

MAINE STATE LEGISLATURE

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Maine Venture Fund[♦]
2016 Periodic Report
Prepared for the 128th Legislatures
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, Research and Economic Development
Senator Amy F. Volk, Chair
Representative Ryan M. Fecteau, Chair

From: Corson Ellis, Chair, Small Enterprise Growth Board
John Burns, Managing Director, Maine Venture Fund

Date: December 27, 2016

Re: Periodic Report for Fiscal Year 2016

Maine Venture Fund (“MVf” or “Fund”) was established through legislation in 1997 as the Small Enterprise Growth Fund (Maine Venture Fund is the “doing business as” name for the Fund). The Fund was created to address the paucity of risk capital in Maine for early stage companies that had the potential to expand significantly and therefore contribute to the growth of Maine’s economy. Statutory authority for the Fund resides with a predominantly private sector eleven member Board of Directors overseeing the efforts of four staff members (see page 30 for information on the Small Enterprise Growth Board). Maine companies in which the fund invests are those that are too early or too risky for traditional sources of capital like banks. They are typically early stage companies that have a unique product or service in a rapidly growing sector and possess the potential to provide a very strong return on an investors capital (in exchange for the higher risk posed by their early stage) and make a significant impact on the State’s economy. We look forward to working with you on issues related to economic development and particularly capital and capital access issues.

We respectfully submit the Fiscal Year **2016 Periodic Report** as required by 10 M.R.S.A., §388(1), providing a detailed review of the Fund’s activities, status and successes.

During the fiscal year, Maine Venture Fund invested a total of \$1,335,800 , which included:

- Initial investments totaling \$785,800 in five new companies:
 1. *Academic Merit LLC, developer of a cloud-based platform designed to strengthen instruction and learning in any setting by seamlessly integrating competency-based professional learning, standards-aligned assessments, and content-driven instruction;*
 2. *Maine Craft Distilling LLC, “A Farm to Flask Distillery; real people using real products making real spirits ”;*
 3. *Mingle Analytics, Inc., provider of Registry Vendor service for the submission of quality data to Medicare for incentive payments and to avoid future negative adjustments to physicians Medicare Fee Schedule;*
 4. *Ocean Approved, Inc., develops and sells natural seaweed products from farm-grown seaweed, as well as seaweed purchased from Maine seaweed harvesters;*
 5. *Redd, Inc., developer of a healthy, gluten free, delicious energy bar.*

¹ Please view *Maine Venture Fund Investment Activities – FY15 (7/1/15 – 6/30/16)* for further investment details.



- Follow-on investments totaling \$550,000 in four existing portfolio companies:
 1. *Cerahelix, Inc.*, developers of energy-saving membrane technology that provides high purity under harsh conditions;
 2. *Hyperlite Mountain Gear, Inc.*, designer and manufacturer of durable outdoor products for a range of adventures;
 3. *Orono Spectral Solutions, Inc.*, specializing in the development of advanced chemical sampling materials that are packaged into simple-to-use products that streamline the entire sample collection-to-detection process; and
 4. *Pika Energy, Inc.*, developer and maker of affordable, high-performance renewable energy system components for the residential and commercial markets.

In comparison to prior years, fiscal 2016 was a very active year, reflecting the increasing demand for capital in this market, and the increasing number of potentially qualified investment opportunities.

Subsequent events: In the balance of calendar 2016, from July 1, 2016 to December 31, 2016, the Fund invested an additional \$265,000: \$165,000 in one company new to the portfolio, *CourseStorm, Inc.*, developer of on-line class registration for any local program, and \$100,000 in one current portfolio company, *Cerahelix, Inc.*

There were two successful returns of capital on prior investments in the balance of calendar 2016. Coast of Maine Organic Products was sold to a private equity company, and Looks Gourmet Seafood was sold to a strategic partner. Both companies will continue to have their operations in Maine and will expand employment and operations now under their new ownership. The Fund realized double digit annual rates of return on both investments, capital important to continuing the mission of the Fund in supporting other scalable Maine companies.

Current Status:

As noted above, two companies in which Maine Venture Fund was an investor were sold and the capital and sale profits returned in Q3 calendar 2016. Those two successful exits provided a fair return on our investment and the companies are providing positive economic and job growth, demonstrating once again the beneficial economic impact that Maine Venture Fund can have while still providing a return on the State's investment.

Robust investment activity in 2015 and 2016 has provided Maine Venture Fund with investments in many promising companies. Over the past four years, Maine Venture Fund has partnered with the Finance Authority of Maine in deploying capital available through the federal State Small Business Credit Initiative ("SSBCI") program. Maine Venture Fund has been a successful conduit for those funds. This strong partnership continues in fiscal 2017, though that program reaches its conclusion in 2017 and U.S. Treasury will not be continuing the program.



Once the SSBCI funds are depleted next year, Maine Venture Fund will have limited available capital for investments in companies.

There are some capital returns anticipated in the next few years, but, as noted, the timing and size of those is extremely difficult to predict. In general, predicting when Maine Venture Fund might see a return on its invested capital is difficult in this type of investing. The Fund's returns typically occur when a company in which it has invested is sold to a larger company.

Maine Venture Fund currently receives no annual appropriation. An uncertainty of timing and availability of investible capital means that the Board of Maine Venture Fund is sometimes forced to slow down or even cease seeking new investment opportunities because of the need to maintain the Fund's solvency. Maine Venture Fund has conservatively managed its cash resources so that it has rarely been viewed as being "out of the market", but, without additional funding, the perception that we may not have adequate capital to support viable companies may become a reality.

In this coming Legislative session, our management and Board hope to discuss with you the environment for early stage high potential companies and why a baseline appropriation for the Fund, as well as other initiatives, would ensure that Maine Venture Fund can remain consistently active in the market providing much needed capital for Maine's early stage scalable companies.

Impact:

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

- As of June 30 2016, Maine Venture Fund has 27 portfolio companies that employ approximately 655 FTEs, primarily in high wage, high benefit jobs in growth companies. Since 1997, Maine Venture Fund portfolio companies have created 9,688 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies.
- The successful execution of its mission over the years led the FAME to allocate at least \$4.3 million of the \$13 million SSBCI funds to Maine Venture Fund for deployment beginning mid way through FY'12. Maine Venture Fund is successfully partnering with FAME to deploy these funds and get much needed capital to early stage and or high growth potential Maine companies. This is a multi-year Federal program to stimulate small business growth and is precisely aligned with Maine Venture Fund's mission. As noted, this program will reach its conclusion in 2017.



- Maine Venture Fund plays a key role in Maine’s research & development (R&D) continuum from research to commercialization. Many companies that have successfully leveraged Maine Technology Institute (“MTI”) and Maine Economic Improvement Fund (“MEIF”) grants and loans are often not ready for traditional venture capital, and Maine Venture Fund plays a critical role in filling that gap, helping to continue to shepherd those most promising companies. The mentoring and eventual investments in *Academic Merit (Portland)*, *Cerahelix (Orono)*, *Mingle Analytics (South Paris)*, and *Pika Energy (Westbrook)*, which had benefitted from MTI and Maine Center for Entrepreneurial Development (“MCED”) program support, are examples. In addition, a Maine Venture Fund investment protects the investment of earlier investors like MTI by helping to ensure that their successful investments are able to raise additional capital to continue to grow: i.e., avoid stranded MTI investments.
- Since 1997, Maine Venture Fund has catalyzed over an additional \$159 million in outside capital invested in its portfolio companies. Our investments, paired with the appropriate guidance, position companies to be successful in raising larger investments from additional professional investors, often from outside the State. The absence of this local infrastructure would result in many entrepreneurs not getting the funds needed to launch, or pursuing their ideas outside the State.
- Maine Venture Fund’s mission and purpose are as critical now as when the Fund was created. Sources of risk capital for Maine companies continue to be very limited. One of the critical functions of Maine Venture Fund is its ability to leverage and attract private capital to invest alongside. Historically, \$8.75 has been invested by private capital providers for each \$1 invested by Maine Venture Fund.
- Maine Venture Fund works to create linkages to capital providers in and outside of Maine in an effort to bring more attention to Maine-based opportunities. Management and the Board cultivate and maintain relationships with early stage venture capital funds, angel groups, and other investment professionals throughout northern New England. Maine Venture Fund is an affiliate member of the national Angel Capital Association and an active member of the New England chapter.

Challenges Ahead: As noted, once the SSBCI program ends, the Fund will have insufficient remaining capital to continue to support Maine companies as it has in the past. Without additional legislative action, the only source of additional capital will be returns from its existing investments. The unpredictability of returns on our invested capital means that Maine Venture Fund may be unable to adequately execute 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”. These challenges are part of the discussions that we look forward to having with you and the Legislature.



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

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

Thank you for your support.

Respectfully,

Corson Ellis, Chair
Small Enterprise Growth Board

John F. Burns, Managing Director
Small Enterprise Growth Fund d/b/a
Maine Venture Fund

Digital Copies Will Be Sent To:

Paul R. LePage, Governor
John Butera, Senior Economic Advisor to the Governor
George Gervais, Commissioner, Department of Economic and Community Development
Jane Sheehan, Chair, Maine Innovation Economy Advisory Board
Bruce Wagner, Chief Executive Officer, FAME
William Norbert, Governmental Affairs Manager, FAME
Brian Whitney, President, Maine Technology Institute
Senator James M. Hamper, Chair, Appropriations and Financial Affairs
Representative Drew Gattine, Chair, Appropriations and Financial Affairs

About Maine Venture Fund (“MVF”)

Mission:

The mission of the Fund is

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

Governance:

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

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

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

The function of the Board is to:

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

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

History:

The Small Enterprise Growth Fund, now doing business as (d/b/a) Maine Venture Fund (“Fund” or “MVF”) is the State of Maine’s venture capital fund. It was created by statute in the 117th Maine Legislature in 1996, and through FYE 2016, had received \$13 million in capital from the State, mostly through economic development bond proceeds. Maine Venture Fund recycles returns and pays its annual expenses from the Fund itself.

In September 2011, the U.S. Department of the Treasury announced the approval of Maine’s State Small Business Credit Initiative (SSBCI) application, submitted by the Finance Authority of Maine (“FAME”) earlier that year. In recognition of the Fund’s effectiveness, and importance in the early stage company sector in Maine, FAME chose to allocate at least \$4.3 million, of the total \$13.2 million, to the Fund to support its mission. To date, nearly \$3.1 million of SSBCI capital has been invested by Maine Venture Fund.

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

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

Since its first investment in December of 1997 through June 30, 2016, the end of FY16, the Fund invested \$18,197,092 in 59 Maine companies and had a portfolio of 27 companies. By the end of the 2016 calendar year, the Fund estimates it will have reached just over a total of \$18.5 million in investments, in 60 Maine companies.

For every \$1 invested by the Maine Venture Fund, other investors have typically invested an additional \$8.75, providing significant leverage on Maine Venture Fund dollars.

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

1. *Hyperlite Mountain Gear, Inc.* (“HMG”) - HMG was founded by Mike St Pierre, an avid hiker and mountain climber, who sought lighter weight, durable camping gear. Maine Venture Fund management learned of the company early in its history and cultivated a relationship long before investing. After the company had utilized “founder, friends, family and foolhardy strangers” (“the four F’s”) capital to get into the commercial market, HMG was ready to raise a larger round to accelerate sales, marketing and the firm’s professional development. Maine Venture Fund staff worked with the company, individual investors, and other interested funds, playing an active role in due diligence, and constructing the term sheet that was used for the creation of the security ultimately sold to all investors. Post-investment, MVF personnel play an active role as an Observer to the HMG board, and actively work to recruit high quality board members to the company. And, in the summer and fall of 2015, the Fund’s Staff and Board worked actively to catalyze and complete a follow-on round of investment in the company.

2. Chimani, Inc Chimani was founded by Kerry Gallivan, who was hiking and wanted some data on where he was going, what route he should take, the amount of rain he could expect, and the steepness on the western side of Cadillac Mountain. Kerry had his iPhone, but there was neither cell phone coverage nor an app to guide him. Frustrated and alone in the rain in Maine, Chimani was conceived. Maine Venture Fund met Kerry early in his entrepreneurial journey and was among the many mentoring Kerry and Chimani. With enough parks apps to go to market in a bigger way, Maine Venture Fund partnered with an individual investor to catalyze an initial professional round of investment, allowing Chimani to more aggressively go to market. Maine Venture Fund has actively helped place Directors on the Board and plays an active Observer role with the company.

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.

2016 was a really busy year for the company. We were able to secure a number of new investments, including a \$250,000 investment from the SEG Fund, a \$200,000 investment from the SSBC, and a \$266,000 investment from the SSBC. We also received a number of smaller investments from various sources, including the SEG Fund, the SSBC, and the Maine Venture Fund. The total amount of investments received in 2016 was \$1,335,800.

Summary of FY 2016 MVF Investments (7/1/15 - 6/30/16)

Date of Investment	Company Name	Location	Security	Source of Funds	Investment	# of FTEs	Type
09/15	Hypermedia Gear	Belfast	Seed & Start-up	SEG	\$250,000	35	Follow-on
2/3/15	Academic Media LLC	Oxford	Seed & Start-up	SEG / SSBC	\$200,000		New investment
02/09/16	Redd, Inc.	Oxford	Seed & Start-up	SEG	\$24,000	3	New investment
02/16/16	Kahegy, Inc.	East	Seed & Start-up	SEG	\$100,000	5	Follow-on
02/23/16	Chester, Inc.	Oxford	Seed & Start-up	SSBC	\$75,000	0	Follow-on
04/15/16	Mageary, Inc.	Southern	Convertible Note	SSBC	\$95,800	55	New investment
04/25/16	Ocean Approved, Inc.	Oxford	Seed & Start-up	SEG / SSBC	\$100,000	3.25	New investment
04/27/16	Oxford Special Services, Inc.	Bath	Seed & Start-up	SEG / SSBC	\$25,000	2.5	Follow-on
06/13/16	Maine Capital Design LLC	Portland	Seed & Start-up	SSBC	\$266,000	5	New investment
Total SEG Funds Invested					\$626,000		
Total SSBC Funds Invested					\$709,700		
FY16 Grand Total Investments					\$1,335,800		

Subsequent MVF Investment Activities - FY17 YTD (7/1/16-12/31/16)

Date of Investment	Company Name	Location	Security	Source of Funds	Investment	# of FTEs	Type
01/14/16	Coussom, Inc.	Oxford	Seed & Start-up	SSBC	\$65,000	5	New investment
2/5/16	Chester, Inc.	Oxford	Convertible Note	SSBC	\$100,000	0	Follow-on
Total SEG Funds Invested					\$0		
Total SSBC Funds Invested					\$265,000		
FY17 Grand Total Investments as of 12/31/16					\$265,000		



Key Metrics

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

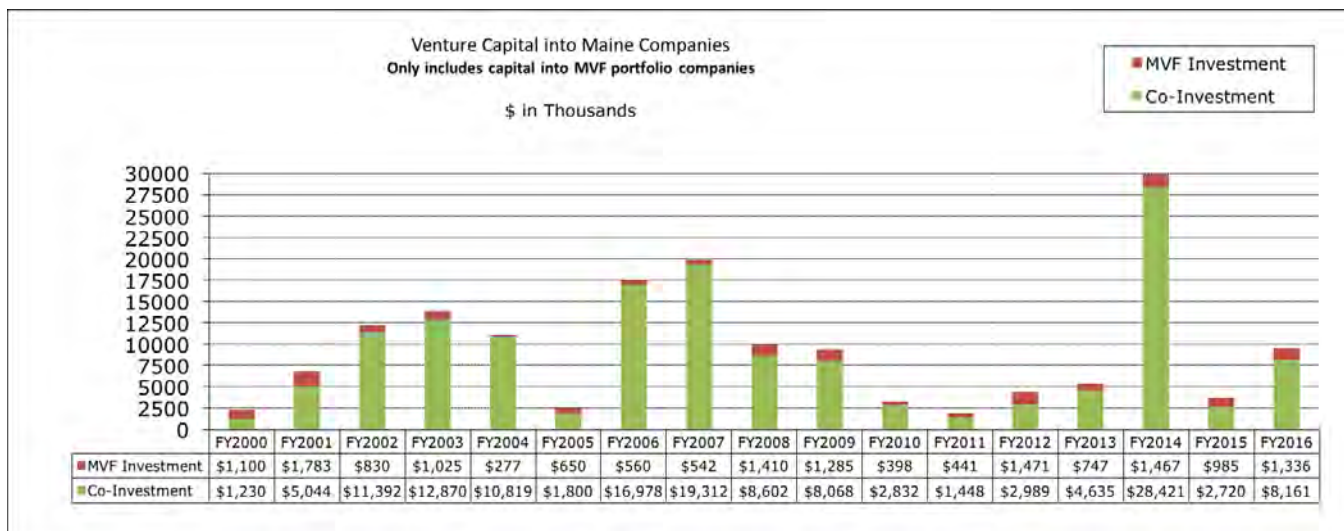
#1 Co-Investment

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

In FY16, MVF invested over \$1.3 million in nine Maine companies with an average investment of \$123,125 per company, accompanied by additional venture capital and angel investments of over \$8.2 million.

As of December 31, 2016, MVF will have invested a total of over \$18 million in 60 Maine companies with an average investment of \$303,000 per company and has catalyzed over \$159 million in additional venture capital and angel investment into Maine companies.

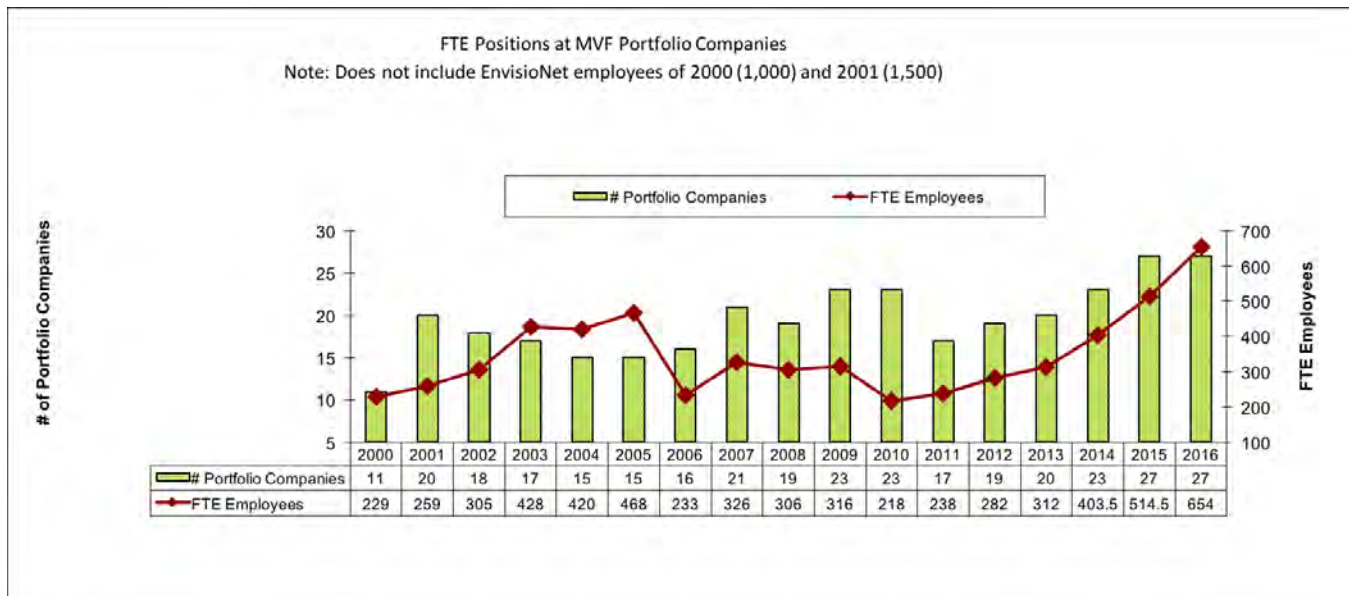
For every \$1 invested by the Maine Venture Fund an additional \$8.75 is invested in Maine companies.



#2 Job Creation

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

- *Since 1997, MVF portfolio companies are estimated to have created approximately 9,688 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies.*
- *In calendar year 2016, MVF portfolio companies employed approximately 655 people, provided internship opportunities for a summer intern from the Tuck School of Business at Dartmouth, and facilitated teams of Babson MBA students and Innovate for Maine (University of Maine) interns working with MVF portfolio companies.*



#3 Intellectual Property

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

■ **Licensing Agreements:**

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

■ **Patents & Patent Applications:**

- **Aiko Biotechnology, Inc.** - 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.
- **Nyle Systems, LLC** – Patent No. 7266959 for Heat Pump; expired patent on lumber dryer.
- **Orono Spectral Solutions, Inc.** – Patent Nos. 8,393,198 & 8,613,214, “Apparatus and method for determining analyte content in a fluid”; US non-provisional 13/416,777 “Apparatus & Method for Pre-concentrating and Transferring Analytes from Surfaces & Measurement Thereof Using Spectroscopy”.
US nonprovisional 13/416,777 for Clear Sampler: “Apparatus & Method for Preconcentrating and Transferring Analytes from Surfaces & Measurement Thereof Using Spectroscopy”. Also, 8,393,198 “Apparatus and method for determining analyte content in a fluid”.
- **Pika Energy, Inc.** - Pika has filed one international Patent Cooperation Treaty (PCT), one US utility patent application, and two US provisional applications. One filing covers the low-cost blade manufacturing technique that was advanced during the Phase I project, and another covers the safety brake technology. Two additional filings cover aspects of Pika’s REBus™ microgrid technology, which facilitates grid connection of wind, solar, and other resources. Pika will continue to file and upgrade applications as it move toward commercialization.



#4 Network Building

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

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

Memberships, Affiliates, & Co-Investors

ANGEL CAPITAL ASSOCIATION

<http://www.angelcapitalassociation.org>



www.mitc.com



www.maineotechnology.org



www.ceimaine.org



www.econdev.com



www.maineangels.org



www.famemaine.com



www.mced.biz



#5 **Portfolio Returns**

It is the aim of the Maine Venture Fund (“MVF”) to grow the size of the Fund by investing capital in companies, which ultimately provide a return of that capital along with some profit, or gain. Venture investing is high risk (nascent companies with many risk factors and barriers to growth) though accompanied by the opportunity for high return (unique products or services in high growth sectors, often based on proprietary intellectual property), so many investments fail to produce any or very little return. Others produce very profitable returns. The most common successful liquidity event for the MVF is when a portfolio company is sold to another, typically larger, company at a price per share significantly higher than the price the Fund paid for shares in the company. The Fund has had a number of successful “exits” over the years; exits which have returned capital to the Fund greater than that invested, and which money was then used to invest in other promising Maine companies.

- *With the \$13 million of State funds (\$5 million in 1998; \$3 million in 2000; \$1 million in 2006; and \$4 million in 2010) combined with \$3.1 million in Federal State Small Business Credit Initiative (“SSBCI”) funds, the MVF has invested over \$18 million dollars in Maine companies and paid for 20 years of Fund operations to date.*

- *The following table contains examples of portfolio returns:*

MVF Portfolio Company	Industry	Date of investment	Total Investment Amount	Capital Returned to MVF	Rate of Return	Type of Exit
Angela Adams LLC	Consumer Products	October 2002	\$400,000	\$600,000	IRR: 15%; 1.5X investment	Stock buyback
Anodyne Health Systems, Inc.	Healthcare Services	August 2006	\$425,000	\$944,886	IRR: 35.4%; 2X investment	Acquired by athenahealth, Inc. (NASDAQ: ATHN), and AdvantEdge
Bourgeois Guitars LLC	Luthiers	May 2001	\$16,000	\$17,182	IRR: 10%	Repayment of Note
Capricorn Products, Inc.	Medical device supply	October 1998	\$150,000	\$213,834	IRR: 8%; 1.4X investment	Repayment of Note
Coast Of Maine Organic Products, Inc.	Soil amendments	April 2000	\$85,000	\$351,950	IRR: 10.1%; 4.1X investment	Acquired by Gemini Investors
Common Census, Inc.	Insurance Software	December 1999	\$500,000	\$810,250	IRR: 6.7%	Conversion of Equity to Note followed by Repayment of Note
ComNav Engineering, Inc.	Electronics Manufacturing	January 1998	\$150,000	\$237,356	IRR: 2%; 1.6X investment	Repayment of Note
Looks Organic Seafood, Inc.	Premium seafood products	April 2007	\$300,000	\$742,951	IRR: 10.1%; 2.5X investment	Acquired by SeaWatch, Inc.
Phytex LLC	Specialty Chemicals	Sept 2001	\$150,000	\$195,945	IRR: 29%; 1.33X investment	Partner buyout of SEGf
RecruiterNet, Inc.	Software	June 2001	\$250,000	\$1,961,294	IRR: 63%; 8X investment	Acquired by First Advantage (NASDAQ: FADV)
RedZone Wireless, Inc.	Internet	December 2008	\$50,000	\$81,760	IRR: 9.1%	Repayment of Note



#6 Education and Economic Development

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

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





Abierto Networks, LLC

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

Website: www.ab-net.us

Location: Eliot, ME

ME Employees: 9

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

MVF Investments

January 2013: \$100,000

April 2014: \$100,000

Total other capital raised: \$825,000

Company Overview

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



Academic Merit, LLC

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

Website: www.academicmerit.com

Location: Portland, ME

ME Employees: 11

Management Team

Steve Shapiro, CEO

Ogden Morse, Founder, Chief of Product

Other Major Co-Investors

Maine Angel Members

Red Bear Angel Members

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program ("MSCTC")

MTI Development Loan

MVF Investments

December 2015: \$200,000

Total other capital raised: \$1,160,172

Company Overview

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

Founded by practicing teachers with the original goal of finding ways to leverage technology to make classic literature more accessible for contemporary students, Academic Merit has steadily evolved and expanded as a company, reflecting deep pedagogical roots, close collaboration with early adopters, and recognition of the rapidly changing landscape of American education.



AIKO Biotechnology, Inc.

Drug discovery leading to increased safety and efficacy of opioids

Website: www.aikobiotech.com

Location: Portland, ME

ME Employees: 0

Management Team

Wolfgang Sadee, Board Chair

Other Major Co-Investors

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program ("MSCTC")

Maine Technology Institute ("MTI") Development Loan

MVF 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.



Blue Tarp Financial, Inc.

B2B credit management

Website: www.bluetarp.com

Location: Portland, ME

ME Employees: 116

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

MVF Investments

May 2003: \$350,000

2004 (various dates): \$142,012

February 2006: \$10,000

August 2010: \$2,210

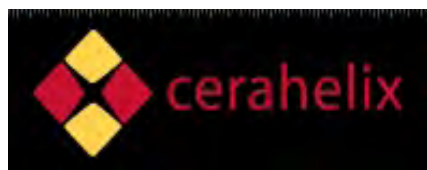
August 2013: \$100,000

Total Cost: \$604,224

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

Company Overview

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



Cerahelix, Inc.

nano-ceramic coatings to provide faster filtration at high purity

Website: www.cerahelix.com

Location: Orono, ME

ME Employees: 10

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 Development Loan

MVF Investments

February 2012: \$75,000

January 2014: \$50,000

April 2015: \$50,000

February 2016: \$75,000

November 2016: \$100,000

Total Cost: \$350,000

Total other capital raised: \$1,512,534

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



Certify, Inc.

Travel, expense and invoice made easy

Website: www.certify.com

Location: Portland, ME

ME Employees: 110

Management Team

Bob Neveu, CEO

Alan Neveu, CTO

Heath McArthur, Director Business Development

Other Major Co-Investors

Individuals

Other State of Maine support

MSCTC

MVF Investments

August 2009: \$150,000

May 2012: \$100,000

April 2014: \$250,000

Total Cost: \$500,000

Total other capital raised: \$4,425,000

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

Novel diagnostic test for tuberculosis

Website: www.chemogen.com

Location: Portland, ME

ME Employees: 0.5

Management Team

John O'Sullivan, President

Other Major Co-Investors

Masthead Venture Partners
Coastal Ventures LP and CVII
Flory Investments

Other State of Maine support

MTI Development Loans
MSCTC

MVF Investments

December 2001: \$250,000
April 2004: \$144,932
May 2006: \$55,000

Total Cost: \$449,932

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

Company Overview

Chemogen, Inc. is a biotechnology company which developed a novel and proprietary platform technology for the rapid diagnosis of infectious diseases. The initial application of this technology is in the area of tuberculosis ("TB"), the world's deadliest infectious disease. Chemogen has 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.



Chimani, Inc

Mobile app travel guides for national parks and other outdoor destinations

Website: www.chimani.com

Location: Portland, ME

ME Employees: 7

Management Team

Kerry Galivan, CEO

Other Major Co-Investors

Maine Angels
Individual Investors

Other State of Maine support

MSCTC

MVF Investments

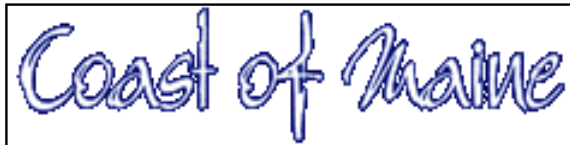
March 2015: \$100,000

Total Cost: \$100,000

Total other capital raised: \$400,000

Company Overview

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



Acquired by Gemini Investors - July 2016

Coast of Maine, Inc

hand crafted compost-based products that are biologically diverse and rich in the nutrients that plants need to thrive

Website: www.coastofmaine.com

Location: Portland, ME and Marion Township, ME

ME Employees: 13

Management Team

Carlos Quijano, President

Cameron Bonsey, VP, Marketing

Sid Malone, COO

Other Major Co-Investors

Coastal Ventures LP

Other State of Maine support

Community Development Block Grant

MVF Investments

February 2000: \$85,000

Total other capital raised: \$385,000

Note: Coast of Maine was acquired in July 2016 by Gemini Investors in a stock purchase. MVF has received just under \$310,000 to date, with the potential of up to an additional \$40,000.

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.



CourseStorm

CourseStorm, Inc.

Class registration software that's impossibly simple

Website: www.coursestorm.com

Location: Orono, ME

ME Employees: 5

Management Team

Brian Rahill, CEO

Matt James, CTO

Other Major Co-Investors

Bangor Angel Fund

Maine Angel Members

Maine Technology Institute

Individuals

Other State of Maine support

MSCTC

MTI Development Loan

MTI Equity Program

MVF Investments

October 2016: \$165,000

Total Cost: \$165,000

Total other capital raised: \$545,296

Company Overview

CourseStorm Inc is a SAAS company that provides informal, non-credit, education organizations with an online class catalog, registration, and marketing platform. The company is focused on STEAM (Science, Technology, Engineering, Arts & Math) educational programs.



Dream Local Digital, Ltd.

Social media strategy and management

Website: www.dreamlocal.com

Location: Rockland, ME

ME Employees: 29

Management Team

Shannon Kinney, CEO

Other Major Co-Investors

Maine Angels Members

Individual Investors

Other State of Maine support

MSCTC

MTI seed grants

Maine Accelerates Growth focus company

MVF Investments

February 2014: \$232,474

Total Cost: \$232,474

Total other capital raised: \$351,560

Company Overview

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



Gelato Fiasco, Inc

Gelato. Inspired by Italy. Perfected in Maine

Website: www.gelatofiasco.com

Location: Brunswick, ME

ME Employees: 63

Management Team

Joshua Davis, Founder & CEO

Bruno Tropeano, Founder

Other Major Co-Investors

CEI Ventures

Individual Investors

Other State of Maine support

None

MVF Investments: \$200,000

Total Cost: \$200,000

Total other capital raised: \$332,660

Company Overview

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



Genextropy, Inc

predictive, non-invasive genetic risk assessment tests

Website: www.genextropy.com

Location: New Hampshire & Utah

ME Employees: 1

Management Team

Phil Ferneau, Board Chair

Other Major Co-Investors

Borealis Ventures

Other State of Maine support

None

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

Total Cost: \$0

Total other capital raised: \$0

Company Overview

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



Hyperlite Mountain Gear, Inc

Ultralight backpacks, shelters, tarps and accessories for adventurers

Website: www.hyperlitemountaingear.com

Location: Biddeford, ME

ME Employees: 35

Management Team

Mike St. Pierre, CEO

Dan St. Pierre, CFO

Other Major Co-Investors

Telluride Venture Fund

Individual investors

Other State of Maine support

MTI Tech Start Grant

MVF Investments

July 2014: \$250,000

November 2015: \$250,000

Total Cost: \$500,000

Total other capital raised: \$810,000

Company Overview

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



Interspec, Inc.

e-SPECS software & specification writing services for AEC professionals

Website: www.e-specs.com

Location: Portland, ME

ME Employees: 16.5

Management Team

Gil Letourneau, CEO & Founder

Matt Hoffner, Executive Board Chair

Other Major Co-Investors

Arcom, Inc

Individual investors

Other State of Maine support

MTI Development Award (repaid)

MSCTC

MVF 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.



Acquired by SeaWatch, Inc - September 2016

Looks Gourmet Food Company, Inc

Bar Harbor and Atlantic brand seafood; authentic specialty seafood

Website: www.barharborfoods.com

Location: Whiting, ME

ME Employees: 27

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

MVF Investments

August 2007: \$300,000

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

Note: Looks Gourmet was purchased by SeaWatch in September of 2016, resulting in a return to MVF of \$744,243.

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.



Maine Craft Distilling, LLC

A farm to flask distillery producing small batch spirits

Website: www.mainecraftdistilling.com

Location: Portland, ME

ME Employees: 5

Management Team

Luke Davidson, Founder, President

Other Major Co-Investors

CEI Ventures

Individuals

Other State of Maine support

MSCTC

MVF Investments

June 2016: \$266,000

Total Cost: \$266,000

Total other capital raised: \$878,967

Company Overview

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



Mingle Analytics

An industry leader in Medicare reporting

Website: mingleanalytics.com

Location: South Paris, ME

ME Employees: 55

Management Team

Dan Mingle, Founder, CEO

Kash Basavappa, COO

Richard Clark, CFO

Other Major Co-Investors

CEI Ventures

Maine Angels members

Individuals

Other State of Maine support

MSCTC

MVF Investments

April 2016: 95,800

Total Cost: \$95,800

Total other capital raised: \$575,000

Company Overview

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



Nyle Systems, LLC

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

Website: www.nyle.com
Location: Brewer, ME
ME Employees: 33

Management Team

Ton Mathissen, CEO
Don Lewis, VP Technology

Other Major Co-Investors

Individual investors

Other State of Maine support

None

MVF Investments

November 2010: \$250,000
November 2011: \$100,000
June 2012: \$21,060

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 drying and dehumidification. Thousands of Nyle Dry Kilns are used around the world for kiln drying lumber in the most energy efficient manner possible. Nyle's patented technologies are also used in drying other products such as food, as well as innovative energy recovery systems. Nyle is dedicated to the design, manufacture, installation, and service of Heat Pump technology products that meet the needs of its customers and the environment. All



Ocean Approved, Inc

Fresh, frozen kelp from Maine

Website: www.oceanapproved.com
Location: Portland, ME
ME Employees: 3.25

Management Team

Paul Dobbins, Founder & CEO

Other Major Co-Investors

Island Institute
Individuals

Other State of Maine support

MSCTC

MVF Investments

April 2016: \$100,000

Total Cost: \$100,000

Total other capital raised: \$400,000

Company Overview

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



Orono Spectral Solutions, Inc

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

Website: www.ossmaine.com

Location: Bangor, ME

ME Employees: 2.5

Management Team:

Roland Sirois, CEO

Dean Smith, Co-founder and VP Engineering

Other Major Co-Investors

Bangor Angel Fund

Individual investors

Other State of Maine support

None

MVF Investments

September 2014: \$200,000

April 2016: \$125,000

Total Cost: \$325,000

Total other capital raised: \$527,000

Company Overview

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



PenBay Solutions, LLC

InVision software for facilities management

Website: www.penbaysolutions.com

Location: Topsham, ME

ME Employees: 16

Management Team

Bill Barron, CEO

Stuart Rich, CTO

Other Major Co-Investors

Individuals

Other State of Maine support

None

MVF Investments

April 2012: \$250,000

June 2014: \$100,000

Total Cost: \$350,000

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

Company Overview

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



Pika Energy, Inc

Revolutionary products to capture and manage clean power

Website: www.pikaenergy.com

Location: Westbrook, ME

ME Employees: 15

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

Clean Energy Venture Fund

Other State of Maine support

Blackstone Accelerates Growth focus company

MTI Development Loans

MSCTC

MVF Investments

April 2012: \$150,000

October 2013: \$67,924

June 2014: \$53,167

February 2016: \$100,000

Total Cost: \$371,091

Total other capital raised: \$5,471,975

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



R.e.d.d., Inc

Superfood energy bars

Website: www.reddbar.com

Location: Brunswick, ME

ME Employees: 3

Management Team

Peter VanAlstine, CEO

Alden Blease, Founder

Other Major Co-Investors

Individuals

Maine Angel Members

Other State of Maine support

MSCTC

MVF Investments

February 2016: \$124,000

Total Cost: \$124,000

Total other capital raised: \$884,272

Company Overview

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

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



Sea Bags LLC, a Subsidiary of Solstice Group, Inc.

Handcrafting handbags and accessories from recycled sails in Portland, Maine

Website: www.seabags.com

Location: Portland, ME

ME Employees: 55

Management Team

Don Oakes, CEO

Beth Shissler, President

Other Major Co-Investors

Individuals

Other State of Maine support

MSCTC

MVF Investments

December 2013: \$250,000

Total Cost: \$250,000

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.

A photo sharing service connecting wedding photographers and vendors

Website: www.tidecreative.com

Location: Portland, ME

ME Employees: 1

Management Team

Jason ("J") Sandifer, CEO

Other Major Co-Investors

Individual Investors

Other State of Maine support

MTI Development Loan

MVF Investments

October 2013: \$150,000

September 2014: \$50,000

Total Cost: \$200,000

Total other capital raised: \$200,000

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.

*Enabling economical aircraft to work effectively
throughout the global maritime sector*

Website: www.centaurseaplane.com

Location: Scarborough, ME

ME Employees: 0.5

Management Team

James Labouchere, President

Other Major Co-Investors

Individuals

Other State of Maine support

CDBG – Sanford

MVF Investments

April 2003: \$ 300,000

Total other capital raised: \$300,000

Company Overview

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

Small Enterprise Growth Board

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

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

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

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

In Fiscal Year 2016, from July 1, 2015 to June 30, 2016, the Board and Management Team screened many companies for potential investment, and counseled many other early-stage companies. As the Fund considers investment opportunities, this highly experienced Board weighs the economic and societal benefits of an investment opportunity as well as the purely financial benefits. The Board and management of the Fund are continually working to find the right balance of supporting enough early stage companies to stimulate the ecosystem (i.e. higher risk investments) and generating sufficient returns through successful companies.

In June 2016, the Board appointed Corson Ellis as Chair and Christopher Pizey as Vice Chair for fiscal year 2017, maintaining their roles on the Board from the prior year. Kimberley Niles continues to serve as the Board Treasurer.

Board composition as of December 2016:

- ❑ **Corson "Corky" Ellis, Chair**, was Founder, Chairman and CEO of *Kepware Technologies* (www.kepware.com), a Portland company that writes industrial communications software for the factory, Smart Grid, and building automation and oil and gas sector, until the sale of Kepware to PTC in 2016. Mr. Ellis is very involved in technology economic development in Maine. He is a board member of the Maine Center for Entrepreneurial Development and the Gulf of Maine Research Institute. Mr. Ellis graduated from Amherst College and received a Masters in Business Policy degree from Columbia University.

- ❑ **Christopher S. Pizey, Vice Chair**, has held various management positions, over the past twenty years, involving computing technologies, interactive media and new business development. While at *Andrews McMeel Universal*, Mr. Pizey led corporate new media ventures, including the founding of *uclick LLC*. While CEO of *uclick* he engineered new business initiatives including digital content syndication, web publishing, wireless content licensing and distribution deals with over 300 of the web's premier publishers, portals and mobile phone networks. Mr. Pizey recently returned home to Maine where he is assisting his family's business, *Hissong Development Corp.*, to grow their real estate development and construction businesses to include heavy construction materials and services, such as ready-mix concrete and aggregates.
- ❑ **Kimberley A. Niles, Treasurer**, is the Managing Director and Chief Financial Officer of Constant Energy Capital (CEC). Prior to joining CEC, she founded a consulting firm, providing interim CFO services for companies as well as financial support services for start-up opportunities and venture firms. She has over 25 years of experience as a finance professional, including 17 years as CFO for North Atlantic Capital, a Portland based venture firm. Earlier in her career, she held various roles in private industry and in public accounting. She is a graduate of the University of New Hampshire and a licensed CPA in the State of Maine.
- ❑ **Timothy P. Agnew** is a Principal at *Masthead Venture Partners*, a venture capital firm with offices in Cambridge, Massachusetts and Portland, Maine. 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, and 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.

- ❑ **Claire Deselle** is currently the Director of Innovation Development at Eastern Maine Healthcare Systems. She is leading the design, development and implementation of a structured Innovation Research & Development framework tasked with positively impact care delivery. Previously, she has had a number of leadership roles including the Executive Director of the Bioscience Association of Maine which is a trade association for biotech, medical device and related industries, Chief Operating Officer for the Maine Institute for Human Genetics and Health, a non-profit research entity, President and CEO of CS-Keys Inc., a biotech company developing cancer diagnostics and therapeutics, and more than 14 years with Eli Lilly and Company in various management assignments. She earned a BSc from the University of New Hampshire and an MBA from the Wharton School at the University of Pennsylvania.
- ❑ **Thomas J. Dunne** was a Partner at Accenture, the management consulting firm, primarily focusing on the financial services industry. Upon retiring in 2003, Mr. Dunne has served as an advisor to several Maine businesses ranging from start-ups to mature mid-size and was one of the start-up founders of Maine Seafood Ventures, a lobster processing enterprise. Mr. Dunne currently serves as a volunteer/consultant, including acting as Executive Director of *Dirigo Health Agency* in 2003, serving as Adjunct Professor at *USM-Muskie Graduate School* in 2005, acting as Executive Director of *Ingraham* in 2006, and consultant to several non-profit organizations on a range of initiatives such as strategic planning, sales and marketing improvements, business expansion, executive succession and merger assessments. Mr. Dunne is a member of Hub Angels, a Boston based investment group. Mr. Dunne is a graduate of S.U.N.Y, College at Geneseo receiving a B.A. in Economics and received his M.B.A. from The Amos Tuck School, Dartmouth College.
- ❑ **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.
- ❑ **Theresa B. Hodge** is Senior Vice President and Senior Commercial Lender at Bath Savings Institution. She began her banking career in 1986 and has been with Bath Savings since 2004. In addition to working at commercial banks, she spent ten years during the 1990's as a senior lender in the public sector with the Finance Authority of Maine and Coastal Enterprises, Inc. She graduated from the University of Southern Maine, with a BS in Business Administration and later earned her MBA from Thomas College. Theresa is a board member of MEREDA and serves as chairperson of the Eligibility Committee of United Way of Mid Coast Maine and is a senior advisory member of Risk Management Association, Maine Chapter.
- ❑ **John Murray** is General Manager of Woods End Laboratories, maker of Solvita™, soil biology test kits for the Agricultural market. Until 2015, he served as a Senior Account Manager at *Control Point, Inc.*, a process automation and controls supplier based in Scarborough, Maine. Prior to joining *Control Point*,

John was V.P. of Operation at *New England Controls*, an Emerson affiliate. John has been involved in several startup companies, including a dot-com and his own company, *PID Inc.*, also an industrial controls supplier, which he formed in 1984 and sold in 1999. Mr. Murray is a graduate of the University of Dayton (B.S. Business Administration) and Southern New Hampshire University (M.B.A.).

- **Brian Whitney**, the Department of Economic and Community Development ("DECD") *ex officio* board member, is President of the Maine Technology Institute, a publicly financed, private, nonprofit organization established to stimulate research and development activity leading to the commercialization of new products, processes and services in the state's seven targeted technology sectors. He has extensive experience in economic development and legislative matters at both the state and federal level and has worked with innumerable companies, private and public sector research organizations, and entrepreneurial leaders throughout the State of Maine during his professional career. He served previously as a private sector manager and in the public sector as Maine's Director of Business Development & Innovation, the Director of Outreach and Economic Development for U.S. Senator Olympia J. Snowe (R-Maine), a Business Development Specialist for the State of Maine, and as Chief of Staff to Maine's Senate President. He has served on, or staffed, a number of statewide boards including the Maine State Workforce Investment Board, the Maine Economic Growth Council, Maine Innovation Economy Advisory Board, and the Maine Rural Development Authority. In addition to the Maine Venture Fund, he is currently a board member of the Economic Development Council of Maine.

The Management Team

◆ John Burns, CFA, Managing Director

John has 32 years of institutional investing experience; the last 16 as Maine Venture Fund Managing Director, where his responsibilities include the full range of venture capital investment activities. He has been directly involved with bringing risk capital to more than 50 Maine companies, and has led the Fund through a number of successful exits. 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 a Village Trustee, and Chair of his local school board.

John holds the Chartered Financial Analyst (CFA) designation, a MBA with High Distinction from Babson College, a MS in Resource Economics from Penn State, and has served as 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.

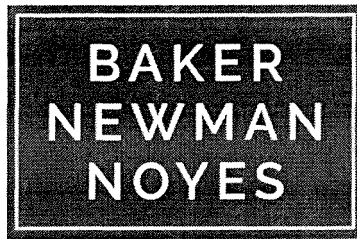
◆ **Jayne Okma Lee, Investment Manager**

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

◆ **Terri Wark, Office Operations Manager**

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





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

Basic Financial Statements and
Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

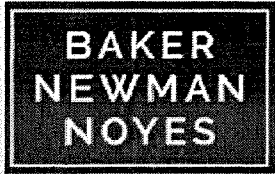
**SMALL ENTERPRISE GROWTH FUND D/B/A MAINE VENTURE FUND
(A COMPONENT UNIT OF THE STATE OF MAINE)**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Small Enterprise Growth Fund d/b/a Maine Venture Fund (the Fund) a component unit of the State of Maine, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Small Enterprise Growth Fund d/b/a Maine Venture Fund as of June 30, 2016 and 2015, 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

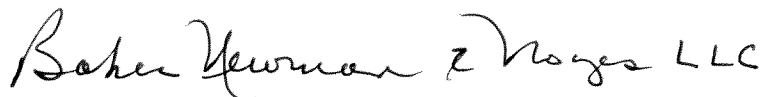
As explained in note 1, the financial statements include investments in small businesses valued at \$4,697,525 (66% of net position) and \$3,372,326 (47% of net position) at June 30, 2016 and 2015, respectively, which are not actively traded and whose carrying values have been estimated by management 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 24, 2016

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

As Management of the Small Enterprise Growth Fund d/b/a Maine Venture Fund (the Fund or the SEGF), we offer readers of the Fund’s financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended June 30, 2016 and 2015. As required, the Fund’s financial statements are presented in the manner prescribed by Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* (GASB 34), as amended. Under GASB 34, the Fund is identified as a Proprietary Fund. Proprietary Funds are accounted for in a manner similar to a private business enterprise.

Overview of the Fund

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

Overview of the Financial Statements

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

FY 2016 Highlights

- Maine Venture Fund (MVF or Fund) invested just over \$1.34 million into nine Maine companies in FY16, five of which were new to the portfolio and four receiving follow-on investments. In FY15, the Fund invested nearly \$1 million in eight Maine companies.
- MVF is a partner with the Finance Authority of Maine (FAME) in FAME’s contract with the U.S. Treasury Department’s State Small Business Credit Initiative (SSBCI). This program began in December 2011. Since then, the Fund has invested a grand total of \$3,109,511 of SSBCI funds including \$631,700 in FY16. Four of the five companies new to the portfolio were beneficiaries of SSBCI investment. MVF provides quarterly and annual investment reporting to FAME which, in turn, reports to the U.S. Treasury Department. \$550,000 of SSBCI money was invested by MVF in FY15.
- For two of the investments in companies new to the portfolio, Fund “core” dollars were combined with SSBCI dollars. Fund “core” dollars were used solely for one of the new company investments in FY16, adding a total of \$272,600 of Fund “core” dollars in new companies in this fiscal year.
- MVF invested \$431,500 from “core” funds in three existing portfolio companies as follow-on funding and also rolled a FY15 \$50,000 Convertible Note accrued interest, in the amount of \$4,264, into an equity purchase in an existing portfolio company.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

- The Fund experienced one exit in FY16 with a portfolio company finalizing its buy back of Fund-held membership units. The company started its buy back of units in June 2012 and made monthly payments through April 2016.
- The co-investment ratio for FY16 was 6.2 to 1. Co-investors invested nearly \$8.3 million alongside just over \$1.34 million the MVF invested. Co-investment in FY15 was abnormally low at 2.8 to 1.
- According to the Fund's internal tracking, portfolio companies employed 654 full-time equivalent people as of June 30, 2016, a 34.3% increase from 487 the prior fiscal year end.
- MVF receives a variety of either dividend or interest payments over the course of the fiscal year as follows:
 - semiannual dividend payments from one company,
 - quarterly dividend payments from one company,
 - quarterly interest-only payments from one company, and
 - monthly interest-only payments from one company; although this particular company requested, and the MVF Board approved, an amendment to its Note reflecting a deferral of said monthly interest-only payment, at an increased interest rate, from April through December 2016.
- The Fund's Board of Directors, the Small Enterprise Growth Board (SEGB), and its Management Team continue to use its Strategic Business Framework to guide strategic direction, and, in FY16, developed even more focused tactical initiatives that align with the Strategic Business Framework. The Board and Management Team, throughout FY16, worked together to implement most tactical initiatives, although some are still in the process.
- MVF continues to play a prominent role in a strong support network for the entrepreneurial community in Maine, working with partners like Maine Technology Institute, Maine Center for Entrepreneurial Development, and the Maine Angels investment group. Additionally, the staff sits on numerous Boards throughout the State, including portfolio company boards in an Observer role, the Maine Innovation Economy Advisory Board (MIEAB), Maine Community Foundation's Impact Investing Committee, Focus Maine, CEI Community Ventures and others.
- The SEGB is a deeply experienced Board knowledgeable in early stage equity investing and in growing successful companies. For a list of current board members and their backgrounds visit <http://www.maineventurefund.com/about-mvf/board-of-directors>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

Financial Information

Statements of Net Position

	<u>2016</u>	<u>2015</u>
Assets:		
Cash equivalents	\$1,954,852	\$3,036,353
Interest receivable	13,765	34,377
Notes receivable, net	437,037	732,474
Investments	4,697,525	3,372,326
Prepaid expense	<u>5,346</u>	<u>1,292</u>
Total assets	<u>\$7,108,525</u>	<u>\$7,176,822</u>
Liabilities:		
Accounts payable	\$ 272	\$ —
Accrued expenses	<u>32,690</u>	<u>12,722</u>
Total liabilities	32,962	12,722
Net Position:		
Unrestricted net position	<u>7,075,563</u>	<u>7,164,100</u>
Total net position	<u>\$7,075,563</u>	<u>\$7,164,100</u>

Total assets decreased \$68,297 due mainly to grant income of \$631,700 offset by provision for losses on investments and salary expense.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

Statements of Revenues, Expenses and Changes in Net Position

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Investment income	\$ 23,948	\$ 22,509
Dividend income	55,664	8,133
Interest income on notes receivable	37,923	41,500
Grant income	631,700	550,000
Miscellaneous	<u>—</u>	<u>500</u>
Total operating revenues	749,235	622,642
Operating expenses:		
Salary expense	323,589	278,829
Payroll benefits expense	104,194	79,675
General and administrative expense	111,108	89,226
Write-down of investments	<u>298,881</u>	<u>761,884</u>
Total operating expenses	<u>837,772</u>	<u>1,209,614</u>
Operating loss	(88,537)	(586,972)
Net position at beginning of year	<u>7,164,100</u>	<u>7,751,072</u>
Net position at end of year	<u>\$7,075,563</u>	<u>\$7,164,100</u>

The Fund had an operating loss of \$88,537 for the fiscal year. Operating revenues increased substantially, 20% or \$126,593, primarily due to an \$81,700 increase in grant income. Operating expenses decreased 31% or \$371,842, due primarily to a decrease on the write-down of investments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

FY 2015 Highlights

- Maine Venture Fund (MVF or Fund) invested nearly \$1 million into eight Maine companies in FY15, four of which were new to the portfolio. In FY14, the Fund invested nearly \$1.5 million in eleven Maine companies.
- MVF is a partner with the Finance Authority of Maine (FAME) in FAME's contract with the U.S. Treasury Department's State Small Business Credit Initiative (SSBCI). This program began in December 2011. Since then, the Fund has invested a grand total of \$2,477,812 of SSBCI funds with total SSBCI investments in FY15 of \$550,000, all of those investments in three of the four new portfolio companies. MVF provides quarterly and annual investment reporting to FAME which, in turn, reports to the U.S. Treasury Department. \$370,695 of SSBCI money was invested by MVF in FY14.
- Fund "core" dollars were used for one of the four new companies added to the portfolio in FY15 with an investment of \$200,000.
- MVF invested \$235,000 from "core" funds in four existing portfolio companies as follow-on funding.
- The Fund experienced one exit in FY14 with a portfolio company acquisition in June 2014. The first payment was received in Q1 of the Fund's FY15, and a final payment was received in June 2015. The successor company continues to operate in Maine and is expanding operations with new investments.
- The co-investment ratio for FY15 was 2.76:1. Co-investors invested \$2.72 million alongside the nearly \$1.0 million the MVF invested. Co-investment in FY14 was a very high 16.7:1; removing one outlier, it was 6.4:1.
- According to the Fund's internal tracking, portfolio companies employed 487 full-time equivalent people as of June 30, 2015, a 20.2% increase from 405 the prior fiscal year end.
- MVF receives quarterly dividend payments from one of its portfolio companies, monthly interest payments from another, and is working with a third that is purchasing membership units back from the Fund monthly.
- The Fund's Board of Directors, the Small Enterprise Growth Board (SEGB), and its Management Team continues to use its Strategic Business Framework (SBF) to guide strategic direction, and developed even more focused tactical initiatives in FY15 that align with the SBF.
- MVF continues to play a prominent role in a strong support network for the entrepreneurial community in Maine, working with partners like Maine Technology Institute, Maine Center for Entrepreneurial Development, and the Maine Angels investment group. Additionally, the staff sits on numerous Boards throughout the State, including portfolio company boards in an Observer role, the Maine Innovation Economy Advisory Board (MIEAB), Maine Community Foundation's Impact Investing Committee, CEI Community Ventures and others.
- The SEGB is a deeply experienced Board knowledgeable in early stage equity investing and in growing successful companies. For a list of current board members and their backgrounds visit <http://www.maineventurefund.com/about-mvf/board-of-directors>.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

Financial Information

Statements of Net Position

	<u>2015</u>	<u>2014</u>
Assets:		
Cash equivalents	\$3,036,353	\$3,568,141
Interest receivable	34,377	52,721
Notes receivable, net	732,474	499,605
Investments	3,372,326	3,660,858
Capital assets	—	32
Prepaid expense	<u>1,292</u>	<u>3,229</u>
Total assets	<u>\$7,176,822</u>	<u>\$7,784,586</u>
Liabilities:		
Accounts payable	\$ —	\$ 354
Accrued expenses	<u>12,722</u>	<u>33,160</u>
Total liabilities	12,722	33,514
Net Position:		
Invested in capital assets	—	32
Unrestricted net position	<u>7,164,100</u>	<u>7,751,040</u>
Total net position	<u>\$7,164,100</u>	<u>\$7,751,072</u>

Total assets decreased \$607,764 due mainly to grant income of \$550,000 offset by provision for losses on investments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

Statements of Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Investment income	\$ 22,509	\$ 39,045
Dividend income	8,133	10,000
Interest income on notes receivable	41,500	42,098
Realized gain on sale of investments	—	2,547
Grant income	550,000	370,695
Miscellaneous	<u>500</u>	<u>—</u>
Total operating revenues	622,642	464,385
Operating expenses:		
Salary expense	278,829	268,248
Payroll benefits expense	79,675	78,293
General and administrative expense	89,226	92,938
Write-down of investments	<u>761,884</u>	<u>440,148</u>
Total operating expenses	1,209,614	879,627
Operating loss	(586,972)	(415,242)
Net position at beginning of year	<u>7,751,072</u>	<u>8,166,314</u>
Net position at end of year	<u>\$7,164,100</u>	<u>\$7,751,072</u>

The Fund had an operating loss of \$586,972 for the fiscal year. Operating revenues increased substantially, 34% or \$158,257, primarily due to a \$179,305 increase in grant income. Operating expenses increased 38% or \$329,987, due primarily to an increase on the write-down of investments.

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

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets:		
Cash equivalents (note 2)	\$1,954,852	\$3,036,353
Interest receivable	7,686	14,016
Notes receivable, net of allowance for losses of \$462,390 and \$321,153 in 2016 and 2015 (notes 3 and 5)	—	100,000
Prepaid expense	<u>5,346</u>	<u>1,292</u>
Total current assets	1,967,884	3,151,661
Noncurrent assets:		
Interest receivable	6,079	20,361
Notes receivable (note 3)	437,037	632,474
Investments (note 1)	<u>4,697,525</u>	<u>3,372,326</u>
Total noncurrent assets	<u>5,140,641</u>	<u>4,025,161</u>
Total assets	<u>\$7,108,525</u>	<u>\$7,176,822</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 272	\$ —
Accrued expenses	<u>32,690</u>	<u>12,722</u>
Total current liabilities	<u>32,962</u>	<u>12,722</u>
Total liabilities	32,962	12,722
Commitments (note 4)		
<u>NET POSITION (note 7)</u>		
Unrestricted	<u>7,075,563</u>	<u>7,164,100</u>
Total net position	<u>7,075,563</u>	<u>7,164,100</u>
Total liabilities and net position	<u>\$7,108,525</u>	<u>\$7,176,822</u>

See accompanying notes.

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

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

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Investment income	\$ 23,948	\$ 22,509
Dividend income	55,664	8,133
Interest income on notes receivable	37,923	41,500
Grant income (note 9)	631,700	550,000
Miscellaneous	<u>—</u>	<u>500</u>
Total operating revenues	749,235	622,642
Operating expenses:		
Salary expense	323,589	278,829
Payroll benefits expense	104,194	79,675
General and administrative expense (note 6)	111,108	89,226
Write-down of investments and notes receivable	<u>298,881</u>	<u>761,884</u>
Total operating expenses	<u>837,772</u>	<u>1,209,614</u>
Operating loss	(88,537)	(586,972)
Net position, beginning of year	<u>7,164,100</u>	<u>7,751,072</u>
Net position, end of year	<u>\$7,075,563</u>	<u>\$7,164,100</u>

See accompanying notes.

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Interest received on notes receivable	\$ 25,606	\$ 50,582
Notes receivable originated	(95,800)	(300,000)
Disbursements for investments	(1,240,000)	(685,000)
Principal payments received on notes receivable	—	50,000
Proceeds from sale of investments	40,087	238,041
Other receipts	—	500
Grant income received	631,700	550,000
Dividend income received	55,664	8,133
Investment income received	23,948	22,509
Payments for operating expenses	(203,967)	(170,973)
Payments to employees	<u>(318,739)</u>	<u>(295,580)</u>
Net cash used by operating activities	<u>(1,081,501)</u>	<u>(531,788)</u>
Net decrease in cash equivalents	(1,081,501)	(531,788)
Cash equivalents, at beginning of year	<u>3,036,353</u>	<u>3,568,141</u>
Cash equivalents, at end of year	<u>\$ 1,954,852</u>	<u>\$ 3,036,353</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (88,537)	\$ (586,972)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Write-down of investments	157,644	761,884
Provision for losses on notes receivable	141,237	—
Other	—	32
Changes in assets and liabilities:		
Interest receivable	(12,318)	9,082
Notes receivable	(95,800)	(250,000)
Investments, net	(1,199,913)	(446,959)
Prepaid expense	(4,054)	1,937
Accounts payable	272	(354)
Accrued expenses	<u>19,968</u>	<u>(20,438)</u>
	<u>\$ (1,081,501)</u>	<u>\$ (531,788)</u>

Supplemental disclosure of noncash activities:

During 2016, \$250,000 of net notes receivable and \$32,930 of interest receivable was converted to investments.

During 2015, \$9,262 of accrued interest receivable was transferred to investments and notes receivable, and \$23,570 was transferred from notes receivable to investments.

See accompanying notes.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. Organization and Significant Accounting Policies

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

Authorizing Legislation

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

Purpose of the Fund

The Fund is used to provide capital to small Maine businesses that show potential for high growth and public benefit, but are unable to obtain adequate conventional financing from financial institutions. The State of Maine capitalized the Fund by issuing general obligation bonds. The initial capitalization was \$5,000,000. The Fund received an additional \$1,000,000 of capital in fiscal year 2008 from proceeds of a State of Maine economic development bond 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. Through June 30, 2016, the Fund had not exercised such powers.

Basis of Accounting

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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, 2016 and 2015, 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cost basis	\$6,150,445	\$6,601,539
Carrying value	\$4,697,525	\$3,372,326

The carrying value of \$4,697,525 consists of investments in twenty-three companies, two of which have balances greater than 10% of the Fund's recorded net investment balances. In 2015, the carrying value of \$3,372,326 consisted of investments in twenty-three companies, three of which had 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, otherwise interest income is recorded on a cash basis.

Allowance for Losses on Notes Receivable

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

Operating Revenues and Expenses

Operating revenues include interest earned on notes receivable, investment and dividend income 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, as the grants are expenditure-driven.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Bank deposits	\$ 106,622	\$ 50,748
State of Maine Treasurer's cash pool	<u>1,848,230</u>	<u>2,985,605</u>
	<u>\$1,954,852</u>	<u>\$3,036,353</u>

At June 30, 2016 and 2015, bank deposits had a bank balance of \$107,100 and \$53,615, respectively, and a carrying amount of \$106,622 and \$50,748, 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, 2016 and 2015.

3. Notes Receivable

The following is a summary of notes receivable at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note dated February 2009, interest at 6%, interest accrued until maturity, due June 2012, the note is unsecured. The note is in default.	\$ 100,000	\$ 100,000
Note dated November 2010, interest at 6%, interest accrued until maturity, due June 2012, the note is unsecured. The note is in default.	73,000	73,000
Note dated March 2011, interest at 6%, interest accrued until maturity, due June 2012, the note is unsecured. The note is in default.	25,000	25,000
Note (amended) dated September 2009, interest at 6%, interest accrued until maturity, due June 2012. The note is unsecured. The note is in default.	46,154	46,154
Note dated June 2010, interest at 6%, interest accrued until maturity, due June 2012. The note is unsecured. The note is in default.	77,000	77,000
Note dated January 2013, interest at 8%, interest accrued until maturity, due November 2017. The note is unsecured and was converted to stock in 2016.	—	100,000
Note dated February 2014, interest at 8%, interest accrued until maturity, due July 2017. The note is unsecured.	232,473	232,473
Note dated April 2014, interest at 8%, interest accrued until maturity, due June 2015. The note is unsecured and was converted to stock in 2016.	—	100,000

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

3. Notes Receivable (Continued)

	<u>2016</u>	<u>2015</u>
Note dated September 2014, interest at 5%, interest accrued until maturity, due September 2017. Note is unsecured.	50,000	50,000
Note dated January 2015, interest at 5%, interest accrued until maturity, due January 2020. The note is unsecured. Interest only payments until maturity.	200,000	200,000
Note dated March 31, 2016, interest at 8%, interest accrued until maturity, due March 2021. The note is unsecured.	95,800	—
Note dated April 2015, interest at 10%, interest accrued until maturity, due April 2020. The note is unsecured and was converted to stock in 2016.	<u>—</u>	<u>50,000</u>
	899,427	1,053,627
Allowance for losses	<u>(462,390)</u>	<u>(321,153)</u>
Notes receivable, net	437,037	732,474
Current portion of notes receivable, net	<u>—</u>	<u>(100,000)</u>
Noncurrent portion of notes receivable, net	<u>\$ 437,037</u>	<u>\$ 632,474</u>

The following is the activity in the allowance for losses on notes receivable during the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Allowance for losses on notes:		
Beginning balance	\$ 321,153	\$ 321,153
Provision for losses	<u>141,237</u>	<u>—</u>
Ending balance	<u>\$ 462,390</u>	<u>\$ 321,153</u>

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

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

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June 30, 2016 and 2015

4. Commitments

At June 30, 2016, the Fund did not have any commitments to provide financing to small Maine businesses. The Fund uses the same process in making commitments as it does for actual financing activities. The fund may be subject to audit or other review in conjunction with receiving funds under the State Small Business Credit Initiative (see note 9).

5. Warrants

The Fund has entered into financing agreements with business enterprises containing a provision enabling the Fund to acquire an equity interest in the business through warrants to purchase common stock at a set price in the future. The warrants are generally not exercisable during the four-year period after the issuance date and contain put and call provisions. The warrants are considered a separate investment; however, the Fund has not assigned any value to the warrants at June 30, 2016 or 2015 because there is no market for the warrants and the business enterprises are in the start-up and development phase, and as a result, the value of their common stock and related warrants is impractical to determine.

6. Transactions with the Finance Authority of Maine

The Authority provides certain financial management, legal assistance and legislative liaison services for the Fund. The Authority charges the Fund for services rendered and the fees paid to the Authority are authorized by the Fund's Board. Included in general and administrative expenses in the 2016 and 2015 statements of revenues, expenses and changes in net position, is approximately \$40,000 and \$15,000, respectively, paid to the Authority for such services. Approximately \$11,600 related to these fees is included in accrued expenses at June 30, 2016.

7. Total Net Position

The following schedule presents the components of total net position as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributed capital	\$13,006,767	\$13,006,767
Accumulated deficit	<u>(5,931,204)</u>	<u>(5,842,667)</u>
Total net position	\$ <u>7,075,563</u>	\$ <u>7,164,100</u>

There are no restrictions on net position at June 30, 2016 and 2015. The Fund's unrestricted net position is generally reserved for program related activities.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

8. Risk Management

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

9. State Small Business Credit Initiative

The Fund receives monies under the State Small Business Credit Initiative (SSBCI). SSBCI was established by the *Small Business Act of 2010*. The Fund is an approved “participating State program” under SSBCI. The Fund will have in total a minimum of \$3,000,000 available for capital investment under this program. The Fund recorded \$631,700 and \$550,000 of revenue related to SSBCI for the years ended June 30, 2016 and 2015, 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.

10. Subsequent Events

On July 8, 2016, the Fund sold all of its shares related to an investment with a carrying value of \$76,500 for proceeds of \$278,950.

On September 2, 2016, the Fund sold all of its shares related to an investment with a carrying value of \$300,000 for proceeds of \$744,243.

The above will be reflected as realized gains in the Fund’s 2017 financial statements.

ADDITIONAL INFORMATION

Year Ended June 30, 2016

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