



VCET

# Vermont Seed Capital Fund, LP

Investing in Entrepreneurs since May 2010

Annual Report to Limited Partners and State of Vermont Stakeholders  
**Fiscal 2019**

VCET Capital Corporation  
General Partner and Fund Manager  
November 1, 2019

Dear Stakeholder,

Please see attached the FY19 Vermont Seed Capital Fund (VSCF) Annual Report for public stakeholders and the audited financial statements. Included in the annual report report is Subsequent Event information as of October 31, 2019. 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. FY19 saw one partial investment return for a gain. The Fund made one initial investment this year into ag tech company, [Ceres Greens](#) in downtown Barre, Vermont. We also have seen several of the portfolio reach new levels for sales, employment and market acceptance. One portfolio company, [Northern Reliability](#) in Waterbury was recently profiled and discussed its 900% growth so far in 2019. Overall, the momentum in the active portfolio is very good.

So far, the Fund, which is managed and supported by the [Vermont Center for Emerging Technologies \(VCET\)](#) has now invested into 23 diverse early stage companies since May 2010, seen this portfolio attract cumulatively over \$164 million in capital (\$129M over the last five years), support nearly \$99M in payroll, and generate revenues of nearly \$110M (Up 38% over FY18). However, there remains much to do and we are 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. The forward outlook for the Fund's investing returns and social impacts has never been better.

The three critical issues cited last year remain still:

- **Workforce:** Too few people to fill high paying and diverse technology, engineering and manufacturing jobs.
- **Housing:** Limited availability and affordability of housing near these job openings.
- **Buyers:** Large customers are not here, but elsewhere, so we continue to find creative ways to get large customers (and their large investors) here to meet with companies, both big and small. Revenues are up 38% year over year across the portfolio and the #ScaleHere initiative launched with five other Vermont innovation centers is proving very helpful in supporting growth, lowering startup costs and making vital partner/customer connections.

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

- VCET Recap: Here is VCET's FY19 [Impact](#) summary
- Podcast: Please check out VCET's *Start Here* podcast series for the active, aspiring and accidental entrepreneur [here](#) - 43 Episodes released.
- Female Founders: Season 4 of VCET's *Female Founders Series* is underway starting tonight at Hotel Vermont. Here is the Season 2 [Trailer](#) and information.

If I can answer any questions or assist, please contact me at [david@vcet.co](mailto:david@vcet.co).

Thank you.

*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 \$5.166M, 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 (\$1M), a wholly owned subsidiary of VCET and VEDA Capital Investors (\$4.166M), a wholly owned subsidiary of VEDA.

The Fund’s four performance objectives are:

- 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, energy, 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 action 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, employee recruitment assistance, coworking facilities, partners, mentors, national investor syndicates and other value-adding services. In 2013, VCET was named the #11 incubation program in the world by the UBI Index and the February 2018 Rural Impact program by the InBIA. The VCET website is [www.vcet.co](http://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, 2019 (fiscal year end), the Fund has invested in 23 companies for a total of \$4,246,913. This is comprised of \$2,854,544 in initial investments into 23 firms and \$1,392,369 in follow-on investments into 11 companies. The average initial investment per company is \$137,752. This initial amount has trended lower over time as the available funds to deploy have decreased and the average new initial commitment has likewise decreased. Total investment per company ranges from \$25,000 to \$629,306 with an average of \$184,648 invested per company.

The Fund's syndicate of co-investors, whether accredited angels, family offices, 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. So far, the Fund has co-invested with others such as Boston Seed Capital, Launch Capital, Atlas Ventures, .406 Ventures, VEDA, Fairhaven Capital, Ascent Ventures, 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 and lenders are responsible for their own due diligence and investment decisions. Our syndicate of investors is deepening across all sectors and all investment stages which is a great benefit for the ecosystem. Many of the portfolio companies and prospects receive direct financing from the Fund's syndication partners and network without the Fund's investment 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 small new company investment completed in FY19, the total capital investment secured by the **23** portfolio companies at the time of the Fund's initial investments totals **\$20,854,544**. The Fund's leverage at time of initial investment is **7.3x** on average. 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 reputation and 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 2019, the **cumulative capital** reported by portfolio companies now totals **\$164,558,379** for a capital leverage ratio of **38.7x** the Fund's invested capital of \$4,246,913. There was \$5.3 million in new capital raised in FY19, which follows a record year in FY18 of \$42.7 million in capital raised by the portfolio. The portfolio has raised **\$129 million over the last five years**. This trend is healthy, sustaining and reflects the maturity, markets and momentum of the companies and their founders.

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 23 firms during its first capital revolve cycle. At inception, the Fund had targeted +/- 16 initial investments for diversification and in meeting fund performance objectives during its first 10 years of operation. Additionally, the Fund has assisted, without making a direct Fund investment, no fewer than 30 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 regarding capital, revenues and payroll generated 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. During FY19, there was one realized loss from a company that had been in a *make or break* year. **Moving forward, the remaining portfolio overall is now very well positioned to return invested capital and substantive capital gains to the Fund. Not assured by any means given the risk of this asset class, but the investment return outlook is very positive presently.**

The communities in which these first 23 startup employers have been supported are: Barre, 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 challenges on visibility and pipeline in Rutland, Windham and Bennington Counties and the Fund has yet to close an investment in these regions. Unfortunately, a very significant investment in which the Fund was participating did not close in Windham county this last year as the company located into turnkey facility in another state for its new operations. The Fund's new investment made in FY19 was into Ceres Greens which is located in downtown Barre, Vermont (Washington County).

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. The relatively new programs such as Lyndonville's **Do North**, Springfield's **Black River Innovation Campus (BRIC)**, **The MINT in Rutland** and Bradford's **The 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 when appropriate investment consideration too. Our ecosystem is healthier, stronger and more active than ever in assisting and funding startups, scale-ups and aspiring entrepreneurs and business owners. **The limits to more rapid scaling are lack of workforce and distance to/lack of local large customers.**

The Fund's team has screened and reviewed an estimated 400 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 now averages about 2-5 months from start to closing. The Investment Committee meets regularly, or as needed, to review portfolio situations and new financings.

**New Initial Investments:** During FY19, the Fund closed **1 initial** company transaction for \$25,000 into **Ceres Greens, LLC** in Barre after working with the founders for over a year and on a prior startup. Several other investments were contemplated and reviewed but ultimately did not close an investment from the Fund.

**Follow on Investments:** During FY19, there were **0 follow-on** financings made due to available cash to invest in the Fund at this stage, the availability of other investors to fill the need and some interesting new initial investments considered or pending.

**Realized Losses:** During FY19, the Fund did experience one new realized loss. The investment in Horse Network had already been carried as an unrealized mark down. This loss is reflected in the audited financial performance for the year.

**Realized Gains:** During FY19 (and as noted last year as a subsequent event), the Fund realized the repayment of Convertible Notes from SemiProbe from 2013 and 2014 at par. Overall, these Notes returned 1.4x the principal amounts from accrued interest recognition over the years.

#### **Subsequent Events (July 2019 - Oct 2018)**

Subsequent to the Fund's June 30, 2019 fiscal year end thru October 31, 2019, the following items warrant disclosure and sharing at this time:

- **Rapid Focus Security:** The company sold its Pulse line of business and the d.b.a trade name of Pwnie Express to a European cyber security company. Transaction proceeds are being used internally to support its current area of focus in IoT security. The new d.b.a name is CPX Security and can be found at: [www.CPXSecurity.com](http://www.CPXSecurity.com)
- **Northern Reliability:** The Company has [publicly reported](#) 2019 business growth at over 900% to date as the energy storage market has soared. Profitable scaling of this nature in addition to the forward outlook are not fully reflected (i.e. undervalued) in the June 30, 2019 estimated market value of the Fund's holdings. The Fund owns approximately 10% of the company.

## Fund Manager's Outlook into 2020

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 \$5.166M capitalization (two investors), make 23 initial investments (so far) into diverse companies, make follow-on investments into 11 companies, provide oversight and support to 23 portfolio firms, limit realized losses to 9 companies so far, achieve 4 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. 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 3.46% 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 1-3 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. One of the drawbacks and limitations of a small fund this size is being unable to maintain pro-rata ownership percentages in some of the rapidly scaling and most promising investments.

Currently, there are 5 companies in the active portfolio experiencing significant revenue scaling and product acceptance. The outlook for continued growth and success is pretty exciting for these teams. Interestingly, these 5 firms are ones in which VCET supported prior to capital raising in areas such as corporate strategy, team formation, coworking, capital formation roadmap, etc. Also of note is that the Fund was the first institutional investor committed to these Vermont startups. Each company has a deeply technical product and the majority are a combination of hardware/software addressing a specific and growing industry pain point. These Fund investing traits and operating practices of:

- (1) Supporting startup teams at VCET with our strategic academic partners like the University of Vermont, Middlebury College and Norwich University and our expert mentor network of over 130 professionals in preparing companies for launch, growth, scaling and exit.
- (2) Taking on the more technically challenging companies and using our available mentors, corporate relationships and college partners to better understand the science/technology, de-risk the investment decisions/milestones and assist the founding teams along the way.
- (3) Committing as the first institutional investor (despite being a tiny fund) into technical companies seems to be working well for the companies and for the Fund's realized and forward looking investment returns.

As to liquidity expectations from current investments, that outlook appears more likely than ever before. There are no guarantees on the amount or timing, but several are very well positioned for significant value creation, revenue scaling and operating profits. At the end of FY19, the Fund's Cumulative IRR stands at -2.39%, which is effectively the fund's operating expenses and 2% management fee. Though perhaps a year or two longer than originally anticipated given the J-Curve dynamics in seed stage investing, the Fund is now well postured for positive IRR (i.e. % returns) and positive multiples on cash invested returns.

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 have been Jo Bradley, Hinda Miller, John Evans and Bob Britt. SFAB was established under the enabling statutes, can receive 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 FY19.

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 both past and present include:

**Renewable Energy Storage**

**Advanced Manufacturing Equipment**

**Cyber Security**

**Internet of Things**

**Consumer Products**

**Financial Services Technologies**

**Artificial Intelligence / Marketing**

**Aerospace & Aviation**

**Urban Transportation**

**Consumer Media & Commerce Platforms**

**Agriculture Technology**

**and more...**

## Vermont Seed Capital Fund. LP Impact Measures @ June 30, 2019

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/Payroll Impacted and Innovation Ecosystem Benefits.**

|  |   |
|--|---|
| <p><b>Financial Return (IRR)<sup>1</sup></b></p> <p>Target IRR &gt; 20%<br/>Cumulative IRR -2.39%</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><b>Jobs Impacted</b></p> <p>Target &gt; 150 (Permanent FTE)<br/>Actual 260<br/>Cumulative<sup>2</sup> 1,392</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><b>Capital Leverage</b></p> <p>Total VSCF Investment (23) \$4,246,913<br/>Total Capital Investment \$164,558,379<br/>Leverage 38.7x</p>   | <p><b>Innovation Ecosystem Benefits</b></p> <p>Portfolio founders are paying it forward more in coaching and assisting a new wave of entrepreneurs and startups. VCET’s #ScaleHere launched which brings deeply discounted and free perks to companies (&gt;\$100k in perks available per company).</p>   |
| <p><b>Total Revenue</b></p> <p>Actual (LTM<sup>3</sup>) \$30,124,360<br/>Cumulative \$109,810,225</p> <p>Revenues are <b>up 65%</b> from FY18. This is huge signal.</p>  | <p><b>Total Payroll</b> (VT and Non-VT)</p> <p>Actual (LTM<sup>3</sup>) \$20,003,542<br/>Cumulative \$99,417,670</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><b>Vermont Coverage</b><br/>Barre, WRJ, Richmond, Woodstock, Shoreham, Bristol, Middlebury, Winooski, Burlington, Montpelier, Colchester, S. Ryegate, St. Johnsbury, Barre, Waitsfield, Waterbury, Stowe, Charlotte, S.Burlington</p>   | <p><b>Investment Roadmap (first revolve)</b></p> <p>Target # Firms 16<br/>Actual # Firms 23</p> <p>The Fund has invested into 23 firms to date and the evergreen model has proven sustainable.</p>  |

<sup>1</sup> 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.

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

<sup>3</sup> LTM: Last twelve months.

# PORTFOLIO COMPANIES @ JUNE 30, 2019



## 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. The company was a Dartmouth College technology licensee.

**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     |
| Capital Returned   | \$54,348 (Nov 2017)              |
| (partial):         | \$160,338 (Dec 2018)             |

**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](http://www.semiprobe.com)

**Use of Funds** Working capital, payroll, IT development, equipment and sales

**Status** **Active** - The Company repaid the \$114,583 in Convertible Notes principal (from 2013-14) plus accrued interest of \$45,755 to the Fund. This roughly 1.4x invested capital return. The Fund owns approximately 14% of the company.



## 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](http://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](http://www.Electrocell.us)

**Use of Funds** Working capital, personnel, pilot projects, equipment, and sales

**Status** Active



# Rapid Focus Security

Location: Burlington and Boston  
Fund Investment: \$629,306 (12 transactions)  
Date of Investments: Oct 2012 - Nov 2017

**Description** CPX Security is the new d.b.a for Rapid Focus Security. CPX Security is the first security management solution designed exclusively for manufacturers' connected products and the Internet of Things. [www.CPXSecurity.com](http://www.CPXSecurity.com)

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

**Status** **Active** - Formerly operating as Pwnie Express, the company divested of the Pwnie Express line of business and trade name to focus on the Internet of Things challenges for large global manufacturers.

## CPX Dashboard



CPX provides a holistic view of IoT security via a single visual dashboard of system components that shows issues, security scores and alerts.



## 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](http://www.NorthernReliability.com)

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

**Status** **Active** - The company has publicly reported over 900% growth in calendar 2019.





## Faraday

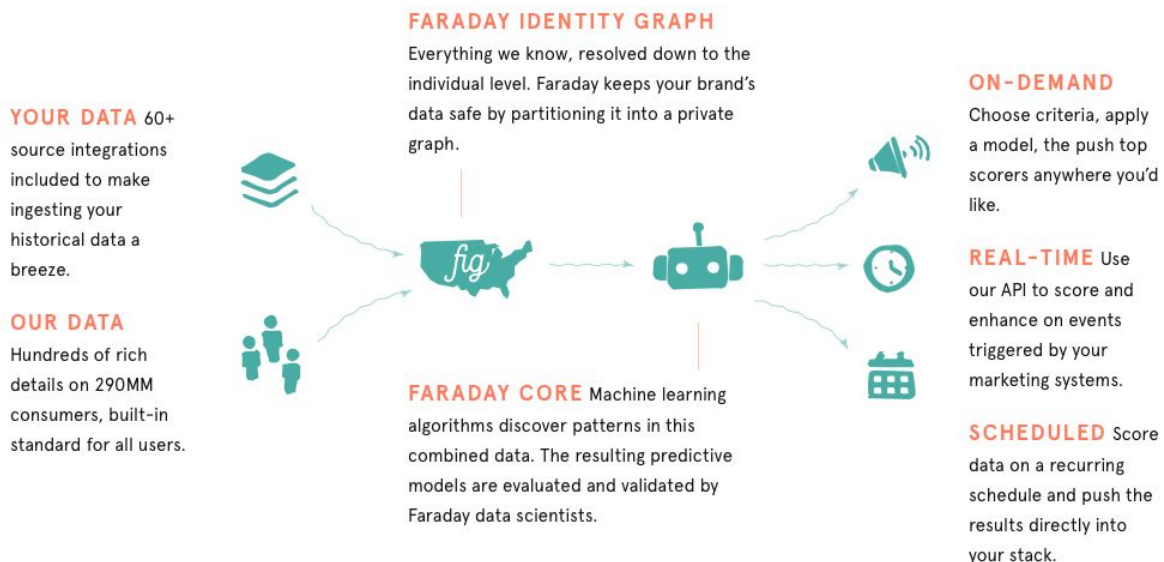
|                    |   |
|--------------------|---|
| Location           | Middlebury, Burlington                  |
| Fund Investment    | \$75,000; \$100,000; \$25,000; \$25,000 |
| Date of Investment | 2.13.14 ; 1.21.15 ; 5.12.16 ; 6.5.17    |
| Capital Returned:  | \$100,000 (Oct 2017)                    |

**Description** Faraday assists direct business to consumer (DTC) companies unlock third party and internal data for insights, customer acquisition and marketing returns. The company uses big data sources on over 140 million US households, proprietary learning algorithms and leading visualization tools. Visit [www.faraday.io](http://www.faraday.io)

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

**Status** **Active** - The company has doubled its workforce and is in rapid scaling mode.

### Here's how the Faraday platform works







## 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](http://www.budnitzbicycles.com)

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

**Status** Active



## Ello

|                    |                                   |
|--------------------|-----------------------------------|
| Location           | Los Angeles<br>Burlington/Boulder |
| Fund Investment    | \$50,000                          |
| Date of Investment | 10.17.14                          |

**Description** Now operated as a unit of L.A. based TalentHouse, 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



## NextCapital Group

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

**Description** NextCapital is a digital enterprise wealth adviser technology platform that allows large institutions, wealth managers and investors to build and manage personal, objective, and affordable world-class investment portfolios and services.  
[www.NextCapital.com](http://www.NextCapital.com)

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

**Status** **Active**



## Horse Network

|                         |            |
|-------------------------|------------|
| Location                | Burlington |
| Fund Investment         | \$100,000  |
| Date of Investment      | 10.21.15   |
| Dissolution/Asset Sale: | Dec 2018   |

**Description** The Horse Network is a digital media and publishing platform for horse people and the leading horse competitions.

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

**Status** **Asset Sale / Dissolved:** - A distressed asset sale was concluded in late 2018 and the company has been dissolved. This is a 100% recognized loss in FY19.

# visura

## 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](http://www.visura.co)

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

**Status** **Active**

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# 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 rotorcraft such as helicopters and eVOTL aircraft. Visit [www.GPMS-VT.com](http://www.GPMS-VT.com)

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

**Status** Active



## Our HUMS product offers a full range of features

- ⚙ Engine Performance Monitoring
- ⚙ Mechanical System Monitoring
- ⚙ Flight Regime Recognition
- ⚙ Flight Data Monitoring
- ⚙ Rotor Track and Balance

[More About Foresight MX](#)



|                    |                             |
|--------------------|-----------------------------|
| 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](http://www.benchmarkspacesystems.com)

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

**Status** **Active** - The company's in orbit demonstration flight is slated for early 2020.



**DFAST** – WARM GAS GENERATOR SYSTEM



**B125** – 'GREEN' BIPROPELLANT SYSTEM



# CERES GREENS

## Ceres Greens, LLC

|                    |          |
|--------------------|----------|
| Location           | Barre    |
| Fund Investment    | \$25,000 |
| Date of Investment | 2.19.19  |

### Description

Ceres Greens is a hydroponic, vertical farming operation in a revitalized and repurposed former industrial building in downtown Barre, Vermont. The company grows leafy greens year round using non-GMO, pesticide free and water efficient practices.

### Use of Funds

Personnel, farm/manufacturing facility and customer development

### Status

Active

### HOW WE GROW

Our produce is grown vertically in an indoor controlled environment to provide the most ideal growing conditions. Imagine aisles of living walls of edible plants! [Learn more >](#)

### WHY WE GROW

To provide the freshest, tastiest locally grown produce possible, significantly reducing food miles and providing a secure source of food. [Explore >](#)

### WHERE TO BUY

Our retail partners are coming online soon, and we look forward to sharing details on where to find Ceres Greens produce near you.



## 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 FY19, there was one return from within the portfolio from the repayment of three Convertible Notes by SemiProbe. Principal was returned at par and the accumulated interest was recognized over the years. The totals are reported below for these Notes.

#### 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) |

#### SemiProbe (3 Convertible Notes repaid FY19)

|                  |                       |
|------------------|-----------------------|
| Fund Investment  | \$114,585 (2013-2014) |
| Capital Returned | \$160,338 (Dec 2018)  |

|                  |
|------------------|
| Fund Investment  |
| Capital Returned |

|                  |
|------------------|
| Fund Investment  |
| Capital Returned |

## Realized Losses:

For the year ended FY19, there was one additional company that dissolved or which conducted an asset sale which would precipitate a realized loss. As reported last year, these nine 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 three other Fund objectives for capital leverage, revenues and payroll creation.

## Summary Data (9 Firms)

|                                   |                     |
|-----------------------------------|---------------------|
| <b>Total Fund Investment:</b>     | <b>\$1,215,000</b>  |
| <b>Cumulative Capital Raised:</b> | <b>\$34,945,188</b> |
| <b>Capital Leverage:</b>          | <b>28.8x</b>        |
| <b>Cumulative Wages:</b>          | <b>\$10,971,030</b> |
| <b>Cumulative Revenues:</b>       | <b>\$8,432,867</b>  |

## 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 |

### **Horse Network**

|                    |              |
|--------------------|--------------|
| Fund Investment    | \$100,000    |
| Date of Investment | October 2015 |

|                    |  |
|--------------------|--|
| Fund Investment    |  |
| Date of Investment |  |

|                    |  |
|--------------------|--|
| Fund Investment    |  |
| Date of Investment |  |