

MAINE STATE LEGISLATURE

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February 1, 2023

Honorable Troy D. Jackson
President of the Senate
3 State House Station
Augusta, Maine 04333

Honorable Rachel Talbot Ross
Speaker of the House
2 State House Station
Augusta, Maine 04333

Dear President Jackson and Speaker Talbot Ross:

Pursuant to 5 M.R.S.A., Section 12023, please consider this the letter of transmittal for the attached Report to Legislature for FY 2022 on behalf of the quasi-independent state entity, Small Enterprise Growth Board, due February 1, 2023.

Please contact me if you have any questions or need additional information.

Thank you.

Sincerely,

Terri Wark

Terri Wark
Office Operations Manager
Small Enterprise Growth Board d/b/a Maine Venture Fund

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Maine Venture Fund invests in Maine businesses that have the highest potential for growth and impact.

**QUASI-INDEPENDENT STATE ENTITY
SMALL ENTERPRISE GROWTH BOARD
REPORT TO LEGISLATURE
FOR 2022**

In compliance with P. L. 2011, c. 616 and the requirements of 5 MRSA § 12023 (2), the Small Enterprise Growth Board ("SEGB" or "Board"), the governing body of the Small Enterprise Growth Fund, d/b/a Maine Venture Fund ("MVF" or "Fund"), respectfully submits its Quasi-Independent State Entity Report for 2022 as follows:

A) A list of all procurements exceeding \$10,000 in the preceding year for which competitive procurement was waived under the policies adopted pursuant to § 12022 (3), including procurements exceeding \$10,000 that were made under contracts previously entered into for which competitive procurement was not required.

- 1) *Baker, Newman, Noyes, Accountants & Advisors*
280 Fore Street, Portland, ME 04101
Cost for Fiscal Year 2022 (7/1/21 - 6/30/22): \$13,700

This accounting firm performed the Fund's annual audit for FY22 and has performed all annual financial audits since 1996. The audit generally occurs from July to early September of the following fiscal year after the accounting firm submits its Communication Letter and Letter of Engagement to the Board of Directors. The Fund conducted a request for proposal (RFP) in 2007, contacting approximately six accounting firms, resulting in no change due to lack of competitive accounting firm pricing. A second RFP was conducted in the spring of 2014, sent to six accounting firms and resulting in responses from three, but resulting in no change due to lack of competitive pricing.

MVF, the State of Maine's venture capital fund, serves as an investor, holding equity in its portfolio companies. As an investor, in most transactions, the Fund has investment rights, one of which is to appoint "investor representatives" (board observers) to sit on a portfolio company board of directors. The purpose is to help guide the direction of the company and provide insights back to the Fund.

In 2022, the Fund's Board approved contracting with the following board observers to serve on specific portfolio company boards:

- 2) *HarborHouse Partners LLC (HHP)*
Chris Nemeth, Founder
P. O. Box 158

Sedgwick, ME 04676

Cost for Fiscal Year 2022 (7/1/21 - 6/30/22): \$14,000

HHP is a consulting firm founded by Chris Nemeth and Chris Page, located in Blue Hill, Maine. Mr. Nemeth has provided, and the MVF Board has approved, consulting services for specific Fund portfolio companies over the years, as needs have arisen. Early in 2022, the Fund requested and contracted with Mr. Nemeth to serve as board observer for two Fund portfolio companies, Dream Local Digital Ltd. and Orono Spectral Solutions, Inc.

3) Christopher S. Pizey

87 Latchstring Way

Yarmouth, ME 04092

Cost for Fiscal Year 2022 (7/1/21 - 6/30/22): \$14,583.

Mr. Pizey served as board observer for two portfolio companies in early 2022, Abierto Networks, Inc. and Mathematics and Problem Solving LLC, and took on an additional company mid-year, Farming Fungi LLC, later being appointed to Farming Fungi's board of directors on behalf of the Fund.

B) A list of all persons to which the entity made contributions greater than \$1,000 in the preceding year and the total amount contributed to each.

1) Northeastern University / The Roux Institute / Techstars

100 Fore Street

Portland, ME 04101

Cost for Fiscal Year 2022 (7/1/21 - 6/30/22): \$25,000

In an effort to allow the Fund to promote its interest in investing in Maine-based companies entering into the Institute's programs as well as to catalyze companies from outside the State settling in Maine, the Fund entered into a master collaboration agreement, approved by the Fund's Executive Committee (December 2021), Marketing Committee and legal counsel.

Included in the agreement:

- The Fund agreed to reserve an amount of capital for each TechStars cohort to consider investments, although there is no requirement for investment.
- The Fund committed to a 3-year sponsorship at \$25,000 per year and
- The Fund will have workspace at the Institute and embed fully into the activities and the companies there.

C) A description of changes made in the preceding year to the written policies and procedures required by §12022 or to the procedures used by the governing body to monitor compliance with those policies and procedures.

Changes were made in the following section of the policy:

Part I. Financial

Selection of Vendor Policy

Section: Procurement of Products and Services:

First paragraph, "all" was added before "supplies or products".

Section 1)

Procurement for Small Purchases <\$5,000

replaced with

Procurement for Purchases \$10,000 and below

The description paragraph was edited to replace "For small purchases below \$5,000, the SEGF will solicit one quotation if the SEGF considers the price received reasonable." with "For purchases below \$10,000, the SEGF will solicit one quotation, if the SEGF considers the price received reasonable."

Section 2)

Procurement for Major Purchases >\$5,000 - <\$10,000

replaced with

Procurement for Purchases above \$10,000

The description paragraph was edited to replace "For purchases from \$5,000 to \$10,000, the SEGF will obtain quotations from up to three qualified sources unless the Board of Directors allows an exception." with "For purchases above \$10,000, the SEGF will solicit two quotations unless the Board of Directors allows an exception."

The heading "Documentation of Quotes Received for Major Purchases" was removed.

Underlined language was added to the sentence "The following documentation will be required for each purchase above \$10,000."