844. The Fund's Equity Securities investments (SSBCI \$150,000 and SEGF \$527,555) were paid in full and capital gains of \$1,026,289 resulted.
- For FY19, the Fund was included in the State budget and received an annual appropriation of \$500,000, half received in fiscal Q1 FY19 and the remaining half in Q2 FY19. The Fund also received \$5,000,000 from a State of Maine economic development bond.
- 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 a multi-year plan that aligns with the Strategic Business Framework. The Board and Management Team, throughout FY18 & FY19, worked together to deploy the tactical initiatives and continue to implement them.
- 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, Focus Maine, the Governors Strategic Plan initiative, 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, 2019 and 2018

Financial Information

Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Assets:			
Cash equivalents	\$10,828,534	\$ 5,307,626	104.0%
Interest receivable	58,859	47,804	23.1
Notes receivable, net	1,121,098	1,004,898	11.6
Investments, net	5,860,328	5,051,900	16.0
Prepaid expense	<u>1,489</u>	<u>974</u>	<u>52.9</u>
Total assets	<u>\$17,870,308</u>	<u>\$11,413,202</u>	<u>56.6</u>
Liabilities:			
Accounts payable	\$ 1,364	\$ 275	396.0
Accrued expenses	<u>35,875</u>	<u>23,595</u>	<u>52.0</u>
Total liabilities	37,239	23,870	56.0
Net Position:			
Unrestricted net position	<u>17,833,069</u>	<u>11,389,332</u>	<u>56.6</u>
Total net position	<u>\$17,833,069</u>	<u>\$11,389,332</u>	<u>56.6%</u>

Total assets increased approximately \$6.5 million due mainly to the receipt of \$5 million from the 2017 Bond Bill deployed by the State of Maine in the fall of 2018, along with \$500,000 from Governor's FY19 Budget, and a capital gain of over \$1 million from the sale of a 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, 2019 and 2018

Statements of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Operating revenues:			
Investment income	\$ 244,713	\$ 22,239	1000.4%
Dividend income	16,069	14,000	14.8
Interest income on notes receivable	75,334	46,010	63.7
Realized gains on sales of investments	1,026,289	456,571	124.8
Grant income	475,000	360,098	31.9
Other income	<u>—</u>	<u>575</u>	<u>(100.0)</u>
Total operating revenues	1,837,405	899,493	104.3
Operating expenses:			
Salary expense	315,406	345,486	(8.7)
Payroll benefits expense	126,068	126,192	(0.1)
General and administrative expense	82,369	84,111	(2.1)
Write-down/provision of investments/notes receivable	<u>369,825</u>	<u>230,000</u>	<u>60.8</u>
Total operating expenses	<u>893,668</u>	<u>785,789</u>	<u>13.7</u>
Operating income	943,737	113,704	730.0
Capital contribution from State of Maine	5,500,000	500,000	1000.0
Net position at beginning of year	<u>11,389,332</u>	<u>10,775,628</u>	<u>5.7</u>
Net position at end of year	<u>\$17,833,069</u>	<u>\$11,389,332</u>	<u>56.6%</u>

The Fund had operating income of \$943,737 for the fiscal year. Operating revenues increased substantially, 104.3% or \$937,912, primarily due to realized gains from the sales of investments, as well as increases in investment income and grant income. The increase in investment income is attributable to the larger balance in the State of Maine Treasurer's cash pool that resulted from State bond proceeds. Grant income increased due to final grant amounts from the SSBCI program. The program is now complete. Operating expenses increased 13.7% or \$107,879 due to an increase on the provision for investments/notes. Salary expense decreased due to the mid-year departure of a full-time employee.

**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, 2019 and 2018

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.
- 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, 2019 and 2018

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, 2019 and 2018

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)

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets:		
Cash equivalents (note 2)	\$10,828,534	\$ 5,307,626
Interest receivable	24,903	27,502
Notes receivable, net of allowance for losses of \$62,500 and \$0 in 2019 and 2018, respectively (note 3)	530,000	100,000
Prepaid expense	<u>1,489</u>	<u>974</u>
Total current assets	11,384,926	5,436,102
Noncurrent assets:		
Interest receivable	33,956	20,302
Notes receivable, net of allowance for losses of \$346,153 and \$421,153 in 2019 and 2018, respectively (note 3)	591,098	904,898
Investments, net	<u>5,860,328</u>	<u>5,051,900</u>
Total noncurrent assets	<u>6,485,382</u>	<u>5,977,100</u>
Total assets	<u>\$17,870,308</u>	<u>\$11,413,202</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 1,364	\$ 275
Accrued expenses	<u>35,875</u>	<u>23,595</u>
Total current liabilities	<u>37,239</u>	<u>23,870</u>
Total liabilities	37,239	23,870
Commitments (note 4)		
<u>NET POSITION (note 7)</u>		
Unrestricted	<u>17,833,069</u>	<u>11,389,332</u>
Total net position	<u>\$17,833,069</u>	<u>\$11,389,332</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Investment income	\$ 244,713	\$ 22,239
Dividend income	16,069	14,000
Interest income on notes receivable	75,334	46,010
Realized gains on sales of investments	1,026,289	456,571
Grant income (note 9)	475,000	360,098
Other income	<u>—</u>	<u>575</u>
Total operating revenues	1,837,405	899,493
Operating expenses:		
Salary expense	315,406	345,486
Payroll benefits expense	126,068	126,192
General and administrative expense (note 6)	82,369	84,111
Write-down/provision of investments/notes receivable	<u>369,825</u>	<u>230,000</u>
Total operating expenses	<u>893,668</u>	<u>785,789</u>
Operating income	943,737	113,704
Capital contribution from State of Maine (note 1)	5,500,000	500,000
Net position, beginning of year	<u>11,389,332</u>	<u>10,775,628</u>
Net position, end of year	<u>\$17,833,069</u>	<u>\$11,389,332</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Interest received on notes receivable	\$ 4,788	\$ 12,909
Principal payments received on notes receivable	100,000	—
Notes receivable originated	(1,412,500)	(596,072)
Disbursements for investments	(599,996)	(551,305)
Proceeds from sale of investments	1,703,823	456,571
Other income received	—	575
Grant income received	475,000	360,098
Dividend income received	16,069	14,000
Investment income received	244,713	22,239
Payments for operating expenses	(210,424)	(208,868)
Payments to employees	<u>(300,565)</u>	<u>(370,489)</u>
Net cash provided (used) by operating activities	20,908	(860,342)
Cash flows from financing activities:		
Contributed capital	<u>5,500,000</u>	<u>500,000</u>
Net increase (decrease) in cash equivalents	5,520,908	(360,342)
Cash equivalents, at beginning of year	<u>5,307,626</u>	<u>5,667,968</u>
Cash equivalents, at end of year	<u>\$10,828,534</u>	<u>\$ 5,307,626</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 943,737	\$ 113,704
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Provision for losses on notes receivable	87,500	100,000
Write-down of investments	282,325	130,000
Realized gain on sale of investments	(1,026,289)	—
Changes in assets and liabilities:		
Interest receivable	(11,055)	(32,005)
Prepaid expense	(515)	3,730
Notes receivable, net	(103,701)	(596,072)
Investments, net	(164,463)	(551,305)
Accounts payable	1,089	(461)
Accrued expenses	<u>12,280</u>	<u>(27,933)</u>
Net cash provided (used) by operating activities	<u>\$ 20,908</u>	<u>\$ (860,342)</u>

Supplemental disclosure of noncash activities:

During 2019, \$1,208,800 of net notes receivable and \$59,492 of interest receivable was converted to investments.

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

See accompanying notes.

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

June 30, 2019 and 2018

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 along with an additional \$500,000 from general fund appropriations of the State of Maine. 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, 2019, 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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, 2019 and 2018, 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cost basis	\$ <u>7,829,374</u>	\$ <u>6,638,621</u>
Carrying value	\$ <u>5,860,328</u>	\$ <u>5,051,900</u>

The carrying value of \$5,860,328 at June 30, 2019 consists of investments in twenty-two companies, one of which has a balance which is greater than 10% of the Fund's recorded net investment balances. This one investment has a carrying balance of \$700,000 at June 30, 2019. At June 30, 2018, the carrying value of \$5,051,900 consisted of investments in eighteen companies, two of which have a balance 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
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NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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, which approximates cost. Cash equivalents consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Bank deposits	\$ 206,213	\$ 150,980
State of Maine Treasurer's cash pool	<u>10,622,321</u>	<u>5,156,646</u>
	<u>\$10,828,534</u>	<u>\$5,307,626</u>

At June 30, 2019 and 2018, bank deposits had a bank balance of \$209,004 and \$158,502, respectively, and a carrying amount of \$206,213 and \$150,980, 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, 2019 and 2018.

3. Notes Receivable

The following is a summary of notes receivable at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</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 January 2015, interest at 5%, interest accrued until maturity, due January 2020. The note is unsecured and was converted to stock in 2019.	—	200,000

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

June 30, 2019 and 2018

3. Notes Receivable (Continued)

	<u>2019</u>	<u>2018</u>
Note dated March 31, 2016, interest at 8%, interest accrued until maturity, due March 2021. The note is unsecured and was converted to stock in 2019.	\$ —	\$ 95,800
Note dated June 2017, interest at 12%, interest accrued until maturity, due June 2022. The note is unsecured and was converted to stock in 2019.	—	88,000
Note dated June 2017, interest at 8%, interest accrued until maturity, due June 2022. The note is unsecured and was converted to stock in 2019.	—	125,000
Note dated February 2018, interest at 5%, interest accrued until maturity, due February 2023. This note is unsecured.	39,397	39,397
Note dated March 2018, interest at 12%, interest accrued until maturity, due March 2023. The note is unsecured and was converted to stock in 2019.	—	100,000
Note dated March 2018, interest at 6%, interest accrued until maturity, due March 2023. This note is unsecured.	175,000	175,000
Note dated April 2018, interest at 6%, interest accrued until maturity, due April 2023. This note is unsecured.	120,000	120,000
Note dated May 2018, interest at 5%, interest accrued until maturity, due May 2023. This note is unsecured.	61,700	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.	—	50,000
Note dated May 2019, interest at 5%, interest accrued until maturity, due December 2019. This note is unsecured.	200,000	—
Note dated March 2019, interest at 6%, interest accrued until maturity, due July 2019. This note is unsecured.	25,000	—
Note dated March 2019, interest at 5%, interest accrued until maturity, due December 2019. This note is unsecured.	5,000	—
Note dated January 2019, interest at 4%, interest accrued until maturity, due January 2020. This note is unsecured.	50,000	—
Note dated August 2018, interest at 8%, interest accrued until maturity, due August 2019. This note is unsecured.	125,000	—
Note dated May 2019, interest at 8%, interest accrued until maturity, due May 2022. This note is unsecured.	50,000	—
Note dated March 2019, interest at 5%, interest accrued until maturity, due March 2024. This note is unsecured.	45,000	—
Note dated December 2018, interest at 6%, interest accrued until maturity, due December 2023. This note is unsecured.	125,000	—
Note dated July 2018, interest at 8%, interest accrued until maturity, due January 2020. This note is unsecured.	<u>187,500</u>	<u>—</u>
	1,529,751	1,426,051

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

June 30, 2019 and 2018

3. Notes Receivable (Continued)

	<u>2019</u>	<u>2018</u>
Allowance for losses	\$ <u>(408,653)</u>	\$ <u>(421,153)</u>
Notes receivable, net	1,121,098	1,004,898
Current portion of notes receivable, net	<u>530,000</u>	<u>100,000</u>
Noncurrent portion of notes receivable, net	\$ <u>591,098</u>	\$ <u>904,898</u>

The following is the activity in the allowance for losses on notes receivable during the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Allowance for losses on notes:		
Beginning balance	\$ 421,153	\$ 371,153
Provision for losses	87,500	100,000
Transfer to investment reserves	(100,000)	—
Charge-offs	<u>—</u>	<u>(50,000)</u>
Ending balance	\$ <u>408,653</u>	\$ <u>421,153</u>

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, 2019, 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).

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

June 30, 2019 and 2018

5. Warrants

The Fund has entered into financing agreements with business enterprises that may contain 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 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, 2019 or 2018 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 2019 and 2018 statements of revenues, expenses and changes in net position, is approximately \$9,600 and \$9,000, respectively, paid to the Authority for such services. Approximately \$1,600 related to these fees is included in accrued expenses at June 30, 2018. There were no accruals related to these fees at June 30, 2019.

7. Total Net Position

The following schedule presents the components of total net position as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Contributed capital	\$19,006,767	\$13,506,767
Accumulated deficit	<u>(1,173,698)</u>	<u>(2,117,435)</u>
Total net position	<u>\$17,833,069</u>	<u>\$11,389,332</u>

There are no restrictions on net position at June 30, 2019 and 2018. 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.

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

June 30, 2019 and 2018

9. State Small Business Credit Initiative

Through 2019, the Fund received 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 had in total a minimum of \$3,000,000 available for capital investment under this program. The Fund recorded \$475,000 and \$360,800 of revenue related to SSBCI for the years ended June 30, 2019 and 2018, 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. The program ended in 2019.

ADDITIONAL INFORMATION

**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
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SCHEDULE OF ACTIVITIES

Year Ended June 30, 2019

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Capital Grants/ Contributions</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>Total</u>
Business-type activities:						
Capital investment program	<u>\$(893,668)</u>	<u>\$ —</u>	<u>\$1,117,692</u>	<u>\$475,000</u>	<u>\$ —</u>	\$ 699,024
		General revenues:				
		Unrestricted investment income				<u>244,713</u>
		Total general revenues				<u>244,713</u>
		Change in net position				943,737
		Capital contributions				5,500,000
		Net position, beginning of the year				<u>11,389,332</u>
		Net position, end of the year				<u>\$17,833,069</u>