



VCET

Vermont Seed Capital Fund, LP

Investing in Entrepreneurs since May 2010

Annual Report to Limited Partners and State of Vermont Stakeholders
Fiscal 2018

VCET Capital Corporation
General Partner and Fund Manager
January 7, 2018

Dear Stakeholder,

Please see attached the FY18 Vermont Seed Capital Fund (VSCF) Annual Report for public stakeholders. Included in the report is Subsequent Event information as of December 31, 2018. As ever, the portfolio remains active, dynamic and with signals from several that real growth, value creation potential and economic impacts are being realized. Revenues, payroll and capital raised are increasing. However, lack of available talent for some scaling firms remains a barrier to more Vermont growth. FY18 saw two partial investment returns for gains (and another modest subsequent gain will be recorded in FY19 so far). Two additional new investments did not close prior to the start of 2019 as hoped for (and partially the reason for this report's delay), but we hope to report additional new investment soon.

So far, the Vermont Seed Capital Fund, which is managed and supported by the [Vermont Center for Emerging Technologies \(VCET\)](#) has now invested into 22 diverse early stage companies since May 2010, seen this portfolio attract cumulatively over \$159 million in capital (up from \$66M in FY15), support nearly \$79M in payroll, and generate revenues of nearly \$80M, so far. However, there remains much to do and we remain focused, committed and working hard each day to help entrepreneurs succeed. It is always dynamic and risky given this sector of investment, but the Fund's challenges ahead pale in comparison to the incredible efforts, ambition, innovation and risks undertaken by these entrepreneurs, employees, co-investors and partners.

Three Critical Issues:

- **People:** The scaling firms are hindered in creating additional payroll and jobs in Vermont without qualified people to hire. A particular constraint is the lack of available local talent for programming positions from entry to executive levels. This is preventing firms from hiring more people in VT at wages in the range of \$60k - \$180k with great benefits and stock option ownership. Many have had to hire/expand outside of Vermont to meet their company's hiring needs which is both understandable and unfortunate. As a consequence, VCET has partnered with Burlington Code Academy (3 month bootcamps) and also sponsors 40-50 meetups for the Burlington Code organization which up skills and trains IT professionals locally. Some progress is being made.
- **Shelter:** Additionally, we also hear that the cost and supply of adequate housing are barriers that frequently are mentioned as well. As a result, we are helping communities with lower cost housing stock add "innovation spaces" for Vermonters and new entrants to act as remote workers for other Vermont based companies too. There is more potential here for sure.
- **Early Customers:** Capital availability is not the only barrier for early stage companies. Of equal challenge is early customer acquisition from large enterprises, whether government, private or non profit. This must be improved so that new companies/technologies can sell, jointly develop, test and reference large accounts as part of their early years. "Scale Here" is an initiative that VCET has launched quietly whereby we invite in very large enterprises, industrial

groups, etc to meet with a curated, vetted, specific problem solving group of local companies in order to drive commercial deals. So far, the results are very encouraging across healthcare, government (military) contracting and software sectors. Hopefully, we can do more of this as resources allow.

Thank you for your continued support for the Fund, VCET and for Vermont's entrepreneurs and start-ups.

- VCET Recap: Here are some of the [2018 Highlights @ VCET](#)
- Podcast: Please check out VCET's *Start Here* podcast series for the active, aspiring and accidental entrepreneur [here](#) - 29 Episodes have now been released.
- Female Founders: Season Three of VCET's *Female Founders Series* is underway with the next event on March 11, 2019 at Hotel Vermont. Please contact me if you would like to attend. Here is the Season 2 [Trailer](#)

If I can answer any questions or assist, please contact me at david@vcet.co.

Thank you.

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Regards,

[DAVID](#)

David Bradbury
VCET Capital Corporation

Fund Overview

The Vermont Seed Capital Fund, LP launched for investing in May 2010. The for-profit impact Fund is managed by the VCET Capital Corporation as General Partner. This entity is a wholly owned subsidiary of the non-profit Vermont Center for Emerging Technologies (VCET). VCET was selected as manager following a competitive process conducted by the Vermont Economic Development Authority (VEDA). The for-profit Fund is capitalized with \$5.1M, is professionally managed and designed as a revolving or “evergreen” venture capital investor to support a select number of seed and early stage companies. The two Fund investors are VCET Capital Investors, a wholly owned subsidiary of VCET and VEDA Capital Investors, a wholly owned subsidiary of VEDA.

Fund performance objectives include:

- Financial return commensurate with high risk investing in order to revolve the fund, after write-offs and expenses.
- Next generation job and payroll creation across Vermont.
- Capital leverage achieved for each \$1 invested by the Fund.
- Innovation ecosystem benefits (college technologies, internships, supply chain, cluster benefits, recruitment, natural resource utilization, green technologies, etc).

The Fund initially invests between \$25,000 and \$250,000 per transaction via a variety of debt and equity instruments. The Fund's manager, which is an entity, not an individual, makes investment recommendations for review and actions by the Fund's three person Investment Committee.

Because of a strategic relationship with VCET, portfolio firms and capital seekers also have access to substantive programs, coworking facilities, partners, mentors, investor syndicates and value-adding services. VCET was named the #11 incubation program in the world by the UBI Index in 2013 and the February 2018 Rural Impact program by the InBIA. The VCET website is www.vcet.co and it may be followed on twitter @VCET.

Fund Activity and Impact So Far

The Vermont Seed Capital Fund, LP (“Fund”) was created to provide early stage, high risk companies with risk capital to start, create wealth and grow next generation employment opportunities. Prior to the Fund's capitalization in May 2010, Vermont was one of a handful of U.S. states without an early stage, state sponsored venture fund.

As of June 30, 2018 (fiscal year end), the Fund has invested in 22 companies for a total of \$4,221,993. This is comprised of \$2,829,544 in initial investments into 22 firms and \$1,392,369 in follow-on investments into 11 companies. The average initial investment per company is \$137,752 which has trended lower over time as the available funds to deploy have decreased and the average new initial commitment has decreased. Total investment per company ranges from \$30,000 to \$629,306 with an average of \$191,905 invested per company.

The Fund's syndicate of co-investors, whether accredited angels, institutional venture capital firms or strategic corporate investors remains significant and diverse. This is very positive for portfolio firms, the Fund and in exposing new investors to the Vermont innovation ecosystem and start-ups. So far, the Fund has co-invested with others such as Boston Seed Capital, Launch Capital, Atlas Ventures, .406 Ventures, VEDA, Fairhaven Capital, Silicon Valley Bank, Fresh Tracks Capital, Russell Investments, TransAmerica Ventures, FinTech Collective, VSJF Flexible Capital Fund and Google Ventures, among others. It is important to note that other accredited individuals, family offices, institutional investors or lenders are responsible for their own due diligence and investment decisions. Our syndicate of investors is deepening across all sectors which is a great benefit for our ecosystem. Many of the portfolio companies and prospects receive direct financing from the Fund's syndication partners and network without the Fund's participation. These successes are not included in this report's data and impacts.

The Fund is required to report on total capital at the time of initial investment per company as a measure of capital leverage. With one new company investment completed in FY18, the total capital investment secured by the **22** portfolio companies at the time of the Fund's initial investments totals **\$20,575,128**. The Fund's leverage at time of initial investment was **7.3x**. During Fund formation, capital leverage at time of initial investment was expected to be 2x on average. This significant variance is largely evidence of companies and teams who are better prepared for capital raising, are benefitting from healthy private capital markets, and to a large degree, the positive network effect from within the portfolio and the Fund Manager's success at syndication. High risk capital is the protein source for emerging companies on their way to identifying a repeatable and sustainable business model.

As of June 2018, the cumulative capital reported by portfolio companies now totals \$159,248,906 for a capital leverage ratio of 37.7x the Fund's invested capital of \$4,221,913. There was \$42.7 million in new capital raised in FY18, which includes a \$30 million Series C round for Next Capital. As a reference, the combined capital raised over the last three fiscal years by the portfolio totals \$93 million.

Nationally on average, about 80% of all capital in the early and scaling stages of a company's life is used for personnel (full, part-time & consultant). Most of the Fund's investment proceeds are used for employees, marketing & sales, product development and general working capital purposes.

As a standard practice, for each \$1 invested by the Fund, an additional amount is held in reserve for follow-on growth financing, if it makes sense (and cents) to support further any one firm's situation. Not all firms who receive initial capital support, however, will receive follow-on funding. Since investing began in May 2010, the Fund has invested capital into 22 firms during its first capital revolve cycle. At inception, the Fund had targeted +/- 16 initial investments for diversification and in meeting fund performance objectives. Additionally, the Fund has assisted, without making a direct Fund investment, no fewer than 24 other diverse companies secure and raise capital from sources such as federal grants, high risk lenders, venture capital firms and large accredited angels and private family offices. These Fund and VCET related impacts are excluded in the metrics reported.

In general, investments are not anticipated to return capital until years 5-8 post initial investment although there may be exceptions and circumstances requiring a longer time horizon. Per company investment losses are likely to occur during the first 1- 4 years post initial investment. As noted in prior reports, there are a few portfolio firms where current year performance is a *make or break* year to either achieve a sustainable business model, sell or attract additional risk capital.

The communities in which these first 22 startup employers have been supported are: White River Junction, Woodstock, Richmond, Burlington, Shoreham, Winooski, St. Johnsbury, S. Ryegate, Montpelier, Colchester, Middlebury, Barre, Stowe, Charlotte, Berlin, Waterbury and Waitsfield. Additional remote workers and offices are located around Vermont, around the US and across the globe. There still remains a lack of visibility and pipeline in Rutland, Windham and Bennington Counties and the Fund has yet to close an investment in these regions. As of December 2018, we are optimistic that two current term sheets will close new investments in Windham and Washington counties.

Through VCET, there has been a focus on helping local communities stand up centers of innovation density such as coworking spaces, college/university entrepreneurship programs, business plan/pitch competitions and programming relevant to emerging businesses. New places this past year such as Lyndonville's **Do North**, Springfield's **Black River Innovation Campus (BRIC)**, and Bradford's **Space on Main** and others will assist the Fund, and other state and private financing groups, to identify, serve and support entrepreneurs and emerging companies in these regions to a greater degree. The trend from last year continues in that there is a lot more coordination, awareness and exchange between and among local innovation hubs and programs than ever before. Entrepreneurs and companies are getting increased access to VCET and the Fund for advice and investment consideration too. In addition to the Vermont Agency of Commerce's Innovation Spaces conferences, the continued efforts such as Fresh Tracks Capital's Road Pitch, LaunchVT, Tech@ Meetups, The Generator's Jump Start series and VCET's two programs: Female Founder Series and the Start Here podcast are generating results.

The Fund's team has screened and reviewed an estimated 375 firms and entrepreneurs since inception. Capital seekers have come from across Vermont, the U.S., Quebec, alumni networks, portfolio company referrals, coworking members @VCET spaces, North Country Angels, other venture capital firms and elsewhere globally. At any given time, the Fund is tracking 2-3 firms for investment consideration. The investment process from initial screening to closing can range from 8 weeks to 2 years, depending on the readiness of the business proposition, team, co-investors required for a sufficient, credible round of finance and signals of market traction/demand for its products or services. The process averages about 3-5 months from start to closing. The Investment Committee meets regularly, or as needed, to review portfolio firm situations and new financings.

New Initial Investments: During FY18, the Fund closed **1 initial** company transactions for \$100,000 into **Benchmark Space Systems** in South Burlington after working with the founders for over a year. Several other investments were contemplated and reviewed but ultimately did not close an investment from the Fund. However, most found the capital required and in another instance, we assisted a company in selling to a strategic buyer for eight figures at full earnout. Two current term sheet commitments by the Fund are outstanding and slipped to closing in early calendar 2019.

Follow on Investments: During FY18, there were **2 follow-on** financings conducted into 2 firms: **Pwnie Express and Next Capital** totaling \$175,000.

Realized Losses: During FY18, the Fund did experience modest new realized losses. Additionally, there were markdown adjustments made as unrealized losses for three companies which had been struggling for 1-2 years. These actions are reflected in the audited financial performance for the year.

Realized Gains: During FY18 (and as noted last year as a subsequent event), the Fund sold \$100,000 of its holdings in Faraday at a modest gain in a private sale to make room for a new accredited and strategic investor. The Fund realized this gain (about 1.3x cash invested) in FY18. With respect to Semiprobe, there is also a modest gain from a small working capital loan recorded in FY18. Additionally, there was another gain from a partial exit of SemiProbe listed below in Subsequent Events as well for a 1.4x gain on invested capital. For reference, the Fund first led a round of investment into SemiProbe in December 2010 and then subsequently in 2013 and 2014. Fantastic to see their success be realized at long last and investors capital returning for revolving by the Fund. SemiProbe makes semiconductor testing equipment in Winooski.

Subsequent Events (July 2018 - Dec 2018)

Subsequent to the Fund's June 30, 2018 fiscal year end thru December 31, 2018, the following items warrant disclosure and sharing at this time:

- **SemiProbe** - The company and investors agreed to a repayment of Convertible Notes and accrued interest which concluded in late December 2018. There will be a decent gain (1.4x) realized in FY19.
- **Budnitz Bicycles** - As part of a recapitalization, investors converted Preferred Stock into Common Stock and the founder is running the company again.
- **Horse Network** - The company was sold in a distressed asset sale. The Fund's \$100,000 investment will be a realized loss in FY19 unfortunately. At one point, this company employed 14 people. As of FY18 year end, 90% of this investment had already been recorded as an unrealized loss.
- **New Investments** - The Fund is presently attempting to close two new initial investments with each commitment key to closing larger capital rounds.
- **Invested Capital:** As of December 2018, the Fund's total invested capital across **22** companies grew to **\$4.2 million**

Fund Manager's Outlook into 2019

Since investing began in May 2010, the Fund's principal milestones and activities so far have been to organize (quickly and properly), complete the initial \$5.1M capitalization (two investors), make 22 initial investments (so far) into diverse companies, make follow-on investments into 11 companies, provide oversight and support to 22 portfolio firms, limit realized losses to 8 companies so far, achieve 3 returns from portfolio company sale / repayment, conduct annual Fund audits and reporting,

prospect for high opportunity investments in support of Vermont's next generation of employers, and manage towards fulfilling the Fund's four principal impact objectives around:

- Financial return sufficient to revolve the Fund.
- Employment & payroll
- Capital leverage and
- Innovation ecosystem benefits.

Given finite capital resources, statutory fund requirements and an increasingly active entrepreneurial sector in Vermont, the Fund must say "no thanks" or "not yet" much more frequently than "yes" to capital seekers, even worthy business propositions. Fortunately, the Fund's team is able to assist entrepreneurs and firms even if an investment is not made via a relationship with the non-profit Vermont Center for Emerging Technologies (VCET) and its network of mentors, partner organizations, angel investors, venture capital firms and higher education institutions.

Consistent with prior years, an independent Audit was performed and contained no deficiency findings or any corrective actions - this is another solid result in CPA parlance. Among other areas, the audit covered topics such as accounting, governance, conflict of interest policy, portfolio valuation, cash management and other internal processes and practices. Fund operating expenses were 3.15% which consists of a 2% annual management fee and certain direct professional services fees such as legal, insurance and audit.

As we look ahead this year, the Fund could possibly make another 2-3 initial investments from available capital. Likely, there will be more follow-on investment decisions to be made among the active portfolio for which the majority of remaining investment proceeds are being reserved. As determined by the Investment Committee and the company's performance, some portfolio companies may warrant additional funding, while others may not.

Currently, there are 5 companies in the current portfolio experiencing significant revenue scaling and product acceptance. Really exciting for these teams to reach and experience this scaling stage. As to any expectation for liquidity from some of the current investments, that outlook remains unclear as to timing. We continue to seek to maximize the benefits to Vermont and meet the Fund's four operating objectives for impact. The Fund is designed to revolve its capital for future investment making. As a result, the pace of new initial investment making will soften to 1-3 firms per year as available cash for investment permits. A greater focus on achieving some liquidity from existing positions held will grow more important, absent new capital contribution inflows. However, companies coming to the Fund can and are still being assisted as in the past in finding appropriate capital investment from third parties within the Fund's investor network.

In accordance with policies and accounting standards, the Fund determines estimated market value adjustments at mid-year and year-end, or on an as realized, interim basis. These adjustments can include unrealized gains or losses and any realized gains or losses among its investments.

VCET Capital Corporation (the Fund Manager and General Partner) would also like to acknowledge and thank the Seed Fund Advisory Board (SFAB) members for their efforts and assistance. The volunteer members are Jo Bradley, Hinda Miller, John Evans and Bob Britt. SFAB was established

under the enabling statutes, receives confidential information on investments, receives the Fund's audit and are invited to the semi-annual portfolio review meetings with the Investment Committee. Investment Committee members also attend the SFAB meetings. The SFAB did not convene as a group in FY18.

Fund Investment decisions are made by a three member committee consisting of VCET Capital Corporation's David Bradbury and two independent Investment Committee members with deep early stage investing and fund operation experiences. James Robinson and Ken Merritt serve as volunteer investment committee members providing independent domain expertise and guidance. The General Partner wishes to thank these professionals for their considerable volunteer time, expert skills, and thoughtful deliberation on these high risk, early stage investments. Since inception, the Investment Committee and the General Partner follow a Conflict of Interest policy.

As cautioned each year, early stage investing can be described as a "team contact sport" in that this stage is high risk, always dynamic, subject to inevitable losses, requires significant post investment support, and yet offers the greatest potential for high wage job growth, risk capital inflows and new wealth generation for employees, founders and Vermont as a whole.

We remain fully engaged, proactive in outreach and active in investing into appropriate high risk opportunities, supporting entrepreneurs statewide and fulfilling the Fund's four principal performance objectives. Thank you for your continued support.

Sincerely,

David Bradbury

David Bradbury, President
VCET Capital Corporation

STARTUP: “A temporary organization formed to search for
a repeatable and scalable business model”

-Steve Blank

Some of the Portfolio’s sectors include:

Renewable Energy Storage

Advanced Manufacturing Equipment

Cyber Security / Internet of Things

Consumer Products

Financial Services Technologies

Artificial Intelligence / Marketing

Aerospace

Urban Transportation

Consumer Media & Commerce Platforms

Ag Tech

and more...

Vermont Seed Capital Fund. LP Impact Measures @ June 30, 2018

The Vermont Seed Capital Fund, LP is a \$5.1M for-profit, professionally managed, permanently revolving, early stage investment fund. Investors are the Vermont Center for Emerging Technologies (\$1M) and the Vermont Economic Development Authority (\$4.1M) as limited partners. The Fund Manager is the VCET Capital Corporation, a subsidiary of the non-profit Vermont Center for Emerging Technologies (VCET). Four principal operating and investment objectives guide our investments: Financial Return, Capital Leverage, Jobs Impacted, and Innovation Ecosystem Benefits.

<p>Financial Return (IRR)¹</p> <p>Target IRR > 20% Cumulative IRR -3.29%</p> <p>Absent an early year investment exits, positive IRR returns not anticipated until after year 5 and typical of the “J Curve” timing effect when investments start to return capital and gains to offset losses and expenses. Typically, outsized returns from just a few companies in a portfolio make or break the Fund’s ultimately reported IRR and cash-on-cash returns.</p>	<p>Jobs Impacted</p> <p>Target > 150 (Permanent FTE) Actual 214 Cumulative² 1,132</p> <p>Early stage firms can be expected to experience employment volatility associated with capital, revenues earned, and cash flows over time. Since FY15, VT hiring has been impacted by acute labor shortages and positions were filled in out of state offices.</p>
<p>Capital Leverage</p> <p>Total VSCF Investment (22) \$4,221,913 Total Capital Investment \$159,248,906 Leverage 37.7x</p>	<p>Innovation Ecosystem Benefits</p> <p>Investors with over \$500 million in investable early stage funds visited VCET and the Fund this past year. Also a world class network of mentors, board members, domain experts, strategic partners and institutional investors are engaged. <i>Female Founder Series</i> and <i>Start Here</i> podcast launched to serve more entrepreneurs across Vermont.</p>
<p>Total Revenue</p> <p>Actual (LTM³) \$18,246,664 Cumulative \$79,685,865</p> <p>Revenues are up 75% from FY16. This is huge signal.</p>	<p>Total Payroll</p> <p>Actual (LTM³) \$16,920,442 Cumulative \$79,414,128</p> <p>Vermont share in total payroll growth deeply limited by availability of skilled labor despite higher than average wages offered. Some firms scaling outside of Vermont</p>
<p>Vermont Coverage</p> <p>White River Junction, Richmond, Woodstock, Shoreham, Bristol, Middlebury, Winooski, Burlington, Montpelier, Colchester, S. Ryegate, St. Johnsbury, Barre, Waitsfield, Waterbury, Stowe, Charlotte, S. Burlington</p>	<p>Investment Roadmap (first revolve)</p> <p>Target # Firms 16 Actual # Firms 22</p> <p>The Fund has invested into 22 firms to date.</p>

¹ IRR : Internal rate of return is the standard Fund financial performance measure of cash outflows and cash inflows adjusted for timing. Funds investing are typically negative in early years (1-5) and then anticipate positive returns in years 5-10 upon realized gains from remaining portfolio investments. This effect is also referred to as the J Curve in the venture fund industry.

² Job-years: This seeks to represent the cumulative Job years in portfolio companies as reported by firms annually.

³ LTM: Last twelve months.

PORTFOLIO COMPANIES @ JUNE 30, 2018



Sound Innovations

Location	White River Junction, VT
Fund Investment	\$150,000
Date of Investment	5.18.10
Date of Exit	2.28.14
Capital Returned:	\$450,000

- Description** Sound Innovations (SI) offers an Active Noise Reduction (ANR) technology platform for headsets, ear plugs and communication systems serving military, industrial, commercial and consumer markets.
- Use of Funds** Working Capital, Payroll, R&D, and S&M
- Status** [ACQUIRED February 2014](#). Returned 3x capital invested.



SemiProbe

Location	Winooski, VT
Fund Investment	\$250,000 ; \$114,585 ; \$43,478
Date of Investment	12.20.10 ; 10.4.13 ; 11.5.14

- Description** SemiProbe designs and manufactures the most innovative probing, inspection and test semiconductor solutions available today. Customers include the top foundries, research centers and corporations in the world. www.semiprobe.com
- Use of Funds** Working capital, payroll, IT development, equipment and sales
- Status** **Active** - The company experienced a record revenue and profit year. Subsequent to Fund's fiscal year end, the Company repaid the \$114,583 in Convertible Notes (from 2013-14) plus accrued interest of \$45,754 to the Fund. This roughly 1.4x invested capital return will be reported in FY19.





Aprexis

Location	Montpelier, Denver
Fund Investment	\$200,000
Date of Investment	1.25.11

Description	Aprexis Health Solutions empowers pharmacists with tools to increase medication adherence among patients. The easy to use, web-based software revolutionizes delivery of personalized medication therapy management (MTM) and patient-centric clinical services while increasing revenues for pharmacies. www.aprexis.com
Use of Funds	Working capital, payroll, SaaS platform, customer services, and business development.
Status	Active

ElectroCell

Location	Colchester, VT
Fund Investment	\$99,544
Date of Investment	12.30.11

Description	ElectroCell provides liquid waste treatment services to livestock farms, municipal wastewater treatment plants and industrial customers. Its bioelectric treatment uses precisely managed electrical pulses to open organic cells with breakthrough efficiency. www.Electrocell.us
Use of Funds	Working capital, personnel, pilot projects, equipment, and sales
Status	Active



Pwnie Express

Location	Burlington and Boston
Fund Investment:	\$554,306 (11 transactions)
Date of Investments:	Oct 2012 - May 2016

Description Pwnie Express is a premier global provider of innovative, cost effective, rapid deployment penetration testing and threat detection/visibility products. Their products have been incorporated into the cyber-security toolboxes of over one thousand security service providers, Fortune 500 companies and various federal agencies. Pwnie closed a \$5.1 million Series A investment in August 2013 and a \$12.9 million Series B in May 2016. An \$8 million Series B-1 financing occurred in the fall of 2017. www.pwnieexpress.com

Use of Funds Working capital, personnel, product development and business development

Status Active



Northern Reliability

Location	Waitsfield, VT
Fund Investment	\$150,000 ; \$75,000
Date of Investment	4.1.13 ; 3.27.15

Description As remote and back-up power experts, Northern Reliability offers premium stand-alone power systems and microgrids providing solutions for customers needing a reliable energy source for their business or community, no matter the location or environment. www.NorthernReliability.com

Use of Funds Working capital, personnel, product development and business development

Status Active





Faraday

Location	Middlebury, Burlington, SF
Fund Investment	\$75,000 ; \$100,000 ; \$25,000 ; \$25,000
Date of Investment	2.13.14 ; 1.21.15 ; 5.12.16 ; 6.5.17

Description Faraday assists direct business to consumer companies unlock third party and internal data for insights, customer acquisition and marketing returns. The company uses big data sources on over 120 million US households, proprietary learning algorithms and leading visualization tools to help companies find, reach and track customer acquisition programs for “considered purchases” like solar installations, college education, health care plans, and high value consumer goods, etc www.faraday.io

Use of Funds Working capital, personnel, product development and business development

Status **Active** - The company experienced very strong revenue growth and is scaling team significantly at its Burlington, VT office. The Fund divested \$100,000 in stock in a private sale. An approximate gain of 1.3x was realized on this partial divestiture in FY18.



Budnitz Bicycles

Location	Burlington, Boulder
Fund Investment	\$250,000 ; \$100,000 ; \$20,000
Date of Investment	5.1.14 ; 4.6.15 ; 12.30.16

Description Budnitz Bicycles creates luxury handmade bicycles and accessories. The company relocated from Boulder, CO to Burlington. www.budnitzbicycles.com

Use of Funds Working capital, personnel, product development and inventory.

Status **Active** - Subsequent to fiscal year end, investors and the founder underwent a recapitalization whereby the investors Preferred Stock was converted into Common Stock. The founder has returned as CEO of the company.



NextCapital Group

Location	Stowe, Burlington, Chicago
Fund Investment	\$250,000 ; \$50,000 ;
Date of Investment	\$100,000 5.13.14 ; 12/11/15 ; 12/14/17

Description NextCapital is an enterprise wealth adviser technology platform that allows large institutions, wealth managers and investors build and manage personal, objective, and affordable world-class investment portfolios and services.

www.NextCapital.com

Use of Funds

Personnel, Vermont company/office creation, customer deployments and business development

Status

Active - The Vermont office continues to add employees as identified. Skilled workers have been a hiring constraint in Vermont for this company. The Company successfully completed a \$30 million Series C in late 2017. The Fund invested \$100,000 into this Series C round.



Ello

Location	Los Angeles Burlington/Boulder
Fund Investment	\$50,000
Date of Investment	10.17.14

Description

Ello's mission is to transform the way creative people connect by fueling a worldwide movement based on beauty, positivity, and transparency. Ello is a Benefit Corporation

Use of Funds

Personnel, Vermont company/office creation and development

Status

Active - During FY18, Ello was acquired by LA based [Talenthouse](#) in March 2018, a community of over 1 million creatives and artists, as part of its expansion strategy. The company did not provide reporting metrics post acquisition.



Horse Network

Location	Burlington
Fund Investment	\$100,000
Date of Investment	10.21.15

Description

The Horse Network is a digital media and publishing platform for horse people and the leading horse competitions. Since launching in 2012, the Horse Network has quickly cultivated and connected a passionate international community of horse lovers, athletes, equine professionals, hobbyists, dreamers, and people who just think horses are cute. www.horsenetwork.com

Use of Funds

Personnel, Vermont company/office creation and business development

Status

Asset Sale - Subsequent to year end, a distressed asset sale was concluded in late 2018 and the Horse Network has been dissolved. This is a 100% loss to the Fund.



Visura.co

Location	Stowe/NYC
Fund Investment	\$75,000
Date of Investment	11.19.15

Description Visura.co is professional global networking platform for visual artists and photographers, large media buyers and organizations. The company is located in Stowe and NYC. www.visura.co

Use of Funds Personnel, Vermont company/office creation and business development

Status Active



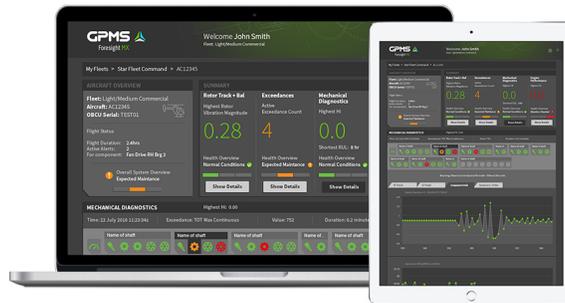
Green Power Monitoring Systems, Inc (GPMS)

Location	Shoreham
Fund Investment	\$75,000
Date of Investment	6.15.16

Description Design, improve, and support the best available prognostic health management system (HUMS) globally, for all domains, and be recognized as the supplier of next generation innovative product. Visit www.GPMS-VT.com

Use of Funds Personnel, Product design, Vermont company/office creation and business development and working capital.

Status Active



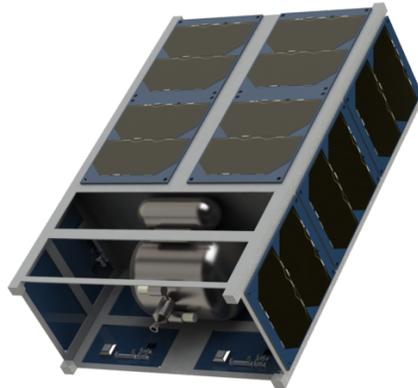


Location	S.Burlington / Philadelphia
Fund Investment	\$100,000
Date of Investment	3/5/18

Description Benchmark Space Systems designs and manufactures micro propulsion and navigation systems for the rapidly growing small and cube satellite markets. The company is a UVM technology licensee. www.benchmarkspacesystems.com

Use of Funds Personnel, Product design, Vermont company/office creation and business development and working capital.

Status Active



Total Firms invested into: 22 so far.

Realized Gains:

The Fund is at the point where some investments are beginning to mature to a liquidity point that produces a return of capital. This liquidity can be produced any number of ways via sale, merger, recapitalizations, liquidations, employee buyout, etc. This financial return is by design and necessary to cover Fund expenses, losses and for revolving the fund forward in order to make continued investments into new entrepreneurs and growth companies.

During FY18, there were two realized gains from within the portfolio. Subsequently to year end, there were realized gains on partial investment returns from one additional company (SemiProbe Convertible Notes) for FY19 reporting.

Sound Innovations, Inc. (Sale FY14)

Fund Investment	\$150,000 (May 2010)
Capital Returned	\$450,000 (Feb 2014)

Faraday, Inc. (Partial sale FY18)

Fund Investment	\$76,498 (2015/2016)
Capital Returned	\$100,000 (Oct 2017)

SemiProbe (Loan repaid FY18)

Fund Investment	\$43,437 (Nov 2014)
Capital Returned	\$54,348 (Nov 2017)

Fund Investment	
Capital Returned	

Fund Investment	
Capital Returned	

Fund Investment	
Capital Returned	

Realized Losses:

For the year ended FY18, there were no additional companies dissolved or which conducted an asset sale which would precipitate a realized loss. As reported last year, these eight now failed businesses and teams worked tirelessly towards finding a sustainable business model. While these risk takers did not reach their lofty goals, the work and impacts of the employees, founders and investors nevertheless contributed to Vermont's start-up ecosystem and in meeting two other Fund objectives for capital leverage and payroll creation.

Summary Data (8 Firms)

Total Fund Investment:	\$1,115,000
Cumulative Capital Raised:	\$31,325,188
Capital Leverage:	27.2x
Cumulative Wages:	\$9,226,560
Cumulative Revenues:	\$7,387,502

True Body Products

Fund Investment	\$50,000 ; \$10,000
Date of Investment	Jul 9 2010 ; Aug 8 2011

eCorp English

Fund Investment	\$200,000
Date of Investment	Oct 22 2010

Thermal Storage Solutions

Fund Investment	\$75,000 ; \$25,000
Date of Investment	Feb 22 2011 ; Nov 7 2011

Evergreen Behavioral Solutions (vTrim Online)

Fund Investment	\$150,000 ; \$25,000
Date of Investment	Sep 6, 2011 ; Apr 27, 2012

BuysideFX

Fund Investment	\$100,000 ; \$100,000
Date of Investment	5.16.12 ; 7.24.13

Green Mountain Digital (Yonder)

Fund Investment	\$300,000 over 4 transactions
Date of Investment	Sept 2010 - May 2015

BityBean, Inc

Fund Investment	\$30,000
Date of Investment	April 2014

GroupZoom (BRDJ/Campus Connector)

Fund Investment	\$50,000
Date of Investment	July 2013

Fund Investment	
Date of Investment	

Fund Investment	
Date of Investment	