

MAINE STATE LEGISLATURE

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Maine Venture Fund ♦
2013 Periodic Report
Prepared for the 126th Legislature's
Joint Standing Committee on Labor, Commerce,
Research & Economic Development

Respectfully submitted
by the Management Team of the Maine Venture Fund
and the Small Enterprise Growth Board

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♦ *Maine Venture Fund is the "doing-business-as" name for the Small Enterprise Growth Fund – a decision made through careful consideration between the Fund Board of Directors and Management Team, and finally put in place in the fall of 2013. The board and staff believe this "doing-business-as" name simply and more clearly reflects the Fund's mission and benefits marketing efforts within the State of Maine's entrepreneurial and small business community.*



To: Joint Standing Committee on Labor, Commerce, Research and Economic Development

From: Small Enterprise Growth Board

Date: January 1, 2014

Re: Small Enterprise Growth Fund 2013 Periodic Report

On behalf of the Small Enterprise Growth Board ("SEGB") and Management Team of the **Maine Venture Fund***, we respectfully submit the Fiscal Year **2013 Periodic Report** as required by 10 M.R.S.A., §388(1), providing a detailed review of the Fund's activities, status and successes.

The Fund is relatively liquid, thanks to a strong investment return, State support and a new Federal program, State Small Business Credit Initiative ("SSBCI"). These resources position the Fund to continue in its mission *"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"*.

The Fund's mission and purpose are as desperately needed now as when the Fund was created. Sources of risk capital for Maine companies continue to be very limited. Neither venture subsidiary of Coastal Enterprises was able to raise a new large fund given the capital market disruptions in 2008-2010, though CEI Ventures launched a small fund late in 2011. North Atlantic Capital operates from Maine, but as a later stage investor, has not found any Maine companies in which to invest in many years. The one organized angel group in the State, Maine Angels, continues as a viable group, is increasing its membership and effectiveness, but their investments are smaller, and not limited to Maine companies. In response to these marketplace realities, Maine Technology Institute ("MTI") has reformulated its programs, including bolstering its equity capital allocation (f/k/a "Equity Capital Fund") to successful Development Loan awardees.

The Fund has been very fortunate to attract an experienced and talented board of directors, all, except for the one *ex officio* member who is named by the Commissioner of the Department of Economic and Community Development, appointed through the gubernatorial appointment process.

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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 4 hours per meeting;
- Advising and directing the Fund's Management Team;
- Individually taking on assignments to specific portfolio company subcommittees;
- Regularly reasserting the Fund's mission including an initiative this year to construct a Strategic Framework to ensure that the Funds goals and objectives are clear to all;
- Reviewing regular reporting and metrics provided by the Management Team;
- Working closely with the Fund Manager to provide each portfolio company with sound guidance and recommendations.

The Board of Directors and the Management Team have worked toward, and achieved, a flawless annual audit record from one of the largest CPA firms in the State, Baker|Newman|Noyes of Portland.

In Fiscal Year 2013, from July 1, 2012 to June 30, 2013, the Board and Management Team thoroughly screened over a dozen companies for potential investment, and counseled many other early-stage companies. MVF management and Board members play a critical role in the informal / formal advisory ecosystem that supports early stage Maine business in their development. During the fiscal year, the SEGB invested a total of \$722,092, which included:

- Follow-on investments in Bar Harbor Biotechnology, Inc., Trenton, a promising biotech company, totaling \$115,000;
- Follow-on investments, using SSBCI funds, in Wentworth Technology, Inc., Saco, a manufacturer of headsets for drive through businesses, totaling \$82,092;
- A new investment of \$275,000 in Harbor Technologies, Brunswick, a composite manufacturer specializing in the infrastructure market, as well as converting an existing loan into equity in the company;
- Initial investments, using SSBCI funds totaling \$250,000, in Abierto Networks LLC, Eliot, a technology solution provider for the convenience store industry, and Pika Energy, Inc., Westbrook, which designs and builds high-performance, cost-effective small wind turbines and related electronic components for the residential market.

In the balance of calendar 2013, from July 1, 2013 to December 31, 2013, the Fund invested an additional \$191,674 as follow-on investments in existing portfolio companies, \$23,750 of which was SSBCI dollars, and another \$445,000 as initial investments in three new companies: Dream Local Digital, Ltd., Tide Creative, Inc. and SB Acquisition Company, Inc.

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. Since its creation, the Fund has been an active participant in the economic development environment in Maine. The accompanying documents, graphs and tables present data portraying the impact of the Fund, but we would like to share here some of the highlights:

- The successful execution of its mission over the years led FAME to allocate \$3 million of the \$13 million



State Small Business Credit Initiative (SSBCI) funds to MVF for deployment beginning mid way through FY'12. This is a three-year Federal program to stimulate small business growth and is precisely aligned with the Fund's mission.

- MVF plays a key role in Maine's R&D continuum from research to commercialization. Many companies that have successfully leveraged MTI and Maine Economic Improvement Fund ("MEIF") investments are often not ready for traditional venture capital, and the MVF plays a critical role in filling that gap, helping to continue to shepherd those most promising companies. The mentoring and eventual investment in Dream Local Digital, which had benefitted from MTI Seed Grants, and Blackstone support, is such an example.
- Since 1997, the Fund has catalyzed just over an additional \$130 million in outside capital invested in its portfolio companies; this number includes \$7.2 million in outside capital coming into the State since December, 2011, in which the Fund made investments using SSBCI funds. These 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.
- Since 1997, SEGF portfolio companies have created 8,127 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies since 1997.
- As of December 2013, MVF has 23 portfolio companies that employ nearly 373 FTEs at an average salary of \$45,000 plus benefits.

The 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.

As noted, MVF management and the Board of Directors are active in the entrepreneurial ecosystem in Maine. Management and the Board work with other entities in entrepreneurial development programs and small business counseling. MVF maintains a strong complementary working relationship with, among others, the Maine Angels, CEI Ventures, Maine Center for Entrepreneurial Development (MCED) and the MEBis incubator network, and MTI. MVF offers a small scholarship each year to select students in the Innovate for Maine Internship Program, a program of the Blackstone Accelerates Growth Maine initiative, and engages them in a meaningful project with a portfolio company. The Fund also employs summer interns from schools like Tuck at Dartmouth, Babson, and Howard University, and management and the Board work closely with portfolio companies and companies of interest, serving as advisors, working with company Boards, and helping source additional capital.

We would like to take this opportunity also to recommend that certain highly valuable programs and initiatives continue to be supported as Maine continues to transition its economy from its resource-based past to innovation and modern manufacturing. These include MTI and its portfolio of programs, the Maine Seed Capital Tax Credit, managed by FAME, and the two top incubators in the State, MCED and the Target Technology Center /



Aquaculture Incubators, and the newly formed MeBis, which coordinates the efforts of these valuable business and innovation incubators. The incubators' programs (e.g. "Top Gun") bring the entrepreneurial community together to promote the growth and development of the State's most promising high-growth companies. MTI is the cornerstone of early-stage entrepreneurial financial support in the State, given its relatively large annual appropriation, providing grants and loans for promising technology leading to commercialization, and complements MVF's more intensive involvement with somewhat later stage opportunities.

We look forward to maintaining a strong partnership with the Legislature to ensure that 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.

We thank you for your support.

Respectfully,

/s/ Stephen Goldberg

Stephen Goldberg
Chair
Small Enterprise Growth Board

Paul R. LePage, Governor
John Butera, Senior Economic Advisor to the Governor
George Gervais, Commissioner, Department of Economic and Community Development
Dr. Tim Ford, Chair, Maine Innovation Economy Advisory Board
Elizabeth Bordowitz, Chief Executive Officer, FAME
William Norbert, Governmental Affairs Manager, FAME
Robert Martin, President, Maine Technology Institute

About Maine Venture Fund (“MVF”)

Mission:

The mission of the Fund is

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

The Small Enterprise Growth Board (“Board”) 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 Finance Authority of Maine (“FAME”), Maine Technology Institute (“MTI”), Department of Economic and Community Development (“DECD”), the MeBIS incubator network, privately managed venture capital funds, individual investors, whether in organized angel groups or not, and entrepreneurs and small business owners throughout the State 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 DECD Commissioner (or his/her 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;*
- *to approve investments to qualifying small Maine businesses;*
- *to provide ongoing support and guidance to the Fund Manager and Management Team, as well as to review their respective performances annually;*
- *to 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*
- *to work closely with the Fund Manager in keeping the Legislature and Governor apprised of the Fund’s activities.*

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

History:

The Small Enterprise Growth Fund ("Fund") is the State of Maine's venture capital fund. It was created by statute in the 117th Maine Legislature in 1996, and through FYE 2013, had received \$13 million in capital from the State, mostly through economic development bond proceeds.

It 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.

Since its first investment in December of 1997 through June 30, 2013, the end of FY13, the Fund has invested over \$14 million in 49 Maine companies. By the end of the 2013 calendar year, the Fund has reached just over a total of \$15 million in investments, in 52 Maine companies, and has a current portfolio of 23 Maine companies. For every \$1 invested by the Maine Venture Fund, other investors have typically invested an additional \$9, providing significant leverage on Maine Venture Fund dollars.

In September 2011, the U.S. Department of the Treasury announced the approval of Maine's State Small Business Credit Initiative (SSBCI) application, submitted by FAME earlier that year. In recognition of the Fund's effectiveness, and importance in the early stage company sector in Maine, FAME chose to allocate \$3 million, and now up to \$4.5 million, of the total \$13.2 million to the Fund to support its mission.

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

1. *Certify LLC* - Certify was founded by Bob Neveu, an experienced software company CEO who had previously founded, grown and sold RecruiterNet, Inc. to a small public company for a very strong financial return. MVF was an investor in RecruiterNet, and active with its Board in planning and strategic discussions. At Certify, Bob has teamed again with his product development group to launch a product in a rapidly growing market. MVF renegotiated the company-offered term sheet to make it more attractive to investors, helping the company offer reasonable terms as it raised almost \$2 million to drive its launch and further product development. During 2011 a large software company made an attractive offer to purchase the company. However after much consideration Certify and its investors turned down the offer, and instead developed a plan to significantly ramp sales efforts in order to grow revenue and profits in order maximize the value of the company. In May 2012, Certify raised follow-on capital from current investors, including the MVF, in order to expand their sales team and grow revenue. Certify is currently selling \$3-\$6 million in Series B membership units to current and new investors.

Certify grew from 12 employees, at the Fund's initial investment in 2009, to a current 33



employees. With their current growth plans, they plan to employ 75 by 2018.

2. *Pika Energy, Inc.* – Pika was founded by Ben Polito and Josh Kaufman in order to develop and commercialize affordable consumer sized renewable energy systems that integrate wind and solar resources. The company raised a small convertible debt round from the Maine Angels in the summer of 2012 and received a MTI development loan to fund product R&D work. In early 2012, MVF and e-Coast angels group of Portsmouth, NH led a Series AA equity round totaling approximately \$1 million. The company is currently commercializing its suite of products that include a wind turbine, an inverter, and a PV link that allows homeowners to generate electricity from the wind and the sun simultaneously.

Pika, at the Fund's initial investment, employed 4, and projects 27 employees by 2017.

These companies help illustrate the impact of the Fund's role and the types of promising companies that are, and could become stronger, contributors to Maine's prosperity. The Fund's partnership with larger regional venture capital funds and angel investors enhance Maine-based opportunities, leading to well-financed companies that generate good paying jobs.

MVF Investment Activities - FY13 (7/1/12 - 6/30/13)

Date of Investment	Company Name	Location	Security	Source of Funds	Investment	# of FTEs	Type
07/03/12	Bar Harbor Biotechnology, Inc.	Trenton	Note	SEGF	\$25,000	5	Follow-on Investment
07/18/12	Bar Harbor Biotechnology, Inc.		Note	SEGF	\$20,000	x	Follow-on Investment
08/01/12	Bar Harbor Biotechnology, Inc.		Note	SEGF	\$20,000	x	Follow-on Investment
11/09/12	Wentworth Technology, Inc.	Saco	Convertible Promissory Note	SSBCI	\$30,000	20	Follow-on Investment
01/01/13	Abierto Networks, LLC	Eliot	Note	SSBCI	\$100,000	8	Initial Investment
01/15/13	Bar Harbor Biotechnology, Inc.		Note	SEGF	\$50,000	x	Follow-on Investment
02/04/13	Harbor Technologies LLC	Brunswick	Equity	SSBCI	\$275,000	40	Follow-on Investment
03/08/13	Wentworth Technology, Inc.		Equity	SSBCI	\$52,092	x	Follow-on Investment
04/24/13	Pika Energy, Inc.	Westbrook	Equity	SSBCI	\$150,000	8	Initial Investment
<i>Total SEGF Funds Invested</i>					\$115,000		
<i>Total SSBCI Funds Invested</i>					\$607,092		
<i>FY12 Grand Total Investments</i>					\$722,092		

Subsequent MVF Investment Activities - FY14 YTD (7/1/13 -12/31/13)

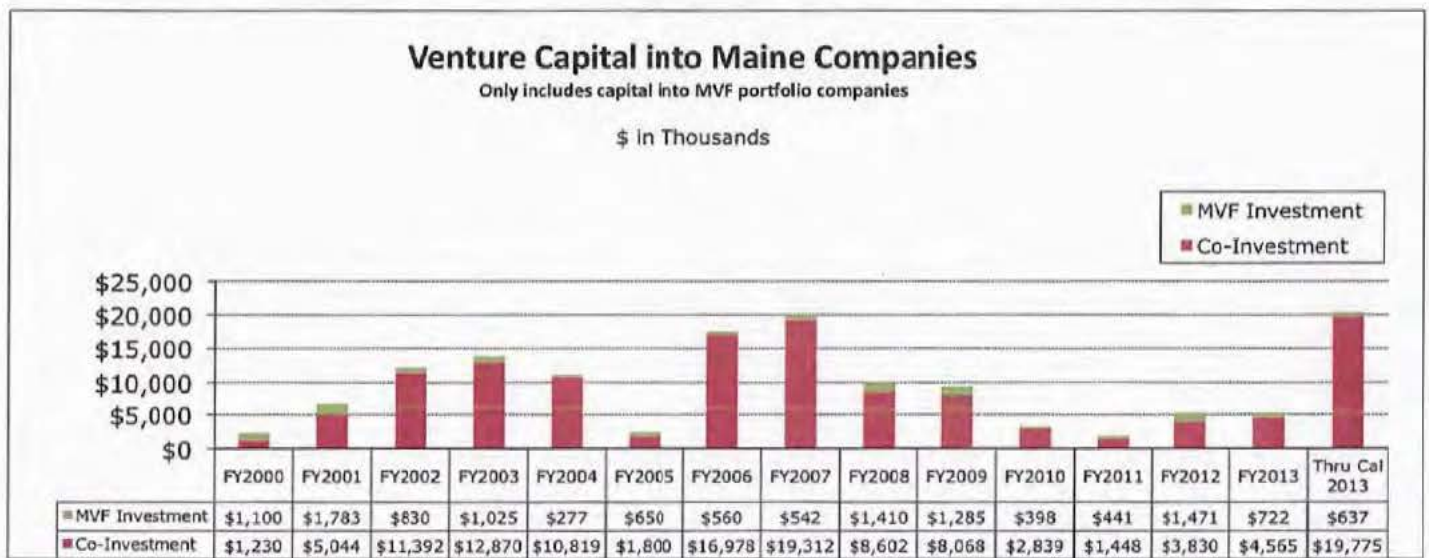
Date of Investment	Company Name	Location	Security	Source of Funds	Investment	# of FTEs	Type
07/03/13	Wentworth Technology, Inc.		Note	SSBCI	\$23,750	x	Follow-on Investment
7/15 & 7/24/13	Dream Local Digital	Rockland	Note(s)	SEGF	\$170,000	25	Initial Investment
08/21/13	BlueTarp, Inc.	Portland	Equity	SEGF	\$100,000	78	Follow-on Investment
10/18/13	Tide Creative, Inc.	Portland	Equity	SEGF	\$150,000	6	Initial Investment
10/22/13	Pika Energy, Inc.		Equity	SEGF	\$67,924	x	Follow-on Investment
12/31/13	SB Acquisition Company, Inc.	Portland	Equity	SEGF	\$125,000	15	Initial Investment
<i>Total SEGF Funds Invested</i>					\$612,924		
<i>Total SSBCI Funds Invested</i>					\$23,750		
<i>FY13 Grand Total Investments as of 12/31/12</i>					\$636,674		

#1 Co-Investment

Maine Venture Fund invests in Maine companies alongside other venture capital funds and individual accredited investors.

As of December 31, 2013, MVF has invested over \$15 million, which number includes, since late 2011, the use of SSBCI funds, in 52 Maine companies with an average investment of \$289,000 per company and has catalyzed over \$130 million in additional venture capital and angel investment into Maine companies.

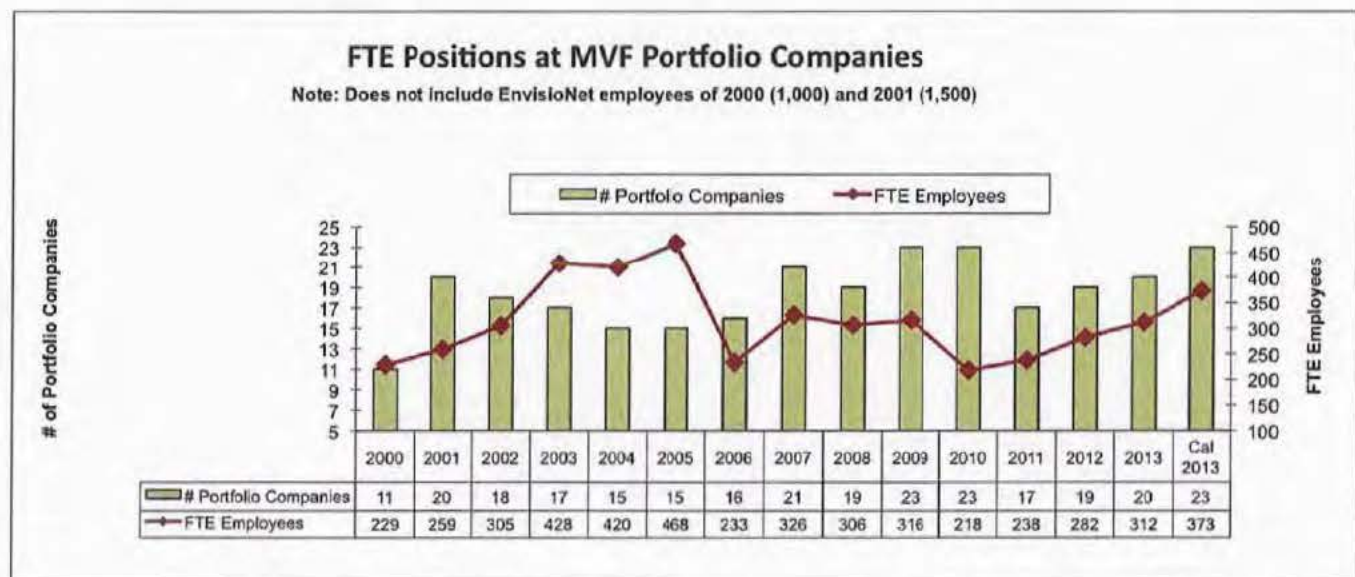
For every \$1 invested by the Maine Venture Fund an additional \$9 is invested in Maine companies.



#2 Job Creation

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: computer programmers, salespeople, chief financial officers, marketing managers, and executives.

- Since 1997, MVF portfolio companies have created 8,127 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies.
- In calendar year 2013, MVF portfolio companies employed approximately 373 people and provided internship opportunities for three business school students, a first year and a second year student from the UMO MBA 2-Year Program and a summer intern from Tuck School of Business.



#3 Intellectual Property

Many 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.
- **Crossrate Technology, LLC** has an agreement with **UrsaNav, LLC** to use its integrated receiver technology.

■ **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 opiod 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 opiod 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.
- **Bar Harbor Biotechnology, Inc** - Copy Number Systems and Methods for Statistical Genomic DNA based Analysis and Evaluation - filed January 27, 2006 as a continuation in part of U.S. Patent Application 10/835,541, filed on April 29, 2004, which claims the benefit of U.S. provisional application 60/466,362, filed on April 29, 2003. This is an application of the GPR in any circumstances where change in the copy number of a gene is of interest.
- **Newfield Design, Inc** – Non-provisional patent Application No. 13/623,623 files September 20, 2012 titled Expandable Radio Control System and Method.
- **Nyle Systems, LLC** – Patent No. 7266959 for Heat Pump; expired patent on lumber dryer.
- **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 move toward commercialization.



#4 Network Building

MVF Management Team and Board Members maintain relationships with a broad range of regional economic development agencies as well as equity and near-equity providers, and is an active participant in Maine's entrepreneurial neighborhood.

The MVF is highly selective in the companies in which it invests; however, the Fund's Management Team actively assist all interested companies in finding appropriate capital and resources. To this end, they are often referred to other Maine resource and capital providers.

Memberships, Affiliates, & Co-Investors

ANGEL CAPITAL ASSOCIATION

<http://www.angelcapitalassociation.org>



www.mitc.com



www.ceimaine.org



www.maineangels.org



www.cdvca.org



www.mainetechnology.org



www.econdev.com



www.famemaine.com

#5 Portfolio Returns

It is the aim of the MVF to grow the size of the Fund “organically” through “harvesting” investments made by the Fund. The most common “successful” liquidity event for the MVF is when a portfolio company is sold to another, typically larger, company at a price per share significantly higher than the price the Fund paid for shares in the company. The Fund has had a number of successful “exits” over the years; exits which have returned capital to the Fund greater than that invested, and which money was then used to invest in other promising Maine companies.

- *With the \$13 million of State funds (\$5 million in 1998; \$3 million in 2000; \$1 million in 2006; and \$4 million in 2010) combined with \$1.5 million in Federal State Small Business Credit Initiative (“SSBCI”) funds, the MVF has invested over \$15 million dollars in Maine companies and paid for 16 years of Fund operations to date.*
- *The following table contains examples of portfolio returns:*

SEGF Portfolio Company	Industry	Date of First Investment	Total Investment Amount	Capital Returned to SEGF	Rate of Return	Type of Exit
Angela Adams LLC	Consumer Products	October 2002	\$400,000	\$600,000	IRR: 15%; 1.5X investment	Company repurchased stock and sold to new investor
Anodyne Health Systems, Inc.	Healthcare Services	August 2006	\$425,000	\$944,886	IRR: 35.4%; 2X investment	Company sold to athenahealth, Inc. (NASDAQ: ATHN), and AdvantEdge
Bourgeois Guitars LLC	Luthiers	May 2001	\$16,000	\$17,182	IRR: 10%	Repayment of Note
Capricorn Products, Inc.	Medical device supply	October 1998	\$150,000	\$213,834	IRR: 8%; 1.4X investment	Repayment of Note
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
Phytex LLC	Specialty Chemicals	Sept 2001	\$150,000	\$195,945	IRR: 29%; 1.33X investment	Partner buyout of SEGF
RecruiterNet, Inc.	Software	June 2001	\$250,000	\$1,961,294	IRR: 63%; 8X investment	Company sold to First Advantage (NASDAQ: FADV)

#6 Education and Economic Development

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

- **Blackstone Accelerates Growth:** *MVF is a supporter of the Blackstone Accelerates Growth (BAG) initiative. Blackstone Accelerates Growth is a \$3 million, three-year initiative designed to help Maine entrepreneurs leading start-up and existing companies get the coaching and training they need to accelerate the growth of their company and create more good jobs across the State. MVF is an investor of four of the Accelerated Ventures companies, and has placed several BAG student interns in Fund portfolio companies, providing an educational experience for Maine business students and value-add projected for the companies.*
- **Maine Center for Entrepreneurial Development's ("MCED") Top Gun Program:** *This program was developed to teach emerging entrepreneurs what they really need to know to manage and grow a successful growth-oriented business. John Burns, Fund Manager, and Jayme Okma Lee, Fund Associate, 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 joined the Angel Capital Association (ACA) in 2013. The ACA provides resources and education for angel groups and small venture organizations and their portfolio companies. For example, the New England angel groups hold a quarterly ACA syndication summit, where investment groups can nominate companies to pitch for capital. In 2012, two MVF portfolio companies presented to over 100 regional angel investors and received subsequent support and investment capital. The MVF actively works with Maine companies to attract investment capital from outside the state and the New England angel groups are an important source of such capital.*
- **Portfolio Company Recognition Event:** *Portfolio Company CEOs and key figures in the Maine entrepreneurial community come together each fall for an evening of learning, networking and idea sharing. This annual event features a keynote speaker and provides both education and inspiration for the growth stage company community.*
- **National Entrepreneurial Week:** *Since 2009, MVF Management Team helped organize the "Calling All Entrepreneurs" event where aspiring entrepreneurs "pitch" their business idea to investors and experienced professionals. Participants received advice, feedback and knowledge of the many business support programs in the State. "Calling All Entrepreneurs" is a major event during Entrepreneurship Week in Maine and takes place across the State.*
- **Juice Pitch Competition:** *Maine Venture Fund has been a lead organizer and supporter of the biannual statewide business pitch competition held at Juice. In 2011, over \$200,000 of investment capital was placed in 3 Maine businesses that demonstrated exceptional growth potential. Plans are underway for a 2014 pitch competition.*





Abierto Networks, LLC
Website: www.ab-net.us
Location: Eliot, ME
ME Employees: 8

Management Team
Rick Sales, President
Roger Brooks, Chairman

Other Major Co-Investors
Individuals

Other State of Maine support
Maine Seed Capital Tax Credit Program ("MSCTC")
Maine Technology Institute ("MTI") Development
Loan

SEGF Investments
January 2013: \$100,000
Total other capital raised: \$405,000

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



AIKO Biotechnology, Inc
Website: www.aikobiotech.com
Location: Portland, ME
ME Employees: 0

Management Team
Victor Otley, Board Chair

Other Major Co-Investors
Individuals

Other State of Maine support
Maine Seed Capital Tax Credit Program ("MSCTC")
Maine Technology Institute ("MTI") Development
Loan

SEGF Investments
December 2009: \$75,000

Total other capital raised: \$395,000

Company Overview
AIKO Biotechnology is an early stage drug discovery
company founded to characterize and validate
therapeutic candidates for the management of pain,
addiction and adverse side effects resulting from
prescription opioid pain reliever use. The company
completed two very limited human trials on its initial
compound, Aiko150 – a withdrawal study and a pain
study, in 2010. The company has focused since,
unsuccessfully, on raising additional capital to bolster
their management team and credibility, and drive
Aiko 150 (and perhaps Aiko 160) through Phase I and
II clinical trials.



Bar Harbor Biotechnology, Inc
Website: www.bhbio.com
Location: Trenton, ME
ME Employees: 5

Management Team
Rob Phelps, CEO

Other Major Co-Investors
Borealis Ventures
Fairlane BioVentures, LLC
Individuals

Other State of Maine support
Maine Seed Capital Tax Credit Program ("MSCTC")
Maine Technology Asset Fund (MTAF) Award
MTI Development Loan

SEGF Investments
Series A Preferred Stock (June 2009 -March 2012):
\$469,662
Notes (June 2012-Jan 2013): \$215,000
Total Cost: \$684,662

Total other capital raised: \$4,351,000

Company Overview
Bar Harbor Biotechnology develops and delivers innovative molecular biology products and services that advance life science research and clinical medicine. Current customers span the world and span the assortment of genetics researchers and research facilities. The company has most recently developed some exciting IP around gene copy number variation with applications for diagnostics and therapeutics.



Blue Tarp Financial, Inc
Website: www.bluetarp.com
Location: Portland, ME
ME Employees: 78

Management Team
Scott Simpson, President & CEO
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
MSCTC

SEGF Investments
May 2003: \$350,000
2004 (various dates): \$142,012
February 2006: \$10,000
August 2010: \$2,210
August 2013: \$100,000

Total Cost: \$604,224

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

Company Overview
BlueTarp Financial, Inc. provides commercial trade credit services to more than 400 building material dealers and 10,000 contractors across the United States. BlueTarp dealers benefit from increased cash flow, reduced back office work, and a healthier bottom line. BlueTarp contractors enjoy a rewards program that allows them to earn points with every purchase and view detailed purchases data via online reporting. This value proposition is unique in the building material and supply industry.



Bourgeois Guitars, LLC
Website: www.pantheonguitars.com
Location: Lewiston, ME
ME Employees: 13

Management Team
John Karp, CEO
Dana Bourgeois, Founder & Production
Scott Fore, VP Sales

Other Major Co-Investors
Individual Investors

Other State of Maine support
MTI Seed Grant

SEGF Investments
May 2001: \$208,000
January 2002: \$30,000
August 2002: \$150,000
Approximately \$85,000 of the \$388,000 repurchased
by the company to date
April 2011: \$16,000 - repaid with interest

Total Cost: \$388,000

Total other capital raised: \$776,000

Company Overview
Bourgeois Guitars, LLC is one of the best "small shop" acoustic guitar builders in the world. Dana Bourgeois, a well-known master luthier, designs pantheon Guitars. All Bourgeois guitars are handcrafted in Maine and carry the Bourgeois headstock signature which guarantees a level of quality that player and enthusiasts alike come to expect in fine steel string acoustic instruments.



Cerahelix, Inc
Website: www.cerahelix.com
Location: Orono, ME
ME Employees: 5

Management Team
Susan MacKay, CEO

Other Major Co-Investors
Maine Angels Members
Individuals
MTI equity program

Other State of Maine support
MSCTC
Top Gun
Blackstone Accelerates Growth focus company
MTI equity program
MTI Development Loan

SEGF Investments
February 2012: \$75,000

Total other capital raised: \$261,000

Company Overview
Cerahelix, Inc is developing energy saving filtration products based on its patent pending technology using DNA to create nano-engineered ceramics. Cerahelix filters provide superior filtration performance under a range of harsh and challenging conditions.



Certify, LLC

Website: www.certify.com

Location: Portland, ME

ME Employees: 33

Management Team

Bob Neveu, CEO

Alan Neveu, CTO

Heath McArthur, Director Business Development

Other Major Co-Investors

Individuals

Other State of Maine support

MSCTC

SEGF Investments

August 2009: \$150,000

May 2012: \$100,000

Total Cost: \$250,000

Total other capital raised: \$2,300,000

Company Overview

Certify is a leading self-service, online expense management solution for small to midsize companies. Organizations worldwide fill out expense reports quickly, easily, and cost effectively because there is no expense report software to buy or maintain.



Chemogen, Inc

Website: www.chemogen.com

Location: South Portland, ME

ME Employees: .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

MTI Development Loans

MSCTC

SEGF Investments

December 2001: \$250,000

April 2004: \$144,932

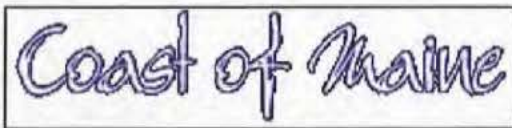
May 2006: \$55,000

Total Cost: \$449,932

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

Company Overview

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



Coast of Maine, Inc

Website: www.coastofmaine.com

Location: Portland, ME and Marion Township, ME

ME Employees: 14

Management Team

Carlos Quijano, President

Cameron Bonsey, VP, Marketing

Other Major Co-Investors

Coastal Ventures LP

Other State of Maine support

Community Development Block Grant

SEGF Investments

February 2000: \$85,000

Total other capital raised: \$385,000

Company Overview

Coast of Maine, Inc. has been making the finest compost-based specialty soils since 1996. These include an exceptional potting soil, soil amendments and conditioners as well as very old bark mulches. All products are certified for use in growing organic crops by M.O.F.G.A. and are available at fine garden centers and specialty stores across the Northeast.



Dream Local Digital, Inc

Website: www.dreamlocal.com

Location: Rockland, ME

ME Employees: 25

Management Team

Shannon Kinney, CEO

Other Major Co-Investors

Maine Angels Members

Individual Investors

Other State of Maine support

MSCTC

MTI seed grants

Blackstone Accelerates Growth focus company

SEGF Investments

October 2013: \$170,000

Total Cost: \$170,000

Total other capital raised: \$195,000

Company Overview

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



Emergent Discovery, LLC
Owns 25% stake in Spotlight, LLC
Website: <https://www.spotlight.io/>
Location: New York, NY
ME Employees: 0

Management Team
None

Other Major Co-Investors
Individuals

Other State of Maine support
MTI Development Loan
MSCTC

SEGF Investments
February & Sep 2009: \$146,154
June & Nov 2010: \$150,000
March 2011: \$25,000

Total Cost: \$321,154

Total other capital raised: \$1,525,000

Company Overview

Emergent Discovery developed a taste targeting solutions that use collaborative filtering and other techniques to deliver personalized "automated word-of-mouth" recommendations and targeted ads and content, and create connections between like-minded users. The company failed to gain commercial traction and was unable to raise additional capital. The IP developed at Emergent was transferred to a new company, Spotlight, LLC. Emergent's only asset is a 25% stake in the new company.



Harbor Technology, LLC
Website: www.harbortech.us
Location: Brunswick, ME
ME Employees: 40

Management Team
Rob Fuller, CEO
Martin Grimnes, Chief Business Development Officer

Other Major Co-Investors
Individual investors

Other State of Maine support
MTI Development Loan
MSCTC

SEGF Investments
April 2009: \$150,000
February 2013: \$275,000

Total Cost: \$325,000

Total other capital raised: \$3,405,000

Company Overview

Harbor Technologies, LLC, (HT) manufactures cost competitive composite products designed as a long-lasting and environmentally friendly solution to the problems associated with maintaining and repairing rusting steel and worm eaten wood used in marine and other infrastructure. HT's products are used for marine infrastructure construction, providing the basic framework for building piers, ports, harbors and marinas. These products include composite pilings, composite dock systems, stay in place concrete forms, as well as composite decking. With these products, HTI markets the ability to deliver complete system solutions that offer fast construction and the ability to outperform conventional construction systems in both cost and longevity.



Interspec, LLC

Website: www.e-specs.com

Location: Portland, ME

ME Employees: 13

Management Team

Michael Brennan, President

Gil Letourneau, CTO & Co-founder

Other Major Co-Investors

Arcom, Inc

Individual investors

Other State of Maine support

MTI Development Award (repaid)

MSCTC

SEGF Investments

June 2001: \$150,000

January 2003: \$50,000

January 2004: \$3.33

Total Cost: \$200,003.33

Total other capital raised: \$1,400,000

Company Overview

InterSpec, LLC provides construction document management solutions and services built on its patented e-SPECS® specification management technology. e-SPECS software automates the specification process by extracting the product and material requirements directly from the project drawings. For architects and engineers who spend many hours on every project preparing construction specifications, e-SPECS software saves time and money while ensuring that the construction drawings are coordinated with the specifications.



Looks Gourmet Food Company, Inc

Website: www.barharborfoods.com

Location: Whiting, ME

ME Employees: 18

Management Team

Mike Cote, President & CEO

Cynthia Fisher, VP Marketing & QA

Other Major Co-Investors

Sea Change Investment Fund

World Finer Foods, Inc

Other State of Maine support

None

SEGF Investments

August 2007: \$300,000

Total other capital raised: \$1,618,000

Company Overview

Looks Gourmet Food Company, Inc. is a maker of premium seafood products. The company's seafood and other fine foods are made in small batches and packed and canned mostly by hand, just like people on the coast of Maine have been doing for generations.



Newfield Design, Inc

Website: <http://newfieldd.com/ercs/>

Location: West Newfield, ME

ME Employees: 5

Management Team

James Colony, CEO

Bob Stone, CTO

Other Major Co-Investors

Maine Angels Members

Other individual investors

Other State of Maine support

MTI Development Loan

Blackstone Accelerates Growth focus company

MSCTC

SEGF Investments

December 2011: \$25,000

April 2012: \$250,000

Total Cost: \$275,000

Total other capital raised: \$410,000

Company Overview

Newfield Design Inc develops and manufactures communications systems infrastructure for the Land Mobile Radio Industry. The company's ERCS system solves several problems in the LMR industry including: interoperability, and narrowbanding.



Nyle Systems, LLC

Website: www.nyle.com

Location: Brewer, ME

ME Employees: 22

Management Team

Ton Mathissen, CEO

Don Lewis, VP Technology

Other Major Co-Investors

Individual investors

Other State of Maine support

None

SEGF Investments

November 2010: \$250,000

November 2011: \$100,000

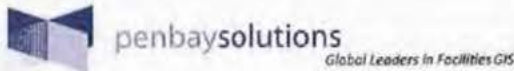
June 2012: \$21,060

Total Cost: \$371,060

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 heat pumps. 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 and industrial products ranging from fish, to candy and industrial powders and casting molds 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.



PenBay Solutions, LLC

Website: www.penbaysolutions.com

Location: Brunswick, ME

ME Employees: 35

Management Team

Bill Barron, CEO

Stuart Rich, CTO

Other Major Co-Investors

Coastal Ventures III

Other State of Maine support

None

SEGF Investments

April 2012: \$250,000

Total other capital raised: \$400,000

Company Overview

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



Pika Energy, Inc

Website: www.pikaenergy.com

Location: Westbrook, ME

ME Employees: 8

Management Team

Ben Polito, CEO & Founder

Joshua Kaufman, Director of R&D & Founder

Andrew Hickok, Dir. of Business Dev. & Founder

William Hetzel, Operations Manager

Other Major Co-Investors

Individuals

Maine Angels Members

eCoast Angels Members

Other State of Maine support

Blackstone Accelerates Growth focus company

MTI Development Loans

MSCTC

SEGF Investments

April 2012: \$150,000

October 2013: \$67,924

Total Cost: \$217,924

Total other capital raised: \$883,145

Company Overview

Founded in 2010 by MIT-trained engineers, Pika Energy develops high-performance, cost-effective small wind turbines and related electronic components for the residential market. Pika Energy's X3001 inverter and T701 Wind Turbine operate on REbus™ DC Microgrid, an intelligent energy networking technology that makes it easy to build flexible, plug-and-play clean energy systems. The company's mission is to build distributed clean energy systems that give customers faster payback on their investment.



Redzone Wireless, Inc.
Website: www.redzonewireless.com
Location: Rockland, ME
ME Employees: 2

Management Team
Jim McKenna, CEO

Other Major Co-Investors
Coastal Ventures II
Individual Investors

Other State of Maine support
ConnectME grants

SEGF Investments
November 2005: \$200,000
March 2007: \$200,000
December 2008: \$50,000

Total Cost: \$450,000

Total other capital raised: \$737,500

Company Overview
RedZone Wireless, Inc. provides affordable high speed Internet service to communities in Maine. The company's vision is to provide affordable high-speed Internet service in underserved areas of Maine, and New England. The redZone network consists of a combination of proprietary wireless mesh, and standards based 802.11 Wifi technology.



SB Acquisition Company, Inc., (Sea Bags)
Website: www.seabags.com
Location: Portland, ME
ME Employees: 15

Management Team
Don Oakes, CEO
Beth Shissler, President

Other Major Co-Investors
Individuals

Other State of Maine support
None

SEGF Investments
December 2013: \$125,000

Total Cost:

Total other capital raised: \$4,200,000

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



Tide Creative, Inc.

Website: www.tidecreative.com

Location: Portland, ME

ME Employees: 6

Management Team

Jason ("J") Sandifer, CEO

Other Major Co-Investors

Individual Investors

Other State of Maine support

Active MTI Development Loan application

SEGF Investments

October 2013: \$150,000

Total Cost: \$150,000

Total other capital raised: \$150,000

Company Overview

Tide's flagship product, Lulawed, is the only online directory that provides professional images to its subscribers because it offers a sharable content platform in partnership with photo editing companies.



Warrior (Aero-Marine), Inc.

Website: www.centaurseaplane.com

Location: Scarborough, ME

ME Employees: 0

Management Team

James Labouchere, President

Other Major Co-Investors

Individuals

Other State of Maine support

CDBG – Sanford

SEGF Investments

April 2003: \$ 300,000

Total other capital raised: \$300,000

Company Overview

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



Wentworth Technology, Inc.

Website: www.wentworthtechnology.com

Location: Saco, ME

ME Employees: 12

Management Team

Dick Hale, CEO

Other Major Co-Investors

Spinaker Trust

Coastal Ventures III

Individuals

Other State of Maine support

MSCTC

MTI Development Loan

SEGF Investments

February 2012: \$ 250,000

November 2012: \$30,000

March 2013: \$52,092

July 2013: \$23,750

Total Cost: \$334,462

Total other capital raised: \$3,850,000

Company Overview

Wentworth Technology manufactures and sells the SpeedThru™ wireless communication solution for the quick service restaurant (QSR) market.

Maine Venture Fund

An eleven-member Board of Directors, appointed by the Governor, oversees the Fund.

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

- ❑ **Stephen R. Goldberg, Chair**, is currently the Principal at Stephen Goldberg Consulting, an establishment that provides Strategic Consulting for the Retail Food Industry including retailers, as well as manufacturers and vendors specializing in Natural, Organic, Specialty and Prepared Foods. Previously, Stephen served with Whole Foods Market from 1988 until 2007, ending his tenure as Regional Vice President, UK. Before his position as Regional Vice President, Mr. Goldberg served as the Prepared Foods Director for the North Atlantic Region. Stephen has over 25 years of experience in the industry and is an accomplished chef and avid food enthusiast.
- ❑ **Corson “Corky” Ellis, Vice Chair**, is Chairman and Founder of Kepware Technologies (www.kepware.com), a Portland company that writes industrial communications software for the factory, Smart Grid, building automation and oil and gas sector. 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.
- ❑ **Kimberley A. Niles, Treasurer**, is currently the Chief Financial Officer of North Atlantic Capital. North Atlantic Capital is a Maine based venture firm investing in technology-oriented companies, primarily on the east coast. Prior to joining North Atlantic, Ms. Niles held various roles in public accounting and private industry. Ms. Niles has a BS from the University of New Hampshire and is an active committee member for the Whittemore School of Business and Economics Alumni Association. She is a Certified Public Accountant licensed in the State of Maine.
- ❑ **Timothy P. Agnew** is a Principal at Masthead Venture Partners, a venture capital firm with offices 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 serves on the board of CEI Community Ventures Fund and is a member of the Interagency Review Panel and the Maine Angels. He is a past Chair of the Maine Technology Institute Board. Mr. Agnew is a graduate of the University of Virginia School of Law and Vassar College.
- ❑ **Daniel E. Boxer** has had a varied legal and business career. He was a senior partner at Pierce Atwood, Maine’s largest law firm. His 25 years of practice involved representation of major corporations in a range of natural resource, business, transactional and regulatory matters. In the mid 90’s Mr. Boxer left Pierce Atwood to join CitiCorp Venture Capital (CVC) and a management investor group in the \$500M LBO of Fairchild Semiconductor from National Semiconductor. Mr. Boxer became Chief Administrative Officer of Fairchild, which grew to a \$2B Fortune 1000, NYSE global company with

over 10,000 employees. He had wide responsibilities and involvement, including, legal, M&A, compliance, human resources, procurement, communications, environmental, import-export and logistics. His duties involved frequent work in Asia and Europe. He retired from active Fairchild involvement in 2005, but retains an advisory role for the Board and CEO. Mr. Boxer's current activity include: board member of Backyard Farms, a 200+employee, high-tech agricultural business in Central Maine which he helped found; board member and investor of XNG Energy of Boston, New England's largest trucked natural gas provider; Adjunct Professor of Corporate Governance, Ethics and Sustainability at the University of Maine School of Law, and very selective consulting on governance and business ethics matters for public, private and nonprofit corporations as well as private equity and venture capital firms. Mr. Boxer is a graduate of Bowdoin College and Cornell Law School.

- **Blaine S. Grimes** currently serves as the Gulf of Maine Research Institute's Chief Development Officer. At GMRI, Ms. Grimes' primary responsibility is leading the organization's strategic fundraising initiatives to put in place the resources to maximize its impact and achieve its ambitious program goals in the coming years. Ms. Grimes is also responsible for GMRI's marketing and public relations efforts. Before joining GMRI in 2005, she held senior management positions at IDEXX Laboratories, Inc. and The VIA Group. Ms. Grimes has more than 28 years of business development, leadership and strategic marketing experience in a wide range of industries, with career concentration in the fields of marine science, healthcare, and biotechnology. Ms. Grimes received her undergraduate BA from Amherst College and her M.B.A. with Distinction from Harvard Business School.
- **Matthew A. Hoffner** came to Maine in 1987 after 10 years as an engineer and manager for Exxon Corp. He was one of the original managers for Wright Express Corp. and was the Senior Vice President of Sales and Marketing for 10 years. He was then the founder of Integra Associates, a sales and marketing outsourcing company based in Westbrook, Maine with clients throughout the US. In 2000, he joined two other partners to start JobsInTheUS.com (JiUS), the parent company for JobsInME.com and fifteen other state-specific job boards. As President and CEO of JiUS, the company grew to become the largest job board in the Northeast and was sold to the Journal Register Corp. in 2006. While president, JiUS was selected as a top finisher in the "Best Places to Work" competition sponsored by the state HR association. Mr. Hoffner stayed on as President until July 2007. In October 2008, Mr. Hoffner joined with a partner in the UK to start Jobg8, Inc. an online marketplace for job boards worldwide. Mr. Hoffner was the president of North American operations headquartered in South Portland ME until May of 2013 and is now on the executive board and acts as a consultant for the parent company, Aspire media.
- **Mark D. Kaplan, CFA**, is CEO of the New Hampshire Innovation Commercialization Center, an incubator serving the seacoast of NH. Prior to joining the NH-ICC in March 2013 he spent more than ten years as a Maine based venture capitalist. Mark also has significant executive, financial and investment industry experience spanning more than twenty-five years. He has served on the boards of numerous private, early stage companies and is active in community service, currently serving as a board member of the Maine Center for Entrepreneurial Development, a Portland based incubator. A Chartered Financial Analyst (CFA), Mark earned a BA from the University of Michigan-Flint and MBA from Boston University Graduate School of Management. He also graduated from the NVCA-NASBIC Venture Capital Institute Certificate and Graduate Programs.

- ❑ **Samuel A. Ladd, III** serves as President of People's United Bank for Southern Maine. He has been in banking since the mid-1960s. Mr. Ladd cofounded Maine Bank & Trust in 1991 and served as its President beginning in 2001. Formerly Mr. Ladd was Executive Vice President and Chief Operating Officer of Maine Bank & Trust and has served as a Director of Maine Bank & Trust and Maine National Bank. Mr. Ladd joined Maine National Bank after spending one year with the Aetna Life Insurance Company and two years in the U.S. Army as a First Lieutenant. He has been a Trustee of Bowdoin College and the Portland Symphony Orchestra where he served as Treasurer. He is the past Chairman of the Maine Maritime Museum. He has also served as the Chair of the Investment Committee for the Maine Historical Society. He is a board member of the Maine Bankers Association. He is also an Incorporator of the Boys & Girls Club of Greater Portland and of the Maine Medical Center. Mr. Ladd has also been President of the Maine Bankers Association and Chair of the Maine Chamber of Commerce. He ran the Capital Campaign for the Greater Portland United Way. He currently serves on the Government Relations Council of the American Bankers Association. He was the Finance Chair for the recent re-election of U.S. Senator Susan Collins. He is a recent recipient of the Portland Regional Chamber's Henri Benoit Award for Leadership. He was the 2007 Distinguished Citizen of the Boy Scouts of America, and was admitted to the Business Hall of Fame by Junior Achievements. Mr. Ladd graduated with a bachelor's degree from Bowdoin College in 1963. He also serves as Treasurer of the Maine Angels and has investments in a number of companies in Maine.
- ❑ **Christopher S. Pizey** has held various management positions, over the past 20 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, *Hisson Development Corp.*, to grow their real estate development and construction businesses to include heavy construction materials and services, such as ready-mix concrete and aggregates.
- ❑ **Brian Whitney**, the SEGB's Department of Economic and Community Development ("DECD") *ex officio* board member, joined DECD as Director of Business Development & Innovation in October 2012. In this capacity, he manages the Governor's Account Executives, Maine's team of experienced, knowledgeable and professional economic development liaisons whose primary responsibility is to work one-on-one with businesses to help them succeed and grow. Mr. Whitney has extensive experience in economic development and legislative matters at both the state and federal level. From 2005 - 2012, he served as the Director of Outreach and Economic Development for U.S. Senator Olympia J. Snowe where he worked as a senior-level staffer and liaison between the Senator and officials from federal, state, county and municipal government, private and public economic development entities, and top management of corporations, in an effort to help foster economic development in Maine. Prior to joining Senator Snowe's office, Mr. Whitney worked as a Business Development Specialist at the Maine Department of Economic & Community Development and, preceding that, as a staff member in the Maine Legislature. During his tenure there, he served as Chief of Staff to Maine's Senate President during the historic power-sharing arrangement in 2002.

The Management Team

◆ John Burns, CFA, Fund Manager

John has 29 years of institutional investing experience; the last thirteen as MVF Fund Manager, where his responsibilities include the full range of venture capital investment activities. He has been directly involved with bringing risk capital to more than 40 Maine companies, and has led the Fund through a number of successful exits. Prior, John served 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 (Maine Innovation Economy Advisory Board, Top Gun Advisory Board, CEI Community Ventures & others), 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 and is currently Village Treasurer and a Trustee.

John holds the Chartered Financial Analyst (CFA) designation and an MBA with High Distinction from Babson College, a MS in Resource Economics from Penn State, and is Adjunct Faculty at the University of Maine, where he received his undergraduate degree.

◆ Desmond “Des” FitzGerald, Entrepreneur in Residence

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

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

◆ **Jayne Okma Lee, Fund Associate**

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

◆ **Terri Wark, Fund Administrative Associate**

Terri has 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

(A Component Unit of the State of Maine)

Basic Financial Statements and
Management's Discussion and Analysis

Years Ended June 30, 2013 and 2012

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

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BAKER NEWMAN NOYES

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Small Enterprise Growth Fund

We have audited the accompanying basic financial statements of the Small Enterprise Growth Fund (the fund) a component unit of the State of Maine, which comprise the statements of net position as of June 30, 2013 and 2012, 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 as of June 30, 2013 and 2012, 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.

Emphasis of Matter

As explained in note 1, the financial statements include investments in small businesses valued at \$2,873,303 (35% of net position) and \$2,521,592 (31% of net position) at June 30, 2013 and 2012, 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.

Portland, Maine
October 28, 2013


Limited Liability Company

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

As Management of the Small Enterprise Growth 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, 2013 and 2012. As required, the Fund's financial statements are presented in the manner prescribed by Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34), as amended. Under GASB 34, the Fund is identified as a Proprietary Fund. Proprietary Funds are accounted for in a manner similar to a private business enterprise.

Overview of the Fund

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

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the Fund's basic financial statements. The basic financial statements include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. The Statements of Net Position presents 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.

2013 Highlights

- The SEGF was a recipient of Federal State Small Business Credit Initiative (SSBCI) money through the Finance Authority of Maine (FAME) beginning in late 2011 and started investing SSBCI funds in December 2011. The Fund followed up with investments totaling \$950,025 from January to June 2012 (FY12), and invested an additional \$607,092 of SSBCI funds in FY 2013. Total SSBCI funds invested by the SEGF to date are \$1,557,117. The SEGF provides quarterly and annual investment reporting to FAME which, in turn, reports to the U.S. Treasury Department.
- Four companies were added to the portfolio in FY13, and one "exited" (paid off principal and interest on a Note).
- The SEGF invested \$115,000 in existing portfolio companies as follow-on funding.
- According to SEGF's internal tracking, SEGF portfolio companies employ approximately 302.5 full time equivalent employees as of June 2013, an increase of 21 FTEs over June 2012.
- The SEGF received full principal and interest payment of a Note, converted from equity in November 2012, in the amount of \$265,000, removing this company from the Fund's active portfolio.
- The SEGF receives quarterly dividend payments from one of its portfolio companies, quarterly interest payments from another and is working with a third portfolio company that is purchasing membership back from the SEGF each month.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

- The Management Team and the Board continue to participate in numerous outreach programs in the “early-stage company” community in Maine, including, but not limited to: Speed Venture Summit, Maine Entrepreneurship Week, Financing Fast Growth, the Maine Center for Entrepreneurial Development’s “Top Gun” Program, and angel capital association meetings.
- A former successful company founder, CEO, and serial entrepreneur joined the Fund as its Entrepreneur In Residence (EIR) midway through the year; the EIR is providing experienced guidance and consulting to SEGF portfolio company management teams.
- SEGF continues to play a prominent role in a strong support network for the entrepreneurial community in Maine. Additionally, the Fund Manager sits on numerous Boards throughout the State, including the Maine Innovation Economy Advisory Board (MIEAB), Maine Community Foundations Impact Investing Committee, and CEI Community Ventures.
- The SEGB is a deeply experienced Board knowledgeable in early stage equity investing. For a list of current board members and their background visit: <http://www.segfmaine.com/About/board.php>

Financial Information

Statements of Net Position

	<u>2013</u>	<u>2012</u>
Assets:		
Cash equivalents	\$4,993,401	\$5,100,023
Interest receivable	49,261	23,978
Notes receivable, net	290,110	468,075
Investments	2,873,303	2,521,592
Capital assets	1,521	2,896
Prepaid expense	<u>—</u>	<u>7,274</u>
Total assets	<u>\$8,207,596</u>	<u>\$8,123,838</u>
Liabilities:		
Accounts payable	\$ 323	\$ 179
Accrued expenses	<u>40,959</u>	<u>26,061</u>
Total liabilities	41,282	26,240
Net Position:		
Invested in capital assets	1,521	2,896
Unrestricted net position	<u>8,164,793</u>	<u>8,094,702</u>
Total net position	<u>\$8,166,314</u>	<u>\$8,097,598</u>

Total assets increased \$83,758 due mainly to grant income of \$607,092 offset by write-downs of investments and provision for losses on investments and notes receivable of \$255,129, and operation costs.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

Statements of Revenues, Expenses and Changes in Net Position

	<u>2013</u>	<u>2012</u>
Operating revenues		
Investment (loss) income	\$ (11,447)	\$ 67,004
Dividend income	64,203	14,792
Interest income on notes receivable	62,504	40,165
Realized gain on sale of investments	—	38,973
Grant income	607,092	950,025
Miscellaneous	<u>4,589</u>	<u>11,388</u>
Total operating revenues	726,941	1,122,347
Operating expenses:		
Salary expense	239,621	214,165
Payroll benefits expense	77,055	56,461
Rent expense	10,026	14,820
General and administrative expense	75,019	72,172
Depreciation expense	1,375	954
(Recovery) provision for losses on notes receivable	(37,110)	171,964
Write down of investments	<u>292,239</u>	<u>335,489</u>
Total operating expenses	<u>658,225</u>	<u>866,025</u>
Operating income	68,716	256,322
Net position at beginning of year	<u>8,097,598</u>	<u>7,841,276</u>
Net position at end of year	<u>\$8,166,314</u>	<u>\$8,097,598</u>

The Fund had an operating income of \$68,716 for the fiscal year. Operating revenues decreased substantially, 35% or \$395,406, primarily due to a \$342,933 reduction in grant income. Operating expenses decreased 24% or \$207,800, due primarily to the recovery on a note receivable previously written off.

2012 Highlights

- The SEGF was one of the recipients of Federal State Small Business Credit Initiative (SSBCI) money through the application of the Finance Authority of Maine (FAME). In total, the SEGF will have access to a minimum of \$3 million in additional capital for investment over the next two years. The SEGF started investing with SSBCI funds in December 2011 and invested a total of \$950,025 in the second half of FY12. The SEGF provides quarterly and annual investment reporting to FAME which, in turn, reports to the Federal Government.
- The SEGF invested \$421,060 in existing portfolio companies as follow-on funding as well as investing of \$950,025 of SSBCI funds of which \$850,025 was in new Maine companies along with \$100,000 in an existing SEGF portfolio company as a short-term note.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

- According to SEGF's internal tracking, SEGF portfolio companies employ approximately 280 full time equivalent employees as of June 2012. Year-end 2011 employment was 220 FTEs, while year end 2010 was 190 FTEs.
- The SEGF receives monthly interest payments and an annual principal payment from one of its portfolio companies and is working with another portfolio company that is purchasing units back from the SEGF each month.
- The Management Team and the Board continue to participate in numerous outreach programs in the "early-stage company" community in Maine, including, but not limited to: Speed Venture Summit, Maine Entrepreneurship Week, Financing Fast Growth, the Maine Center for Entrepreneurial Development's "Top Gun" Program, and the Juice Conference Pitch Competition.
- SEGF continues to play a prominent role in a strong support network for the entrepreneurial community in Maine. Additionally, the Fund Manager sits on numerous Boards throughout the State, including the Maine Innovation Economy Advisory Board (MIEAB), the Maine Investment Exchange (MIX), and CEI Community Ventures.
- The SEGB is a deeply experienced Board knowledgeable in early stage equity investing. For a list of current board members and their background visit: <http://www.segfmaine.com/About/board.php>.

Financial Information

Statements of Net Position

	<u>2012</u>	<u>2011</u>
Assets:		
Cash equivalents	\$5,100,023	\$5,637,452
Interest receivable	23,978	58,198
Notes receivable, net	468,075	334,039
Investments	2,521,592	1,831,410
Capital assets	2,896	3,850
Prepaid expense	<u>7,274</u>	<u>—</u>
Total assets	<u>\$8,123,838</u>	<u>\$7,864,949</u>
Liabilities:		
Accounts payable	179	297
Accrued expenses	<u>26,061</u>	<u>23,376</u>
Total liabilities	26,240	23,673
Net position:		
Invested in capital assets	2,896	3,850
Unrestricted net assets	<u>8,094,702</u>	<u>7,837,426</u>
Total net position	<u>8,097,598</u>	<u>7,841,276</u>

Total assets increased \$258,889 due mainly to grant income of \$950,025 offset by write-downs of investments and provision for losses on notes receivable of \$507,453.

SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

Statements of Revenues, Expenses and Changes in Net Position

	<u>2012</u>	<u>2011</u>
Operating revenues		
Investment income	\$ 67,004	\$ 170,753
Dividend income	14,792	21,250
Interest income on notes receivable	40,165	26,183
Realized gain on sale of investments	38,973	64,555
Grant income	950,025	--
Miscellaneous	<u>11,388</u>	<u>48</u>
Total operating revenues	1,122,347	282,789
Operating expenses:		
Salary expense	214,165	201,739
Payroll benefits expense	56,461	55,860
Rent expense	14,820	14,795
General and administrative expense	72,172	58,358
Depreciation expense	954	3,876
Provision for losses on notes receivable	171,964	170,805
Write down(recovery) of investments	<u>335,489</u>	<u>(56,000)</u>
Total operating expenses	<u>866,025</u>	<u>449,433</u>
Operating income (loss)	256,322	(166,644)
Capital contributions	—	4,000,000
Net position at beginning of year	<u>7,841,276</u>	<u>4,007,920</u>
Net position at end of year	<u>8,097,598</u>	<u>\$7,841,276</u>

The Fund had an operating income of \$256,322 for the fiscal year. Operating revenues increased substantially, 296.88% or \$839,558, primarily due to \$950,025 in grant income. Operating expenses increased 92.69% or \$416,592, due to write-downs in the note receivable and investment portfolio compared to 2011.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current assets:		
Cash equivalents (note 2)	\$4,993,401	\$5,100,023
Interest receivable	42,761	23,145
Notes receivable, net of allowance for losses of \$496,044 in 2013 and \$429,135 in 2012 (notes 3 and 5)	90,110	215,269
Prepaid expense	<u>—</u>	<u>7,274</u>
Total current assets	5,126,272	5,345,711
Noncurrent assets:		
Interest receivable	6,500	833
Notes receivable, net of allowance for losses of \$0 in 2013 and \$151,944 in 2012 (notes 3 and 5)	200,000	252,806
Investments (note 1)	2,873,303	2,521,592
Capital assets, net (note 8)	<u>1,521</u>	<u>2,896</u>
Total noncurrent assets	<u>3,081,324</u>	<u>2,778,127</u>
Total assets	<u>\$8,207,596</u>	<u>\$8,123,838</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 323	\$ 179
Accrued expenses	<u>40,959</u>	<u>26,061</u>
Total current liabilities	<u>41,282</u>	<u>26,240</u>
Total liabilities	41,282	26,240
Commitments (note 4)		
<u>NET POSITION (note 7)</u>		
Net investment in capital assets	1,521	2,896
Unrestricted	<u>8,164,793</u>	<u>8,094,702</u>
Total net position	<u>8,166,314</u>	<u>8,097,598</u>
Total liabilities and net position	<u>\$8,207,596</u>	<u>\$8,123,838</u>

See accompanying notes.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Investment (loss) income	\$ (11,447)	\$ 67,004
Dividend income	64,203	14,792
Interest income on notes receivable	62,504	40,165
Gain on sale of investments	—	38,973
Grant income (note 11)	607,092	950,025
Miscellaneous	<u>4,589</u>	<u>11,388</u>
Total operating revenues	726,941	1,122,347
Operating expenses (note 6):		
Salary expense	239,621	214,165
Payroll benefits expense	77,055	56,461
Rent expense (note 9)	10,026	14,820
General and administrative expense	75,019	72,172
Depreciation expense	1,375	954
(Recovery) provision for losses on notes receivable and interest receivable (note 3)	(37,110)	171,964
Write-down of investments	<u>292,239</u>	<u>335,489</u>
Total operating expenses	<u>658,225</u>	<u>866,025</u>
Operating income	68,716	256,322
Net position, beginning of year	<u>8,097,598</u>	<u>7,841,276</u>
Net position, end of year	<u>\$8,166,314</u>	<u>\$8,097,598</u>

See accompanying notes.

SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Interest received on notes receivable	\$ 17,221	\$ 11,385
Principal payments received on notes receivable	265,000	100,000
Notes receivable originated	(215,000)	(200,000)
Disbursements for investments	(507,875)	(1,171,671)
Proceeds from sale of investments	49,000	41,973
Miscellaneous receipt	4,589	11,388
Grant income received	607,092	950,025
Dividend income	64,203	14,792
Investment (loss) income	(11,447)	67,004
Payments for operating expenses	(155,125)	(150,845)
Payments to employees	<u>(224,280)</u>	<u>(211,480)</u>
Net cash used by operating activities	<u>(106,622)</u>	<u>(537,429)</u>
Net decrease in cash equivalents	(106,622)	(537,429)
Cash equivalents, at beginning of year	<u>5,100,023</u>	<u>5,637,452</u>
Cash equivalents, at end of year	<u>\$ 4,993,401</u>	<u>\$ 5,100,023</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating income	\$ 68,716	\$ 256,322
Adjustments to reconcile operating income to net cash used by operating activities:		
(Recovery) provision for losses on notes and interest receivable	(37,110)	171,964
Write-down of investments	292,239	335,489
Depreciation	1,375	954
Realized gain on sale of investments	—	(38,973)
Changes in assets and liabilities:		
Interest receivable	(45,283)	(28,780)
Notes receivable	50,000	(100,000)
Investments, net	(458,875)	(1,129,698)
Prepaid expense	7,274	(7,274)
Accounts payable	144	(118)
Accrued expenses	<u>14,898</u>	<u>2,685</u>
	<u>\$ (106,622)</u>	<u>\$ (537,429)</u>

Supplemental disclosure of noncash activities:

During 2013, \$213,000 of notes receivable were converted to investments and \$20,000 of interest receivable was also converted to investments.

During 2012, \$355,000 of investments were converted to notes receivable and \$63,000 of interest receivable was converted to notes receivable.

See accompanying notes.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

1. Organization and Significant Accounting Policies

The accounting policies of the Small Enterprise Growth 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 of the State of Maine and is a tax-exempt entity. The Fund is a component unit of the State of Maine.

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 and \$3,000,000 of capital in fiscal year 2001 from general fund appropriations of the State of Maine. Additionally, the Fund received \$4,000,000 in 2011 from a state economic development bond. Currently, financing is provided to qualifying business enterprises through lending arrangements and direct equity investments. Lending agreements generally provide for the issuance of warrants to the Fund or the option of converting its investment from debt to equity through the use of convertible debentures. The Fund also makes direct equity investments in Maine businesses. Operating activities of the Fund include lending and direct equity investments.

In June 2010, the State Legislature amended the statute governing the Fund to broaden the powers of the Board of Directors. The new authority given to the Board allows it to take capital from individuals and entities other than the State for investment in Maine Companies through return-based "side car" funds.

Basis of Accounting

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

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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, 2013 and 2012, 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 assets until there is evidence of a decrease in fair value as estimated by management in the absence of readily determinable fair values. It is the Fund's policy to review each investment for probable loss and if necessary, to write down the investment through a charge to operating expenses. Realized gains on the sale of investments are determined based on the specific identification method.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cost basis	\$4,925,552	\$4,233,677
Carrying value	\$2,873,303	\$2,521,592

The carrying value of \$2,873,303 consists of investments in eighteen companies, four of which have balances greater than 10% of the Fund's recorded net investment balances. In 2012, the carrying value of \$2,521,592 consists of investments in fourteen companies, five of which have balances 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.

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, investments income and 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.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

1. Organization and Significant Accounting Policies (Continued)

New Accounting Pronouncements

In November 2010 GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2012. The Fund currently does not report any component units and as a result the Statement did not impact the Fund.

In December 2010 GASB issued Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The requirements of this Statement are effective for financial statements for years beginning after December 15, 2011. The Fund adopted the provisions of this Statement for the year ended June 30, 2013. There was no impact on the financial statements.

In June 2011 GASB issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2011. The Fund adopted the provisions of this Statement for the year ended June 30, 2013.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

1. Organization and Significant Accounting Policies (Continued)

In March, 2012 GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Fund is currently evaluating the impact, if any, this guidance will have on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement also requires disclosures be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The Fund is currently evaluating the impact, if any, this guidance will have on its financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

1. Organization and Significant Accounting Policies (Continued)

This Statement also specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Fund is currently evaluating the impact, if any, this guidance will have on its financial statements.

2. Cash Equivalents

The Fund does not have a formal deposit or investment policy. However, monies that are not needed for immediate use are invested with the State of Maine. The Treasurer of the State of Maine sponsors an investment pool ("State of Maine Treasurer's Cash Pool"). The Fund's participation is voluntary. The State of Maine's investment pool is primarily comprised of investment vehicles with short maturities and management of the Fund characterizes the investments within the pool as low risk. The State of Maine Treasurer's Cash Pool is not rated by external rating agencies. The Fund is able to make withdrawals from the State of Maine investment pool at par with little advance notice and without penalty. The Fund's management considers this investment vehicle a money market instrument and generally carries the amounts in the pool at fair value. Cash equivalents consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Bank deposits	\$ 149,131	\$ 147,746
State of Maine Treasurer's cash pool	<u>4,844,270</u>	<u>4,952,277</u>
	<u>\$4,993,401</u>	<u>\$5,100,023</u>

At June 30, 2013 and 2012, bank deposits had a bank balance of \$155,711 and \$150,422, respectively, and a carrying amount of \$149,131 and \$147,746, 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, 2013 and 2012.

**SMALL ENTERPRISE GROWTH FUND
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NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

3. Notes Receivable

The following is a summary of notes receivable at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</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 (amended) December 2008, interest at 10%, interest accrued until maturity, due March 2012, the note is unsecured. The note is in default.	50,000	50,000
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 April 2009, interest at 14%, interest accrued until maturity, due April 2015, the note is unsecured.	—	213,000
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 November 2011, in exchange for equity securities, interest at 5%, interest accrued until maturity, due December 2013. The note is unsecured	—	265,000
Note dated May 2012, interest at 10%, interest accrued until maturity, due July 2014. The note is unsecured.	100,000	100,000
Note dated June 2012, interest at 12%, interest accrued until maturity, due May 2013. The note is unsecured. The note is in default.	100,000	100,000
Note dated July 2012, interest at 6%, interest accrued until maturity, due May 2013. The note is unsecured. The note is in default	25,000	—
Note dated July 2012, interest at 6%, interest accrued until maturity, due May 2013. The note is unsecured. The note is in default.	20,000	—
Note dated August 2012, interest 6%, interest accrued until maturity, due May 2013. The note is unsecured. The note is in default.	20,000	—
Note dated January 2013, interest at 6%, interest accrued until maturity, due May 2013. The note is unsecured. The note is in default.	50,000	—
Note dated January 2013, interest at 8%, interest accrued until maturity, due November 2017. The note is unsecured.	<u>100,000</u>	<u>—</u>
	786,154	1,049,154
Allowance for losses	<u>(496,044)</u>	<u>(581,079)</u>
Notes receivable, net	290,110	468,075
Current portion of notes receivable, net	<u>(90,110)</u>	<u>(215,269)</u>
Noncurrent portion of notes receivable, net	<u>\$ 200,000</u>	<u>\$ 252,806</u>

SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

3. Notes Receivable (Continued)

The following is the activity in the allowance for losses on notes receivable during the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Allowance for losses on notes:		
Beginning balance	\$581,079	\$ 648,826
Recovery (provision) for losses	(37,110)	171,964
Allowance transferred through equity conversion	(47,925)	212,000
Charge-offs	<u>—</u>	<u>(451,711)</u>
Ending balance	<u>\$496,044</u>	<u>\$ 581,079</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, 2013, 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 11).

5. Warrants

The Fund has entered into financing agreements with business enterprises containing a provision enabling the Fund to acquire an equity interest in the business through warrants to purchase common stock at a set price in the future. The warrants are generally not exercisable during the four-year period after the issuance date and contain put and call provisions. The warrants are considered a separate investment; however, the Fund has not assigned any value to the warrants at June 30, 2013 or 2012 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.

**SMALL ENTERPRISE GROWTH FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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 charged 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 2013 and 2012 statements of revenues, expenses and changes in net assets, is approximately \$6,000 in 2013 and 2012 paid to the Authority for such services.

7. Total Net Position

The following schedule presents the components of total net position as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Contributed capital	\$13,006,767	\$13,006,767
Investment in capital assets	1,521	2,896
Accumulated deficit	<u>(4,841,974)</u>	<u>(4,912,065)</u>
Total net position	<u>\$ 8,166,314</u>	<u>\$ 8,097,598</u>

There are no restrictions on net position at June 30, 2013 and 2012. The Fund's unrestricted net position is generally reserved for program related activities.

8. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2013</u>
Computer and office equipment	\$ 4,771	\$ —	\$ —	\$ 4,771
Less accumulated depreciation for: Computer and office equipment	<u>(1,875)</u>	<u>(1,375)</u>	<u>—</u>	<u>(3,250)</u>
	<u>\$ 2,896</u>	<u>\$ (1,375)</u>	<u>\$ —</u>	<u>\$ 1,521</u>

**SMALL ENTERPRISE GROWTH FUND
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NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

8. Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2012 was as follows:

	June 30, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	June 30, <u>2012</u>
Computer and office equipment	\$ 4,771	\$ —	\$ —	\$ 4,771
Less accumulated depreciation for:				
Computer and office equipment	<u>(921)</u>	<u>(954)</u>	<u>—</u>	<u>(1,875)</u>
	<u>\$ 3,850</u>	<u>\$ (954)</u>	<u>\$ —</u>	<u>\$ 2,896</u>

9. Operating Leases

The Fund leases office and storage space on a month to month basis. Lease expense was \$10,026 and \$14,820 for the years ended June 30, 2013 and 2012, respectively.

10. 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.

11. State Small Business Credit Initiative

The Fund receives monies under the State Small Business Credit Initiative (SSBCI). SSBCI was established by the *Small Business Act of 2010*. The Fund is an approved “participating State program” under SSBCI. The Fund will have in total a minimum of \$3,000,000 available for capital investment under this program. The Fund recorded \$607,092 and \$950,025 of revenue related to SSBCI for the years ended June 30, 2013 and 2012, respectively, which was utilized to make investments and issue a note receivable. Amounts are drawn down at the time the Fund makes an investment or loan.

ADDITIONAL INFORMATION

SMALL ENTERPRISE GROWTH FUND
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SCHEDULE OF ACTIVITIES

Year Ended June 30, 2013

Functions/ Programs	Expenses	Program Revenues				Net Revenue (Expenses) and Changes in Net Position
		Charges for Services	Program Investment Income	Operating Grants and Contributions	Capital Grants/ Contributions	
Business-type activities:						
Capital investment program	<u>\$(658,225)</u>	<u>\$ —</u>	<u>\$126,707</u>	<u>\$607,092</u>	<u>\$ —</u>	\$ 75,574
		General revenues:				
						(11,447)
						<u>4,589</u>
						<u>(6,858)</u>
						68,716
						<u>8,097,598</u>
						<u>\$8,166,314</u>