

MAINE STATE LEGISLATURE

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Maine Venture Fund[♦]
2017 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, Commerce, Research and Economic Development
Senator Amy Volk, Senate Chair
Representative Ryan Fecteau, House Chair

From: Blaine Grimes, Chair
John Burns, Managing Director

Date: December 20, 2017

Re: Periodic Report for Fiscal Year 2017

Maine Venture Fund (“MVF” or “Fund”) was established through legislation in 1997 as the Small Enterprise Growth Fund (Maine Venture Fund is the dba name for the Fund). The Fund was created to address the paucity of risk capital in Maine for early stage companies that 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 Board). Maine companies in which the fund invests are those that are typically 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 **2017 Periodic Report** as required by 10 M.R.S.A., §388(1), providing a detailed review of the Fund’s activities, status and successes.

Maine Venture Fund has had a financially strong year as compared to prior years and as consistent with the nature of our work, during the fiscal year, Maine Venture Fund was pleased to see four of its portfolio companies have “exit, or liquidity, events”, that is, company sales or recapitalization events that returned capital to investors in those companies. Additionally, and equally important, is that all four companies remain in Maine and now have even larger expansion and growth plans which will contribute in even greater measure to the prosperity of Maine. The four companies are:

- **Certify, Inc.** A 120 employee company acquired by a CA-based private equity firm. The acquirer is rolling three other companies into Certify turning this into a 180+ employee company with offices in eight U.S. cities but headquartered and managed from Maine;
- **Coast of Maine Organic Products, Inc.** This company, which has its production operations in Washington County, was recapitalized by a private equity company which plans to significantly expand Coast of Maine’s market reach and revenues.
- **Interspec, Inc.** This company sold to a strategic investor which moved some jobs from its other locations to South Portland.

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

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- **Looks Gourmet Food Company, Inc.** Located in Washington County, this company was sold to a strategic vendor in a move that will increase Looks product offerings, reduce its costs, and expand its market geography.

This was an exceptional year. The Fund realized a double digit annual rate of return on three of the four investments. The positive return on the fourth was a particularly satisfying outcome given the Fund's intervention to turn around a struggling company. The capital returned from these investments, almost \$5 million, is now back in the fund and being invested in other promising scalable Maine companies. These successful exits underline the beneficial economic impact that Maine Venture Fund can have while still providing a return on the State's investment.

In terms of overall investments in fiscal 2017, the Fund invested a total of \$1,121,333 in FY17, which included:

Initial investments totaling \$358,333 in two new companies:

1. *CourseStorm, Inc.*, a SAAS company that provides informal, noncredit, education organizations with an online class catalog, registration and marketing platform. The company is focused on STEAM (Science, Technology, Engineering, Arts & Math) educational programs;
2. *NBT Solutions, LLC*, a ten-year old company that has pivoted to offering a SaaS product, *Vetro Fiber Map*, a cutting-edge platform for ISP's and other service providers that build and manage fiber optic networks and other distributed technology.

Follow-on investments totaling \$763,000 in five existing portfolio companies:

1. *Academic Merit, LLC*, developer of *FineTune*, a cloud-based learning platform that combines high quality content, sound pedagogy, and advanced data analytics to promote student learning and teacher – student interaction and impact;
2. *Cerahelix, Inc.*, developers of energy-saving membrane technology that provides high purity under harsh conditions;
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. *R.E.D.D., Inc.*, developer of a healthy, gluten free, delicious energy bar.

As the data shows, 2017 was a year in which tangible success was realized from the years of cumulative work, effort, and growth of these companies. It was also a year in which MVF made significant follow-on investments in additional companies with good promise of future success.

Subsequent events:

In the balance of calendar 2017, from July 1, 2017 to December 31, 2017, the Fund invested an additional \$232,938, all were

¹ Please view *Maine Venture Fund Investment Activities – FY15 (7/1/16 – 6/30/17)* for further investment details.



follow-on investments: \$82,138.21 for additional purchases of equity in Redd, Inc., developer of energy bars; \$112,500 in Maine Craft Distilling, Inc., a “farm to flask” distillery; and \$38,300 in 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.

Current Status:

Capital returned from the aforementioned exits, plus \$5 million that will come from the sale of a State economic development G.O. bond sometime next year, have put the Fund into a strong position to be able to take advantage of new investment opportunities. In addition, there are twenty active, promising companies which remain in the MVF portfolio.

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

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

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

In this coming Legislative session, our management and Board look forward to continuing the discussion with you about LD 1613 – *An Act to Authorize a General Fund Bond Issue to Assist in the Commercialization of Maine Products and Services*. Included in this \$50 million bond proposal would be \$10 million for the Maine Venture Fund Board to create the *Chamberlain Fund*, a fund which would be managed by an experienced team and would co-mingle private capital (at least \$10 million) with the State capital. This larger pool of capital would allow for larger investments and perhaps investments in somewhat later stage companies, providing even more impact and resource for Maine’s entrepreneurial and scalable company ecosystem.

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. Following are some of the highlights:

- As of June 30, 2017, Maine Venture Fund has 25 portfolio companies that employ approximately 709 FTEs, primarily in high wage, high benefit jobs in growth companies. Since 1997, Maine Venture Fund portfolio companies have

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created over 10,000 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies.

- Maine Venture Fund's successful execution of its mission over the years led FAME to allocate at least 1/3rd of the \$13 million SSBCI funds to MVF for deployment beginning midway 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 has expired, but the remaining capital (about \$2 million) is available for investment in Maine companies until it is exhausted.
- Maine Venture Fund plays a key role in Maine's research & development (R&D) continuum from research to commercialization. Many companies that have successfully leveraged Maine Technology Institute ("MTI") and Maine Economic Improvement Fund ("MEIF") grants and loans are often not ready for traditional venture capital. Maine Venture Fund plays a critical role in filling that gap, helping to continue to shepherd those most promising companies. A recently launched series of MVF webinars brings guidance and expertise to portfolio companies, prospect companies, and companies at very early stages. MVF provided ongoing mentoring and eventual investments in *Academic Merit (Portland)*, *Coursestorm (Orono)*, *Maine Craft Distilling (Portland)*, and *NBT Solutions (Portland)*. These are prime examples of how MVF fits into the R&D continuum. A Maine Venture Fund investment complements and protects the investment of earlier investors like MTI (and ecosystem mentors, incubators and accelerators) by aiding their successful investments to raise additional capital to continue to grow: i.e., avoid stranded MTI investments.
- Since 1997, Maine Venture Fund has catalyzed over an additional \$154 million in outside capital invested in its portfolio companies. Our investments, paired with the appropriate guidance, position companies to be successful in raising larger investments from additional professional investors, often from outside the State. The absence of this local infrastructure would result in many entrepreneurs not getting the funds needed to launch, or pursuing their ideas outside the State.
- Maine Venture Fund's mission and purpose are as critical now as when the Fund was created. Sources of risk capital for Maine companies continue to be very limited. One of the critical functions of Maine Venture Fund is its ability to leverage and attract private capital to invest alongside. Historically, \$8 has been invested by private capital providers for each \$1 invested by Maine Venture Fund.
- Maine Venture Fund works to create linkages to capital providers in and outside of Maine in an effort to bring more attention to Maine-based opportunities. Management and the Board cultivate and maintain relationships with early stage venture capital funds, angel groups, and other investment professionals throughout northern New England. MVF often negotiates terms of investment with companies, providing a framework and catalyst for other investors to invest alongside with confidence that the security which they are purchasing is well structured and appropriately researched. Maine Venture Fund is an affiliate member of the national Angel Capital Association and an active member of the New England chapter.

Maine Venture Fund is an essential part of the continuum of support, along with Maine Technology Institute, Finance

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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,

Blaine Grimes

Blaine Grimes
Chair
Maine Venture Fund Board

John F. Burns

John F. Burns
Managing Director
Maine Venture Fund

Digital Copies Will Be Sent To:

Paul R. LePage, 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
Sen. James Hamper, Chair, Appropriations and Financial Affairs
Rep. Drew Gattine, Chair, Appropriations and Financial Affairs

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About Maine Venture Fund (“MVF”)

Mission:

The mission of the Fund is

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

Governance:

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

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

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

The function of the Board is to:

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

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

History:

The Small Enterprise Growth Fund, now doing business as Maine Venture Fund (“Fund” or “MVF”), is the State of Maine’s venture capital fund. It was created by statute in the 117 Maine Legislature in 1996, and through FYE 2017, 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 \$4.3 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, 2017, the end of FY17, the Fund invested \$19,314,161 in 62 Maine companies and had a portfolio of 25 companies. By the end of the 2017 calendar year, the Fund estimates it will have reached just over a total of \$19.6 million in investments in 62 Maine companies.

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

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

1. ***Hyperlite Mountain Gear, Inc.*** - 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. ***NBT Solutions, Inc.*** NBT had been in existence for about ten years as a consulting and fee for service provider of mapping services. Over the last few years, based on client demand, NBT build a product that provided great value to its core market and is able to be delivered via the cloud using a Software as a Service model (SaaS). Maine Venture Fund has known of and been following NBT's transition to a product based company and offering guidance and mentoring along the way. When the product was past alpha and beta stages and ready for commercial clients, NBT looked to MVF as a lead investor. After a thorough due diligence process, MVF and NBT agreed on a structure and terms of investment, and a broad number of co-investors also agreed to purchase NBT's securities under that structure. 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.



Summary of FY 2017 MVF Investments (7/1/16 - 6/30/17)

Date of Investment	Company Name	Location	Security	Source of Funds	Investment	# of FTEs	Type
07/01/16	Cou seS o m, c	O o o	Se es A efe ed S ock	SSBC	\$ 65,000	5.75	New ves me
07/08/16	Ce a e x, c	O o o	Co ve be No e	SSBC	\$ 00,000	9	o ow O
04/06/17	Redd, c	o a d	Se es A- efe ed S ock	SSBC	\$ 00,000	4	o ow O
04/07/17	Academ c Me LLC	o a d	Se es Seed efe ed Mb s p U s	SSBC	\$ 50,000	6	o ow O
05/09/17	Ocea App oved, c	o a d	Se es A efe ed S ock	SEG /SSBC	\$ 00,000	3	o ow O
06/09/17	M geA ay cs, c	Sou a s	Te m No e	SSBC	\$ 25,000	2	o ow O
06/05/17	Ce a e x, c	O o o	Se es B efe ed S ock	SSBC	\$ 00,000		o ow O
06/23/17	NBT Sou o s LLC	Ba go	Se es A Co v efe ed S ock	SSBC	\$ 93,333	3.25	New ves me
06/29/17	ka E e gy, c	Go am	Co ve be No e	SEG	\$88,000	20	o ow O
<i>Total SEGF Funds Invested</i>					\$ 3,000		
<i>Total SSBCI Funds Invested</i>					\$,008,333		
<i>FY17 Grand Total Investments</i>					\$1,121,333		

Subsequent MVF Investment Activities - FY18 YTD (7/1/17-12/31/17)

Date of Investment	Company Name	Location	Security	Source of Funds	Investment	# of FTEs	Type
08/07/17	Redd, c	o a d	Se es A- efe ed S ock	SEG	\$82,382		o ow O
08/23/17	Ma eC af Ds g LLC	ee po	Se es Seed efe ed Mb s p U s	SSBC	\$ 2,500	2	o ow O
10/03/17	O o oSpec a Sou o s, c	Ba go	Co ve be No e	SSBC	\$38,300	3	o ow o
12/30/17	NBT Sou o s, c	o a d	Co ve be No e	SEG	\$56,667		o ow o
<i>Total SEGF Funds Invested</i>					\$ 38,805		
<i>Total SSBCI Funds Invested</i>					\$ 50,800		
<i>FY18 Grand Total Investments as of 12/31/17</i>					\$289,605		



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.

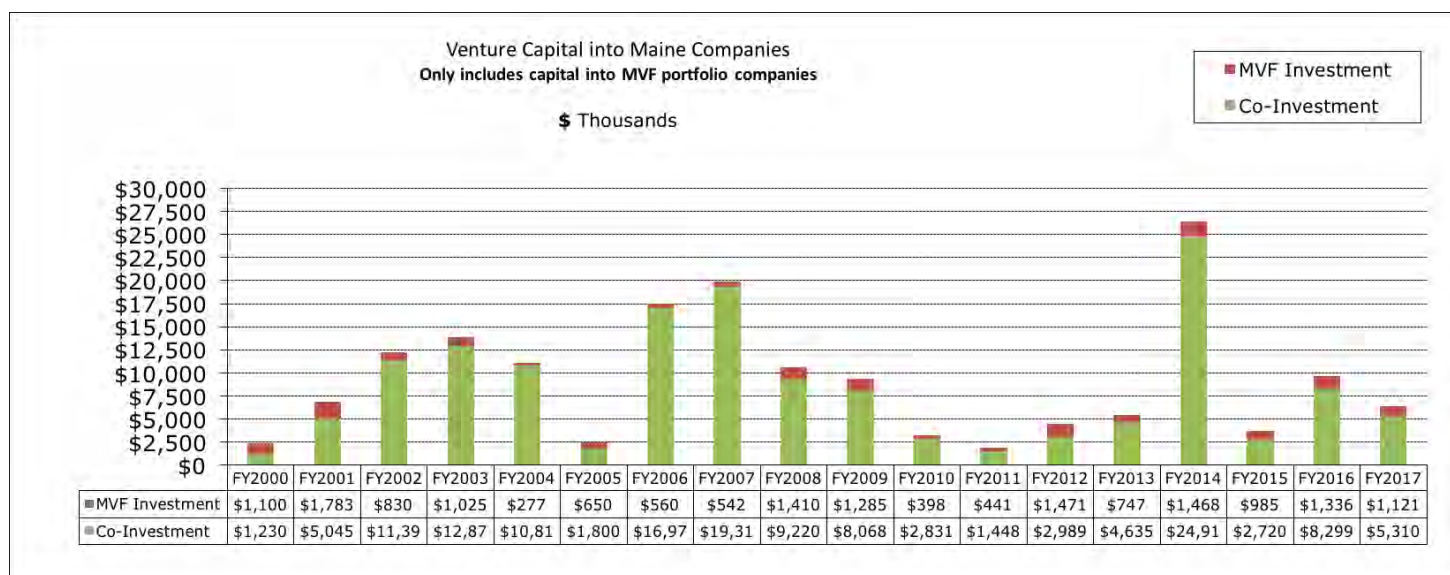
#1 Co-Investment

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

In FY17, MVF invested over \$1.1 million in eight Maine companies with an average investment of \$140,167 per company, accompanied by additional venture capital and angel investments of over \$5.3 million.

As of December 31, 2017, MVF will have invested a total of over \$19.6 million in 62 Maine companies with an average investment of \$312,000 per company and has catalyzed over \$154 million in additional venture capital and angel investment into Maine companies.

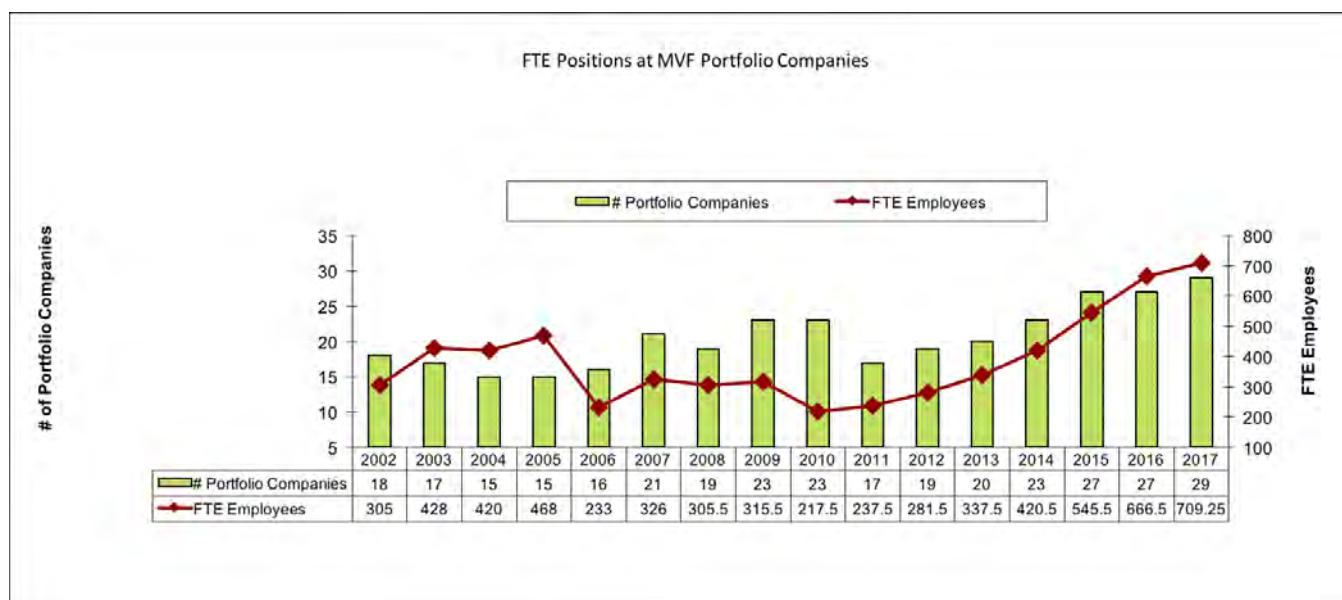
For every \$1 invested by the Maine Venture Fund an additional \$8 is invested in Maine companies.



#2 Job Creation

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

- *Since 1997, MVF portfolio companies are estimated to have created over 10,000 job-years, which are calculated as the cumulative of one job for one year for FTE employees for all portfolio companies.*
- *In calendar year 2017, MVF portfolio companies employed approximately 709 people, provided internship opportunities for a summer intern from the Tuck School of Business at Dartmouth, and facilitated teams of Babson MBA students and Innovate for Maine (University of Maine) interns working with MVF portfolio companies.*



#3 Intellectual Property

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

■ **Licensing Agreements:**

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

■ **Patents & Patent Applications:**

- **Aiko BioTechnology** - Primary US patent 6,713,488 entitled "Neutral Antagonists and the Use Thereof in Treating Drug Abuse" - issued 3/30/04 w/protection until 2020; Claim 25: "A method of alleviating adverse effects associated with 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 moves toward commercialization.



#4 Network Building

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

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

Memberships, Affiliates, & Co-Investors

ANGEL CAPITAL ASSOCIATION

<http://www.angelcapitalassociation.org>



www.mitc.com



www.ceimaine.org



www.maineangels.org



www.mced.biz



www.maineotechnology.org



www.econdev.com



www.famemaine.com



#5 Portfolio Returns

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

- *With the \$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 \$19.6 million dollars in over 62 Maine companies and paid for 21 years of Fund operations to date.*

--See next page for Returns table--



MVF Portfolio Company	Industry	Date of Investment	Investment Amount	Capital Returned to MVF	Rate of Return	Type of Exit
Angela Adams LLC	Consumer Products	10/2002	\$400,000	\$600,000	IRR: 15%; 1.5X investment	Stock buyback
Anodyne Health Systems, Inc.	Healthcare Services	8/2006	\$425,000	\$944,886	IRR: 35.4%; 2X investment	Acquired by athenahealth, Inc. (NASDAQ: ATHN), and AdvantEdge
Bourgeois Guitars LLC	Luthiers	5/2001	\$16,000	\$17,182	IRR: 10%	Repayment of Note
Capricorn Products, Inc.	Medical device supply	10/1998	\$150,000	\$213,834	IRR: 8%; 1.4X investment	Repayment of Note
Certify Inc.	Business Expense Management Software	8/2009	\$500,000	\$3,061,906	IRR: 38.0%; 6.05X investment	Acquired by Nexonia Investors, LLC
Coast Of Maine Organic Products, Inc.	Soil amendments	4/2000	\$85,000	\$393,587	IRR: 10.1%; 4.1X investment	Acquired by Gemini Investors
Common Census, Inc.	Insurance Software	12/1999	\$500,000	\$810,250	IRR: 6.7%	Conversion of Equity to Note followed by Repayment of Note
ComNav Engineering, Inc.	Electronics Manufacturing	1/1998	\$150,000	\$237,356	IRR: 2%; 1.6X investment	Repayment of Note
Interspec. Inc	Architecture & construction software	6/2001	\$200,000	\$251,000	IRR: 1.4%; 1.25X investment	Acquired by Arcom, Inc
Looks Gourmet Food Company, Inc.	Premium seafood products	4/2007	\$300,000	\$754,150	IRR: 10.1%; 2.5X investment	Acquired by SeaWatch, Inc
Phytex LLC	Specialty Chemicals	9/2001	\$150,000	\$195,945	IRR: 29%; 1.33X investment	Partner buyout of SEGF
RecruiterNet, Inc.	Software	6/2001	\$250,000	\$1,961,294	IRR: 63%; 8X investment	Acquired by First Advantage (NASDAQ: FADV)
RedZone Wireless, Inc.	Internet	12/2008	\$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: 16

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 (Note) - *since converted*

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

June 2015: \$228,666.74, *converted Notes/Interest to
Equity*

Total Cost: \$200,000

Total other capital raised: \$625,000

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: 6

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

April 2017: \$150,000

Total Cost: \$350,000

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

Company Overview

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

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



AIKO Liquidating Trust

Drug discovery leading to increased safety and efficacy of opioids

Website: www.aikobiotech.com

Location: Portland, ME

ME Employees: 0

Management Team

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

Other Major Co-Investors

Individuals

Other State of Maine support

Maine Seed Capital Tax Credit Program ("MSCTC")

Maine Technology Institute ("MTI") Development Loan

MVF Investments

December 2009: \$75,000

Total other capital raised: \$395,000

Company Overview

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



Blue Tarp, Inc.

B2B credit management

Website: www.bluetarp.com

Location: Portland, ME

ME Employees: 123

Management Team

Scott Simpson, President & CEO

Shawn Cunningham, COO

Will Porter, CFO

Other Major Co-Investors

Coastal Ventures II ("CVII")

Flybridge Capital Partners

Highland Capital Partners

Little Diamond Island Enterprises

Long Ridge Equity Partners

Spicewood Investment Partners

Trinity Ventures

Village Ventures Partners Fund

Other State of Maine support

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: 9

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 (Note) - since converted

February 2016: \$54,263.89, *converted Note/Interest to equity*

February 2016: \$75,000

November 2016: \$100,000

June 2017: \$100,000

Total Cost: \$450,000

Total other capital raised: \$1,416,000

Company Overview

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



Aquired by K1 Investment Mgmt, May 2017

Certify, Inc.

Travel, expense and invoice made easy

Website: www.certify.com

Location: Portland, ME

ME Employees: 118

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

May 2017: Company aquired. Return to MVF \$3,561,906

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 a license and royalty agreement with Alere (NYSE: ALR) for the worldwide manufacture and distribution of tests for the rapid detection of Mycobacterium, the primary 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: 2

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.

**CourseStorm, Inc.**

Class registration software that's impossibly simple

Website: www.coursestorm.com

Location: Orono, ME

ME Employees: 6

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

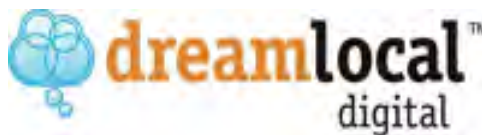
October 2016: \$165,000

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 LLC**

Social media strategy and management

Website: www.dreamlocal.com

Location: Rockland, ME

ME Employees: 29

Management Team

Shannon Kinney, CEO

Other Major Co-Investors

Maine Angels Members

Individual Investors

Other State of Maine support

MSCTC

MTI seed grants

Maine Accelerates Growth focus company

MVF Investments

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

May 2017: \$258,071.44, converted Note/Interest to equity

Total Cost: \$258,071.44

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

Company Overview

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



The Gelato Fiasco, Inc.

Gelato. Inspired by Italy. Perfected in Maine

Website: www.gelatofiasco.com

Location: Brunswick, ME

ME Employees: 47

Management Team

Joshua Davis, Founder & CEO

Bruno Tropeano, Founder

Other Major Co-Investors

CEI Ventures

Individual Investors

Other State of Maine support

None

MVF Investments: \$200,000 - Note

Total Cost: \$200,000

Total other capital raised: \$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: 47

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: \$1,595,000

Company Overview

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



Acquired by Alpine Investors, LP., Jan. 2017

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

Note: Compay acquired; Return to MVF \$232,562 with an additional approximately \$13,000 returned in December 2017

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., Sept. 2016

Looks Gourmet Food Company, Inc

Bar Harbor and Atlantic brand seafood; authentic specialty seafood

Website: www.barharborfoods.com

Location: Whiting, ME

ME Employees: 29

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: Company acquired; Return to MVF 754,150

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: 12

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

August 2017: \$112,500

Total Cost: \$378,500

Total other capital raised: \$1,689,214

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, Inc.

An industry leader in Medicare reporting

Website: mingleanalytics.com

Location: South Paris, ME

ME Employees: 54

Management Team

Dan Mingle, Founder, CEO

Kash Basavappa, COO

Richard Clark, CFO

Other Major Co-Investors

CEI Ventures

Maine Angels members

Boston Millennial Partners

Individuals

Other State of Maine support

MSCTC

MVF Investments

April 2016: \$95,800

June 2017: \$125,000

Total Cost: \$220,800

Total other capital raised: \$950,000

Company Overview

Mingle is a software and consulting company focused on efficiency and profitability of physician offices.



NBT Solutions LLC

SAAS GIS enabled software

Website: www.nbtsolutions.com

Location: Portland, ME

ME Employees: 16

Management Team

Will Mitchell, Founder & CEO

Sean Myers, Founder & COO

Other Major Co-Investors

Individual investors

Other State of Maine support

MSCTC

MVF Investments

June 2017: \$193,333

Total Cost: \$193,333

Total other capital raised: \$806,667

Company Overview

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

**Nyle Systems LLC**

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

Website: www.nyle.com

Location: Brewer, ME

ME Employees: 43.5

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 Nyle's manufacturing is conducted in Brewer, Maine

**Ocean Approved, Inc.**

Fresh, frozen kelp from Maine

Website: www.oceanapproved.com

Location: Portland, ME

ME Employees: 3

Management Team

Paul Dobbins, Founder & CEO

Other Major Co-Investors

Coastal Ventures

Island Institute

Individuals

Other State of Maine support

MSCTC

MVF Investments

April 2016: \$100,000

May 2017: \$100,000

Total Cost: \$200,000

Total other capital raised: \$664,000

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: 3

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

November 2017: \$38,300

Total Cost: \$363,300

Total other capital raised: \$636,000

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.pika-energy.com

Location: Westbrook, ME

ME Employees: 20

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 2013: \$150,000

October 2013: \$67,924

June 2014: \$53,167

February 2016: \$100,000

June 2017: \$88,000

Total Cost: \$459,091

Total other capital raised: \$7,270,221

Company Overview

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



R.e.d.d., Inc.

Superfood energy bars

Website: www.reddbar.com

Location: Brunswick, ME

ME Employees: 4

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

April 2017: \$100,000

August 2017: \$82,138.21

Total Cost: \$306,138

Total other capital raised: \$2,802,134

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: 87

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: \$3,950,000

Company Overview

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



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 2017, from July 1, 2016 to June 30, 2017, the Board and Management Team screened eleven 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 2017, the Board appointed Blaine Grimes, Chair; Tim Agnew, Vice Chair and Theresa Hodge, Treasurer for fiscal year 2018.

Board composition as of December 2017:

- **Blaine S. Grimes, Chair**, 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.



- ❑ **Timothy P. Agnew, Vice Chair**, is a Principal at Masthead Venture Partners, a venture capital firm located in Cambridge and Portland. Prior to joining Masthead, Mr. Agnew was the Chief Executive Officer of the Finance Authority of Maine from 1988 to 1999. He is an officer of the Board of the Portland Development Corporation and is a member of the Maine Angels. He is a past Chair of the Maine Technology Institute. Mr. Agnew is a graduate of the University of Virginia School of Law and Vassar College.

- ❑ **Theresa B. Hodge, Treasurer**, 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.

- ❑ **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.

- ❑ **Corson “Corky” Ellis** was Founder, Chairman and CEO of *Kepware Technologies* (www.kepware.com), a Portland company that writes industrial communications software for the factory, Smart Grid, and building automation and oil and gas sector, until the sale of Kepware to PTC in 2016. Mr. Ellis is very involved in technology economic development in Maine. He is a board member of the Maine Center for Entrepreneurial Development and the Gulf of Maine Research Institute. Mr. Ellis graduated from Amherst College and received a Masters in Business Policy degree from Columbia University.
- ❑ **Thomas J. Dunne** was a Partner at Accenture, the management consulting firm, primarily focusing on the financial services industry. Upon retiring in 2003, Mr. Dunne has served as an advisor to several Maine businesses ranging from start-ups to mature mid-size and was one of the start-up founders of Maine Seafood Ventures, a lobster processing enterprise. Mr. Dunne, for many years, has been a volunteer/consultant for many Maine organizations. Activities include acting as Executive Director of *Dirigo Health Agency* in 2003, serving as Adjunct Professor at *USM-Muskie Graduate School* in 2005, acting as Executive Director of *Ingraham* in 2006, and consultant to several non-profit organizations on a range of initiatives such as strategic planning, sales and marketing improvements, business expansion, executive succession and merger assessments. Mr. Dunne is a member of Hub Angels, a Boston based investment group. Mr. Dunne is a graduate of S.U.N.Y. College at Geneseo receiving a B.A. in Economics and received his M.B.A. from The Amos Tuck School, Dartmouth College.
- ❑ **John Murray** is Director of Sales & Marketing at Progress Engineering in Manchester, Maine, an electrical engineering company and systems integrator of advanced manufacturing control systems. Previously he held several senior management roles in sales and operations management within the industrial automation and controls industry. John has been involved in several startup companies, including a .com and his own company, PID Inc., an industrial controls supplier, which he formed in 1984 and sold in 1999. Mr. Murray is a graduate of the University of Dayton (B.S. Business Administration) and Southern New Hampshire University (M.B.A.).
- ❑ **Christopher S. Pizey** has held various management positions, over the past twenty years, involving computing technologies, interactive media and new business development. While at *Andrews McMeel Universal*, Mr. Pizey led corporate new media ventures, including the founding of *uclick LLC*. While CEO of *uclick* he engineered new business initiatives including digital content syndication, web publishing, wireless content licensing and distribution deals with over 300 of the web’s premier publishers, portals and mobile phone networks. Mr. Pizey recently returned home to Maine where he is assisting his family’s business, *Hissong Development Corp.*, to grow their real estate development and construction businesses to include heavy construction materials and services, such as ready-mix concrete and aggregates.
- ❑ **Brian Whitney**, the Department of Economic and Community Development ("DECD") *ex officio* board member, is President of the Maine Technology Institute, a publicly financed, private, nonprofit organization established to 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

With 32 years of institutional investing experience, the last 17 as Maine Venture Fund Managing Director, John has been directly involved with bringing risk capital to more than 50 Maine companies, and has led the Fund through a number of successful exits. A CFA holder and MBA graduate of Babson College, John served prior as Second Vice President and Portfolio Manager for UNUM Corporation, where he managed domestic and international portfolios.

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

◆ Desmond “Des” FitzGerald, Entrepreneur in Residence

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.

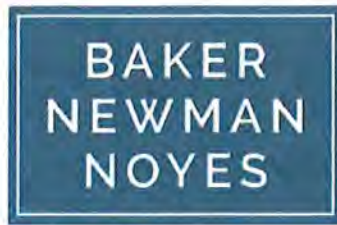
◆ Jayme Okma Lee, Investment Manager

Jayme 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, 2017 and 2016

**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, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As explained in note 1, the financial statements include investments in small businesses valued at \$4,525,125 (42% of net position) and \$4,697,525 (66% of net position) at June 30, 2017 and 2016, respectively, which are not actively traded and whose carrying values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

Other Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter – Supplementary Information

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

Baker Newman & Hoyle LLC

Portland, Maine
October 23, 2017

**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, 2017 and 2016

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, 2017 and 2016. 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 2017 Highlights

- Maine Venture Fund (MVF or Fund) invested just over \$1.12 million into eight Maine companies in FY17, two of which were new to the portfolio and six receiving follow-on investments. In FY16, the Fund invested \$1.34 million in nine Maine companies.
- MVF is a partner with the Finance Authority of Maine (FAME) in its contract with the U.S. Treasury Department's State Small Business Credit Initiative (SSBCI). This program began in December 2011. Since then, the Fund has invested a grand total of \$4,117,844 of SSBCI funds including \$1,008,333 in FY17. Both companies new to the portfolio were beneficiaries of SSBCI investment. MVF provides quarterly and annual investment reporting to FAME which, in turn, reports to the U.S. Treasury Department. \$631,700 of SSBCI money was invested by MVF in FY16.
- MVF invested a total of approximately \$113,000 from "core" funds in two existing portfolio companies as follow-on funding, and, in a third portfolio company, converted a Note with a principal and accrued interest balance of \$258,071, originated in 2014, into preferred equity.

**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, 2017 and 2016

- The Fund had four successful exits in FY17:
 - **Coast of Maine Organic Products, Inc.** (July 2016)
Original investment - \$85,000 April 2000
The preferred stock carried a dividend rate of 3% and Coast paid accrued dividends in September 2015 totaling \$39,752 and quarterly dividend payments of \$638 thereafter through June 2016. In July 2016, Coast was recapitalized with an investment from Gemini Investors. MVF converted its Series A Preferred Shares to Common and sold all for proceeds of \$298,950 at closing. \$150,000 of the total \$6 million purchase price was held back for 90 days for inventory adjustments after which the Fund received its pro rata share in December 2016 of \$10,345. \$600,000 is being held for 18 months (until December 2017) as an indemnity escrow, after which, if no adjustments, the Fund will receive its pro rata share of approximately \$42,500.
 - **Looks Gourmet Food Company, Inc.** (September 2016)
Original investment - \$300,000 August 2007
Looks Gourmet Food Company was purchased by Sea Watch International in September 2016. MVF converted its Series B Preferred to Common and sold all of its shares for proceeds of \$742,951. \$250,000 of the \$10 million purchase price was held back for the buyer to use to address certain issues at the Looks Plant and, in March 2017, the Fund received its pro rata share of the funds remaining, \$11,199.
 - **InterSpec, Inc.** (January 2017)
Original investment(s) - \$200,003 June 2001 – January 2004
InterSpec, Inc. was purchased by Arcom (MasterSpec®) in January 2017. MVF received \$232,562. Seven percent of the Fund's distribution is being held in an escrow account for 12 months, \$17,504 to be received in January 2018.
 - **Certify, Inc.** (May 2017)
Original investments - \$500,000 August 2009 – April 2014
Certify, Inc. was recapitalized with an investment from K1. MVF sold 100% of its shares for proceeds of \$3,024,683. Ten percent of the Fund's distribution is being held in escrow for 12 months until May 2018.
- Co-investors invested nearly \$5.92 million alongside just over the \$1.12 million invested by MVF for a 5.3:1 ratio. The co-investment ratio in FY16 was 6.2:1 on the funds \$1.34 million of investment.
- According to the Fund's internal tracking, portfolio companies employed 654 full-time equivalent people as of June 30, 2017, holding steady from the prior fiscal year end.
- MVF receives a semiannual dividend payment from one of its portfolio companies and a quarterly interest-only payment from another.
- The Fund's Board of Directors, the Small Enterprise Growth Board ("SEGB"), and its Management Team continue to use its Strategic Business Framework to guide strategic direction, and, in FY17, developed even more focused tactical initiatives that align with the Strategic Business Framework. The Board and Management Team, throughout FY16 and FY17, worked together to implement most tactical initiatives, although some are still in process.

**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, 2017 and 2016

- 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>.

Financial Information

Statements of Net Position

	<u>2017</u>	<u>2016</u>
Assets:		
Cash equivalents	\$ 5,667,968	\$ 1,954,852
Interest receivable	21,269	13,765
Notes receivable, net	608,826	437,037
Investments	4,525,125	4,697,525
Prepaid expense	<u>4,704</u>	<u>5,346</u>
Total assets	<u>\$10,827,892</u>	<u>\$7,108,525</u>
Liabilities:		
Accounts payable	\$ 736	\$ 272
Accrued expenses	<u>51,528</u>	<u>32,690</u>
Total liabilities	52,264	32,962
Net Position:		
Unrestricted net position	<u>10,775,628</u>	<u>7,075,563</u>
Total net position	<u>\$10,775,628</u>	<u>\$7,075,563</u>

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

**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, 2017 and 2016

Statements of Revenues, Expenses and Changes in Net Position

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

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.
- 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.

**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, 2017 and 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>

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, 2017 and 2016

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)**

STATEMENTS OF NET POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash equivalents (note 2)	\$ 5,667,968	\$1,954,852
Interest receivable	9,537	7,686
Prepaid expense	<u>4,704</u>	<u>5,346</u>
Total current assets	5,682,209	1,967,884
Noncurrent assets:		
Interest receivable	11,732	6,079
Notes receivable, net of allowance for losses of \$371,153 and \$462,390 in 2017 and 2016 (notes 3 and 5)	608,826	437,037
Investments	<u>4,525,125</u>	<u>4,697,525</u>
Total noncurrent assets	<u>5,145,683</u>	<u>5,140,641</u>
Total assets	<u>\$10,827,892</u>	<u>\$7,108,525</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 736	\$ 272
Accrued expenses	<u>51,528</u>	<u>32,690</u>
Total current liabilities	<u>52,264</u>	<u>32,962</u>
Total liabilities	52,264	32,962
Commitments (note 4)		
<u>NET POSITION (note 7)</u>		
Unrestricted	<u>10,775,628</u>	<u>7,075,563</u>
Total net position	<u>10,775,628</u>	<u>7,075,563</u>
Total liabilities and net position	<u>\$10,827,892</u>	<u>\$7,108,525</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Investment income	\$ 11,446	\$ 23,948
Dividend income	14,073	55,664
Interest income on notes receivable	43,240	37,923
Realized gains on sales of investments	3,238,591	—
Grant income (note 9)	<u>1,009,981</u>	<u>631,700</u>
Total operating revenues	4,317,331	749,235
Operating expenses:		
Salary expense	350,842	323,589
Payroll benefits expense	111,551	104,194
General and administrative expense (note 6)	92,308	111,108
Write-down of investments	<u>62,565</u>	<u>298,881</u>
Total operating expenses	<u>617,266</u>	<u>837,772</u>
Operating income (loss)	3,700,065	(88,537)
Net position, beginning of year	<u>7,075,563</u>	<u>7,164,100</u>
Net position, end of year	<u>\$10,775,628</u>	<u>\$7,075,563</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Interest received on notes receivable	\$ 10,140	\$ 25,606
Notes receivable originated	(313,026)	(95,800)
Disbursements for investments	(808,334)	(1,240,000)
Proceeds from sale of investments	4,323,594	40,087
Grant income received	1,009,981	631,700
Dividend income received	14,073	55,664
Investment income received	11,446	23,948
Payments for operating expenses	(210,740)	(203,967)
Payments to employees	<u>(324,018)</u>	<u>(318,739)</u>
Net cash provided (used) by operating activities	<u>3,713,116</u>	<u>(1,081,501)</u>
Net increase (decrease) in cash equivalents	3,713,116	(1,081,501)
Cash equivalents, at beginning of year	<u>1,954,852</u>	<u>3,036,353</u>
Cash equivalents, at end of year	<u>\$ 5,667,968</u>	<u>\$ 1,954,852</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 3,700,065	\$ (88,537)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Provision for losses on notes receivable	25,000	141,237
Write-down of investments	37,565	157,644
Realized gain on sale of investment	(3,238,591)	—
Changes in assets and liabilities:		
Interest receivable	(33,103)	(12,318)
Prepaid expense	642	(4,054)
Notes receivable	(313,025)	(95,800)
Investments, net	3,515,261	(1,199,913)
Accounts payable	464	272
Accrued expenses	<u>18,838</u>	<u>19,968</u>
	<u>\$ 3,713,116</u>	<u>\$ (1,081,501)</u>

Supplemental disclosure of noncash activities:

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

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

See accompanying notes.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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, 2017, 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, 2017 and 2016

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, 2017 and 2016, the Fund's cash equivalents consisted of amounts held in the State of Maine Treasurer's cash pool and bank deposits.

Investments

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cost basis	\$ <u>6,131,847</u>	\$ <u>6,150,445</u>
Carrying value	\$ <u>4,525,125</u>	\$ <u>4,697,525</u>

The carrying value of \$4,525,125 consists of investments in twenty-two companies, one of which has a balance of \$500,000 which is greater than 10% of the Fund's recorded net investment balances. In 2016, the carrying value of \$4,697,525 consisted of investments in twenty-three companies, two of which had collective balances of \$1,000,000 which is greater than 10% of the Fund's recorded net investment balances.

During 2017, the Fund sold investments in four companies with an aggregate cost of \$1,085,003 and realized a gain of \$3,238,591.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Bank deposits	\$ 152,626	\$ 106,622
State of Maine Treasurer's cash pool	<u>5,515,342</u>	<u>1,848,230</u>
	<u>\$5,667,968</u>	<u>\$1,954,852</u>

At June 30, 2017 and 2016, bank deposits had a bank balance of \$158,992 and \$107,100, respectively, and a carrying amount of \$152,626 and \$106,622, 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, 2017 and 2016.

3. Notes Receivable

The following is a summary of notes receivable at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</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 February 2014, interest at 8%, interest accrued until maturity, due July 2017. The note is unsecured and was converted to stock in 2017.	—	232,473
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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

3. Notes Receivable (Continued)

	<u>2017</u>	<u>2016</u>
Note dated March 31, 2016, interest at 8%, interest accrued until maturity, due March 2021. The note is unsecured.	\$ 95,800	\$ 95,800
Note dated November 2016, interest at 4%, interest accrued until maturity, due November 2021. The note is unsecured.	100,000	—
Note dated June 2017, interest at 12%, interest accrued until maturity, due June 2022. The note is unsecured.	88,025	—
Note dated June 2017, interest at 8%, interest accrued until maturity, due June 2022. The note is unsecured.	<u>125,000</u>	<u>—</u>
	979,979	899,427
Allowance for losses	<u>(371,153)</u>	<u>(462,390)</u>
Notes receivable, net	608,826	437,037
Current portion of notes receivable, net (fully reserved)	<u>—</u>	<u>—</u>
Noncurrent portion of notes receivable, net	<u>\$ 608,826</u>	<u>\$ 437,037</u>

The following is the activity in the allowance for losses on notes receivable during the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Allowance for losses on notes:		
Beginning balance	\$ 462,390	\$321,153
Provision for losses	25,000	141,237
Transfer to investment reserves	<u>(116,237)</u>	<u>—</u>
Ending balance	<u>\$ 371,153</u>	<u>\$462,390</u>

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

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

4. Commitments

At June 30, 2017, the Fund did not have any commitments to provide financing to small Maine businesses. The Fund uses the same process in making commitments as it does for actual financing activities. The fund may be subject to audit or other review in conjunction with receiving funds under the State Small Business Credit Initiative (see note 9).

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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, 2017 or 2016 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 2017 and 2016 statements of revenues, expenses and changes in net position, is approximately \$25,000 and \$40,000, respectively, paid to the Authority for such services. Approximately \$5,600 and \$11,600 related to these fees is included in accrued expenses at June 30, 2017 and 2016, respectively.

7. Total Net Position

The following schedule presents the components of total net position as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contributed capital	\$13,006,767	\$13,006,767
Accumulated deficit	<u>(2,231,139)</u>	<u>(5,931,204)</u>
Total net position	<u>\$10,775,628</u>	<u>\$ 7,075,563</u>

There are no restrictions on net position at June 30, 2017 and 2016. The Fund's unrestricted net position is generally reserved for program related activities.

8. Risk Management

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

9. State Small Business Credit Initiative

The Fund receives monies under the State Small Business Credit Initiative (SSBCI). SSBCI was established by the *Small Business Act of 2010*. The Fund is an approved "participating State program" under SSBCI. The Fund will have in total a minimum of \$3,000,000 available for capital investment under this program. The Fund recorded \$1,008,333 and \$631,700 of revenue related to SSBCI for the years ended June 30, 2017 and 2016, 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

10. Subsequent Events

In July 2017, the Fund was informed that it will receive an appropriation of \$500,000 in both 2018 and 2019 as part of the State of Maine biennial budget.

The Fund will receive \$5,000,000 from a State of Maine \$50,000,000 economic development bond approved in June 2017. The issuance date of the bond has not yet been determined.

ADDITIONAL INFORMATION

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

SCHEDULE OF ACTIVITIES

Year Ended June 30, 2017

Functions/ <u>Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Capital Grants/ Contributions</u>	<u>Net Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Program Investment Income</u>	<u>Operating Grants and Contributions</u>		<u>Total</u>
Business-type activities:						
Capital investment program	<u>\$(617,266)</u>	<u>\$ —</u>	<u>\$3,295,904</u>	<u>\$1,009,981</u>	<u>\$ —</u>	\$3,688,619
		General revenues:				
		Unrestricted investment income				<u>11,446</u>
		Total general revenues				<u>11,446</u>
		Change in net position				3,700,065
		Net position, beginning of the year				<u>7,075,563</u>
		Net position, end of the year				<u>\$10,775,628</u>