



Growing a Cluster: Specialty Foods & Disability Insurance

GrowSmart Summit
October 19, 2007

Today's objective

Share and brainstorm ideas on how to catalyze the creation of economic clusters of activity in Maine

- No one right answer
- Foster discussion

Today's Panelists

- Karen Mills
 - Managing Director, Venture Capitalist
 - Chair, Council on Jobs, Innovation and the Economy
- Michael Burgmaier
 - Principal, CEI Community Ventures
- Don Morrison
 - Founder/Owner, Morrison's Maine Course
 - Acting Chair, Maine Food Producer's Alliance
- Frederick Brown
 - President, Group MarketShare



Agenda

- Clusters: Setting the Stage
- Catalyzing a Cluster: Food
- Maine Food Producers Alliance: Early Lessons
- Catalyzing a Cluster: Disability Insurance
- Q&A -- Discussion

Investing in Maine's Future

**Creating Jobs, Innovation, and
Economic Growth**

**Council on Jobs, Innovation
and the Economy**

October 19, 2007

Brookings recommended a significant investment in innovation

- \$20 million Cluster Development Fund
- \$180 million Research and Development Fund

Council on Jobs, Innovation and the Economy formed to specify the structures and mechanisms to bring these recommendations into being

Maine's economy is transforming

OLD

- Paper, textiles, and shoes
- Cost-focused
- Attract non-Maine companies

NEW

- Innovation driven
- Built on Maine's advantages
 - Coast
 - Forests
 - Promising growth sectors

How does innovation translate into Maine jobs?

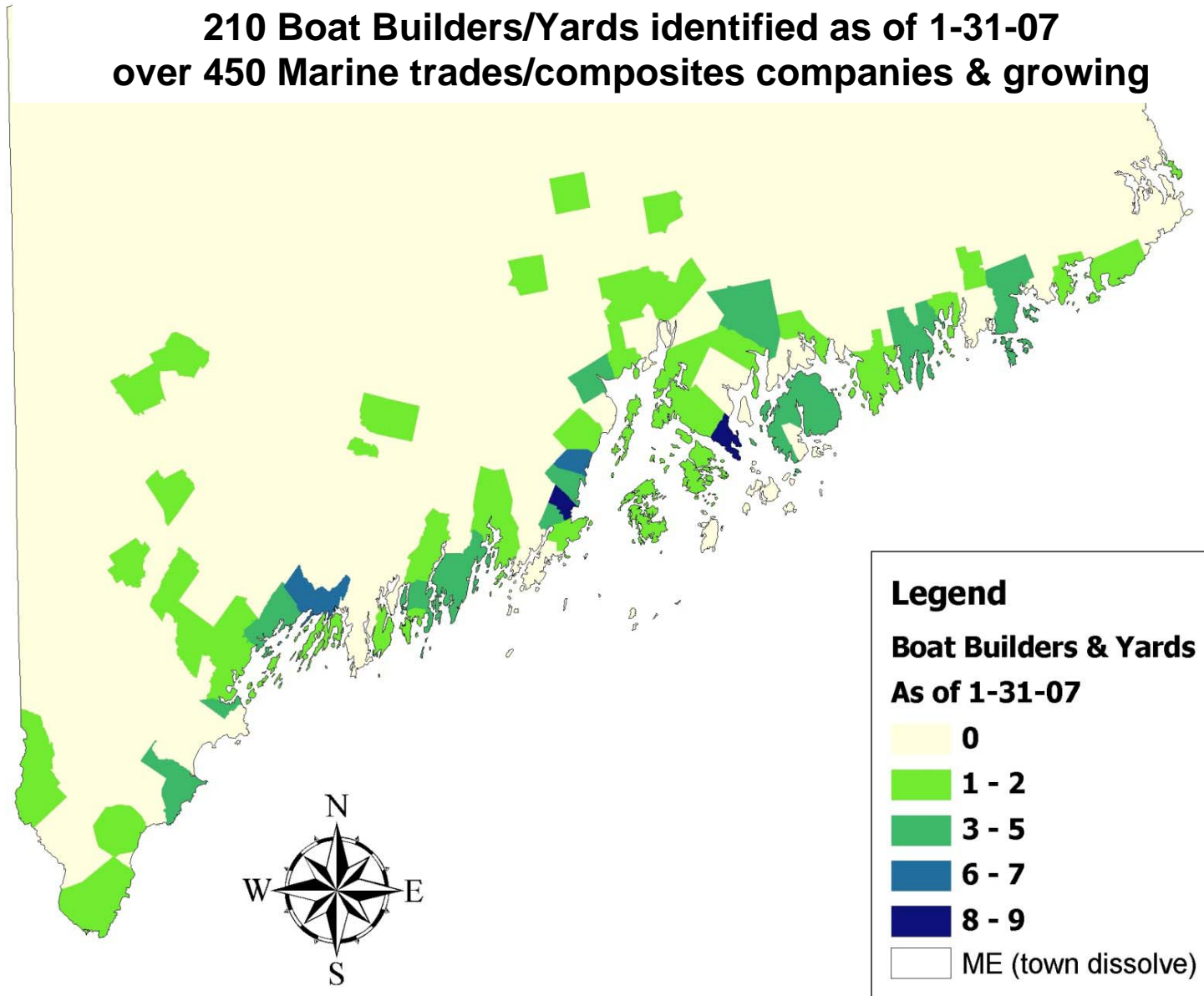


- R & D
- Marketing/Product Innovation

- Small and Midsize Business
- Clusters

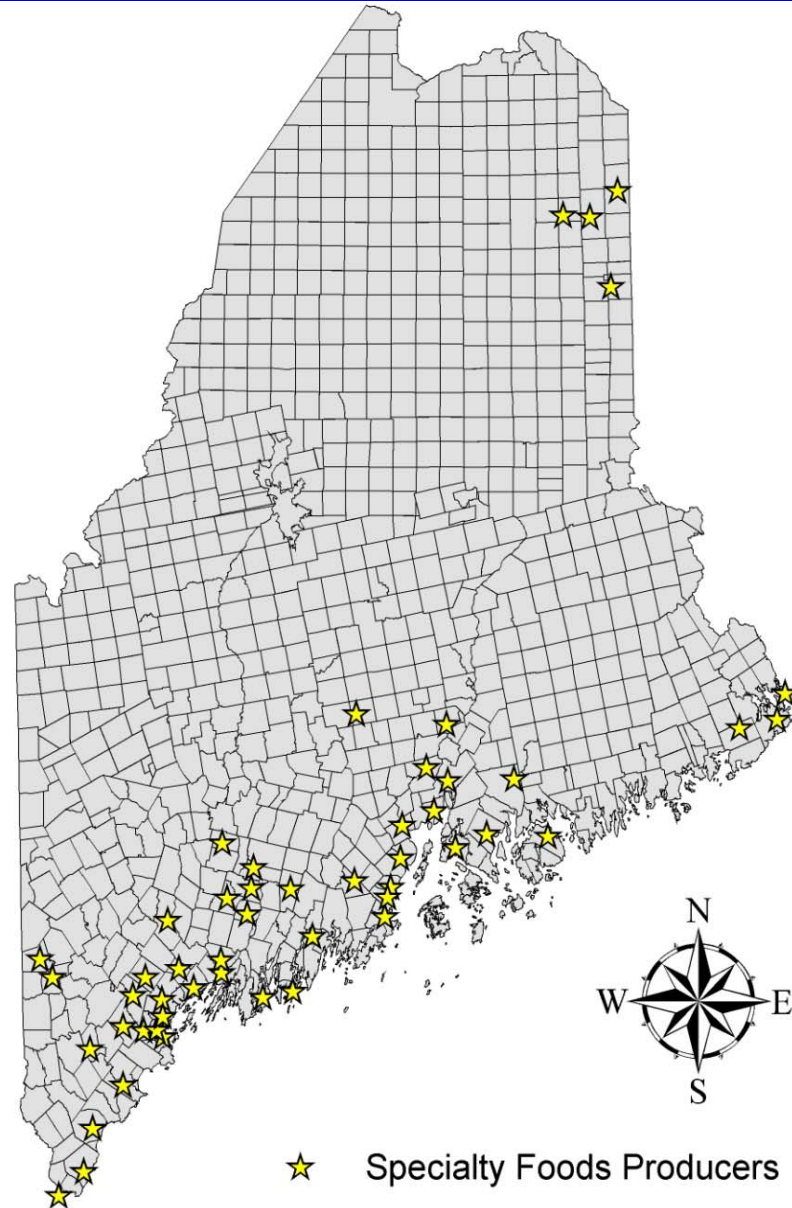
Cluster example: Boat Building and Composite Technology

210 Boat Builders/Yards identified as of 1-31-07
over 450 Marine trades/composites companies & growing

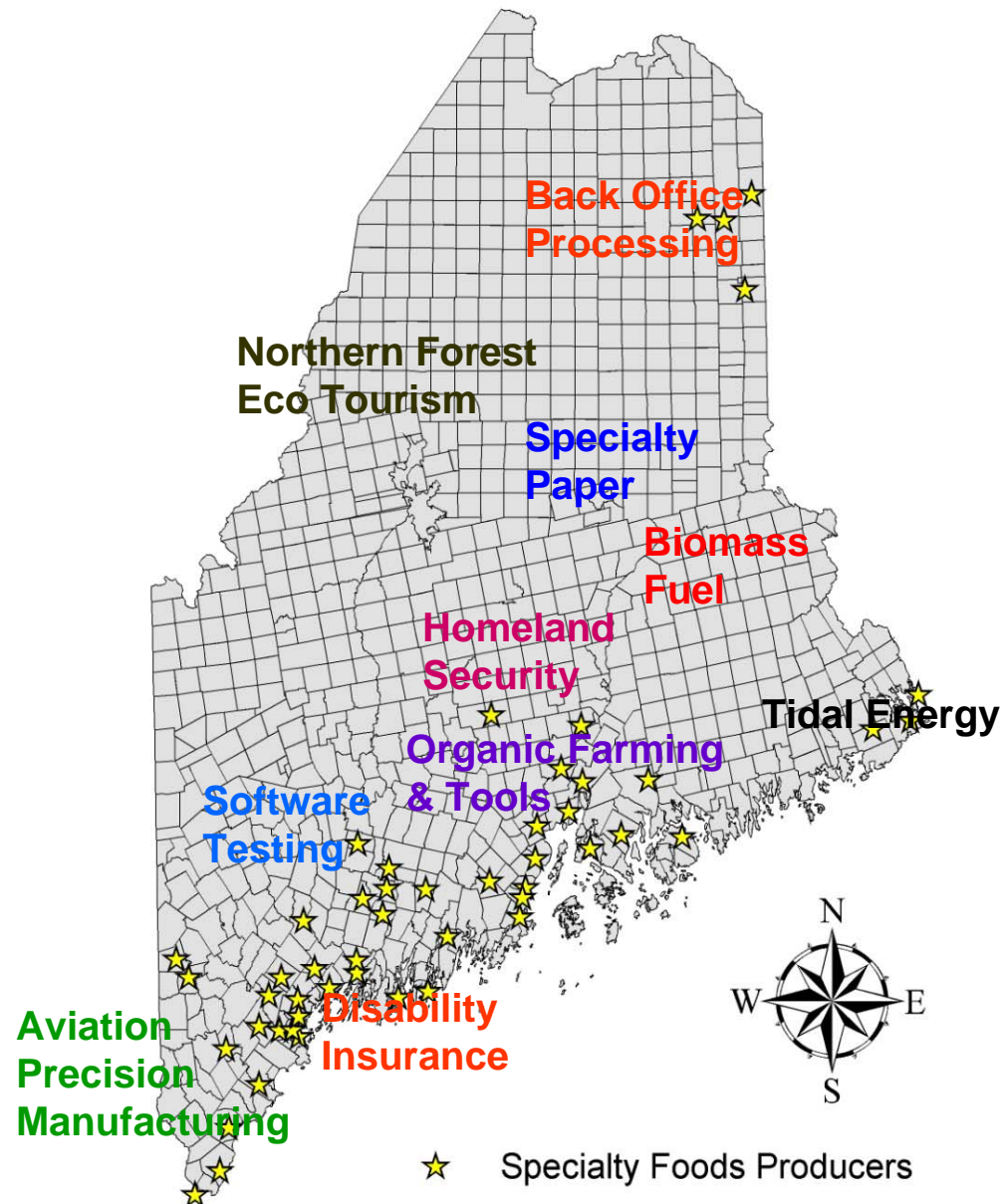


Source: Maine's North Star Alliance, Business Database

Emerging Cluster: Specialty Food Products



Examples of recent industry-led cluster activity



Council's conclusions:

- Maine must focus its investments on its most promising sectors
- A significant number of emerging clusters exist in Maine, but they need support to reach critical mass
- The state has a proven track record with the North Star Alliance and the Maine Technology Institute

Maine's Debt Ranking vs. other states

Net Tax-Supported Debt as a % of Personal Income

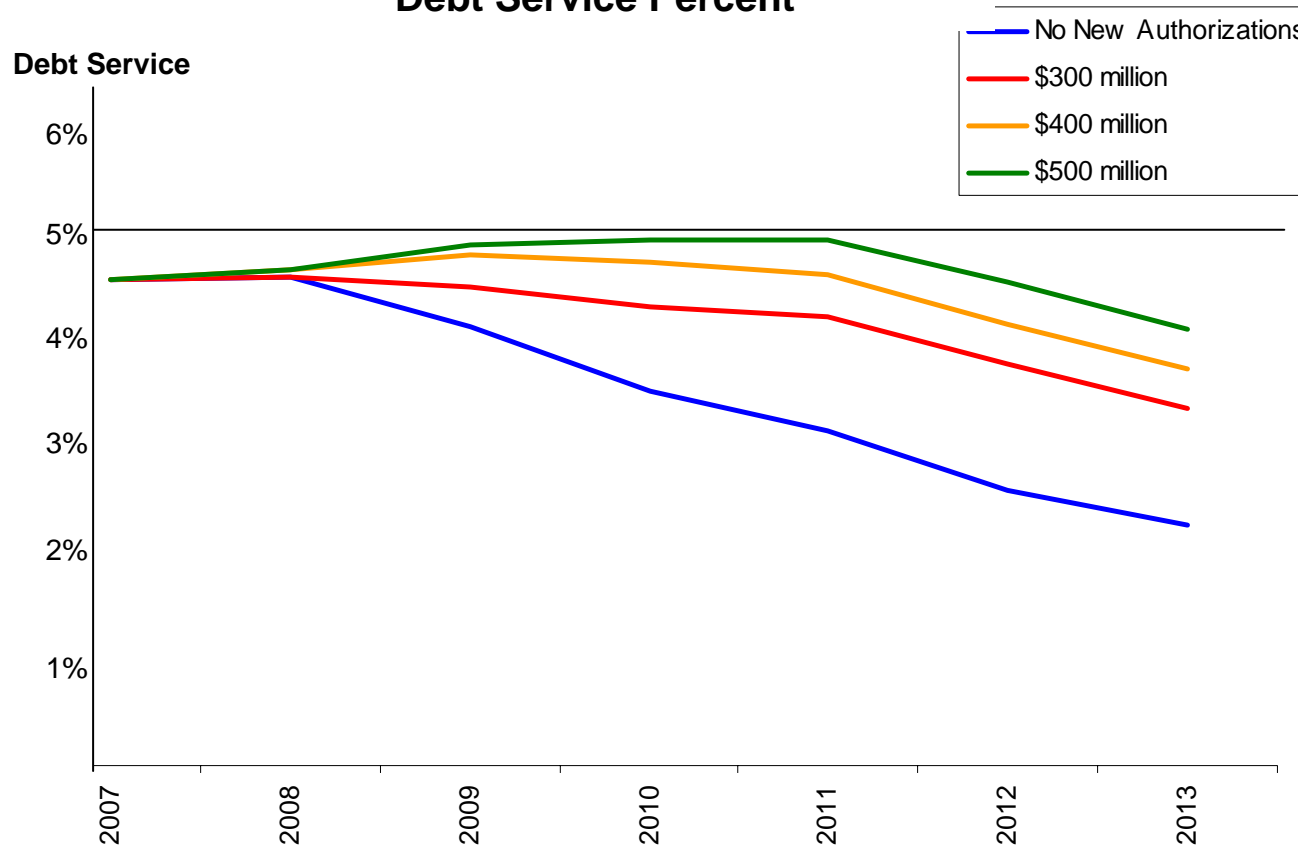
1 Hawaii 12.1%	31 Nevada 2.2%
2 Massachusetts 9.8%	32 Michigan 2.1%
3 Connecticut 8.0%	33 Minnesota 2.1%
4 New Jersey 7.9%	34 Maine 2.0%
5 New York 6.7%	35 Virginia 1.7%
6 Illinois 5.9%	36 Missouri 1.6%
7 Delaware 5.3%	37 Arkansas 1.6%
8 Washington 4.9%	38 Indiana 1.4%
9 Mississippi 4.8%	39 Oklahoma 1.4%
10 New Mexico 4.7%	40 New Hampshire 1.4%
11 California 4.6%	41 Montana 1.4%
12 Kentucky 4.5%	42 North Dakota 1.2%
13 Wisconsin 4.5%	43 Texas 1.0%
14 Oregon 4.5%	44 Colorado 0.9%
15 West Virginia 4.4%	45 Tennessee 0.8%
16 Rhode Island 4.1%	46 South Dakota 0.7%
17 Kansas 3.8%	47 Idaho 0.6%
18 Florida 3.2%	48 Iowa 0.4%
19 Louisiana 3.1%	49 Wyoming 0.3%
20 Maryland 3.0%	50 Nebraska 0.1%
21 Ohio 2.9%	MEAN: 3.2%
22 North Carolina 2.8%	MEDIAN: 2.5%
23 Utah 2.7%	Puerto Rico 61.2%
24 Georgia 2.7%	
25 Alaska 2.6%	
26 South Carolina 2.5%	<i>** This figure is based on 2004</i>
27 Pennsylvania 2.3%	<i>Personal Income. It is not included</i>
28 Vermont 2.2%	<i>in any totals, averages, or median</i>
29 Arizona 2.2%	<i>calculations but is provided for</i>
30 Alabama 2.2%	<i>comparison purposes only.</i>

Net Tax-Supported Debt Per Capita

1 Massachusetts \$4,128	31 South Carolina \$661
2 Hawaii \$3,905	32 Arizona \$607
3 Connecticut \$3,624	33 Maine \$606
4 New Jersey \$3,276	34 Alabama \$603
5 New York \$2,569	35 Virginia \$601
6 Illinois \$2,026	36 Missouri \$496
7 Delaware \$1,845	37 Indiana \$474
8 Washington \$1,684	38 New Hampshire \$514
9 California \$1,597	39 North Dakota \$342
10 Wisconsin \$1,437	40 Arkansas \$409
11 Rhode Island \$1,402	41 Oklahoma \$395
12 Oregon \$1,350	42 Montana \$377
13 Kentucky \$1,225	43 Colorado \$314
14 New Mexico \$1,222	44 Texas \$307
15 Mississippi \$1,171	45 Tennessee \$234
16 Maryland \$1,169	46 South Dakota \$225
17 Kansas \$1,169	47 Idaho \$152
18 West Virginia \$1,119	48 Iowa \$110
19 Florida \$976	49 Wyoming \$103
20 Ohio \$915	50 Nebraska \$27
21 Alaska \$880	MEAN: \$1,060
22 Louisiana \$855	MEDIAN: \$754
23 North Carolina \$804	Puerto Rico \$7,312
24 Georgia \$784	
25 Pennsylvania \$762	
26 Minnesota \$746	<i>* Issuer Rating (No G.O. Debt)</i>
27 Nevada \$717	<i>** No General Obligation Debt</i>
28 Utah \$707	<i>*** This figure is not included in any totals,</i>
29 Vermont \$707	<i>averages, or median calculations but is</i>
30 Michigan \$683	<i>provided for comparison purposes only.</i>

Debt Service will remain under the 5% rule even with new bonds

**MAINE BOND PROJECTION
Debt Service Percent**



Total Revenue = General Fund Revenue plus Highway Fund Revenue plus Municipal Revenue Sharing

Total Supported Debt Service = Principal and Interest (at 6%) for general obligation bonds, Certificates of Participation (COPs); Capital Leases; Maine Government Facilities Authority (MGFA); GARVEES

Fighting for Maine's Future

Vote Yes on 2 and 3

**Better Education. Better Jobs.
A Brighter Future For All Mainers.**

November 6 vote:

Question #2 - \$55 million bond for Research and Development

Question #3 - \$43.5 million bond for Higher Education

- University of Maine (\$23M)

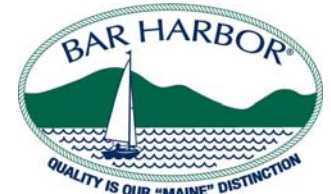
- Maine Community College System (\$15.5M)

Agenda

- Clusters: Setting the Stage
- Catalyzing a Cluster: Food
- Maine Food Producers Alliance: Early Lessons
- Catalyzing a Cluster: Disability Insurance
- Q&A -- Discussion

Catalyzing a food cluster: create a meaningful event to bring leaders together

- Why food? Why us?
 - Seeing a void and creating an opportunity
 - Applicable experience; view from other states
- Creating the “Food For Thought” event
 - Find a partner
 - Get the right people in the room (customers)
 - Coalesce around an idea/challenge
 - Create a draw (leaders; sponsors; guests)
 - Show why an organized cluster can help
 - Create energy!



MAINE "FOOD FOR THOUGHT" FORUM

WHO? Owners and decision-makers of specialty food and beverage companies in Maine.

WHAT? Networking dinner and discussion on the factors affecting food producers in Maine.

WHERE? Bowdoin College, Thorne Hall

WHEN? October 26, 2006 from 5 to 8pm

WHY? To increase collaboration and profitability of specialty food producers in Maine.

Keynote Speaker: Karen Gordon Mills, Managing Director, Solera Capital LLC
Solera Capital LLC purchased Annie's Homegrown, the maker of all natural and organic macaroni and cheese in 2002. As a continued partner, Solera Capital has grown the business to full national distribution and added such products as Bunny crackers, Bunny Grahams, and has also added the businesses of Fantastic Foods and Annie's Salad Dressings.

Special Guest: Dr. Beth Calder, Extension Food Science Specialist. The Department of Food Science and Human Nutrition at the University of Maine has many services including: food testing, advanced manufacturing, and regulatory and labeling guidance.

TO REGISTER VISIT:

www.segmaine.com/foodforum.asp

YOUR HOSTS:



Looking for buyers?
Attendees will include specialty food buyers from Whole Foods and Hannaford

EVENT SPONSORS

Looking for capital?
Talk to representatives from FAME, Bangor Savings Bank, and Maine venture capital firms



Bangor Savings Bank

Independence • Capacity • Action

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Meat, Seafood, Ketchup, Sauces, Milk, Maple, Breads, Pastas, Spices, etc.

For Leaders ~
"Important" People

labeling guidance.

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Have a clear purpose

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Create a business reason to attend

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Special Guest: Dr. Beth Calder, Extension Food Safety Science Specialist. The Department of Food Safety Science and Human Nutrition at the University of Maine has many services including: food safety audits, advanced manufacturing, and regulatory and labeling guidance.

Looking for capital?

Bunny



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YOUR HOSTS:



Online registration with a survey – aggregated data to be presented at the event

Maine Food For Thought Forum



Thank you for your interest in attending the Maine Food for Thought Forum. To reserve your seat, please provide your contact information below. The registration fee for the event is \$10 per attendee. Please mail check, which includes your organization's name to : Small Enterprise Growth Fund, Attention: Terri Wark, P Box 619 Augusta, Maine 04332-0619

* First Name

* Last Name

Please fill out this brief survey regarding your business. The results will be aggregated and provided to conference attendees following the event. We may use direct quotes but will not attributed them to any individual or organization.

* Can we use your survey responses for a report to be distributed to Maine Food For Thought attendees?

Yes No

* Which statement most closely resembles your business strategy/goal?




- We are actively trying to grow the business, expand into new markets and expand our product line.
- We are most concerned with maintaining a healthy cash flow to support our current level of business, and lifestyle.
- We are actively looking to sell our business

* What annual growth rate do you expect to achieve in 2006?

- <0%
- 0-15%
- 16-30%
- 31-50%
- 51-75%
- >75%

The event starts the process; don't let it die (Thank you Jayme Okma Lee; SEGF)

MAINE "FOOD FOR THOUGHT" FORUM








EVENT REPORT

NOVEMBER 15, 2006

QUESTIONS OR COMMENTS?

Please contact:
Jayme Okma Lee
Fund Associate
Small Enterprise Growth Fund
Jayme_okma-lee@sememaine.com



THANKS AGAIN TO OUR SPONSORS

- 78%: Can save costs through group purchasing
 - Identify vendors from which multiple companies purchase
- Only 50% currently collaborate with other food producers in the state
- Identify solutions
 - Shared trade show costs
 - Group purchasing
 - Shared warehousing/distribution
 - Share ways in which companies already benefit through collaboration
 - Clear need for an organization

Generate PR and buzz to sustain momentum and build awareness

Mainebiz

the Food issue

The cluster effect

Maine's specialty food producers see benefits in becoming a more organized, collaborative group, but wonder who has time to lead the charge

BY WHIT RICHARDSON

When Carol Tanner and Dennis Proctor founded their mustard and sauce business, Mother's Mountain, in Falmouth 25 years ago, there wasn't much of a specialty food industry in the state. "Specialty food to the general public 25 years ago was Gulden's spicy mustard," Proctor says.

But these days, Portland Beer Mustard from Mother's Mountain and a host of other specialty products from Maine are

crossing supermarket and gourmet food shelves. The idea of economic clusters is not new, but it has more often been applied to high-tech sectors and more established industries. Think of Silicon Valley or Hollywood — both support a concentrated group of similar businesses with a crop of highly trained employees, many of which go on to found other successful companies, often in the same region. Further strength



Name recognition: Specialty food companies like Morrison's Maine Course say greater industry collaboration could boost their collective and individual fortunes

As a venture capitalist, Burgmaier says small specialty food businesses frequently approach him with requests for funding. Unfortunately, because venture capital is usually targeted toward companies ready for big growth and with experienced management teams, only one in 50 of those

Labor to invest in research and development, workforce training and business assistance. Then, in October, the Brookings Institution released its report on the state's economy, "Charting Maine's Future," which recommends the state create a \$20-million state development fund to invest

Final thoughts on sustaining the momentum

- Identify leaders to take up the challenge
- Hand off to the cluster itself
- Make it easy / second meeting
- Show the path (MTI, others)
- Connect the dots
 - Other states; quality of place/brand; secondary impacts
- Avoid negativity and pessimism
- Publicize

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Channel the energy and ideas

- Start: Get people to initial meetings
- Gather: Try to get many different ideas and opinions into a format
- Organize: Steering Committee
- Communicate: Set up a web page as form of communication between interested parties

Getting to Work: The Steering Committee

- Assess wants and needs of business owners
- Name the group
- Write mission statement and objectives
 - Utilize wants and needs from pervious meeting
- Why did the old group fail?
- Go for a Cluster Development Grant

Got the grant. Now what?

- Look at hiring executive director or an Association Management Company
- Write by-laws
- File with state for legalization
- Organize a Board of Directors
- Set up membership dues, fund raisers and start looking at other grant opportunities

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Reasons for Interest in Disability Insurance Cluster Development

Elements of Offense and Defense

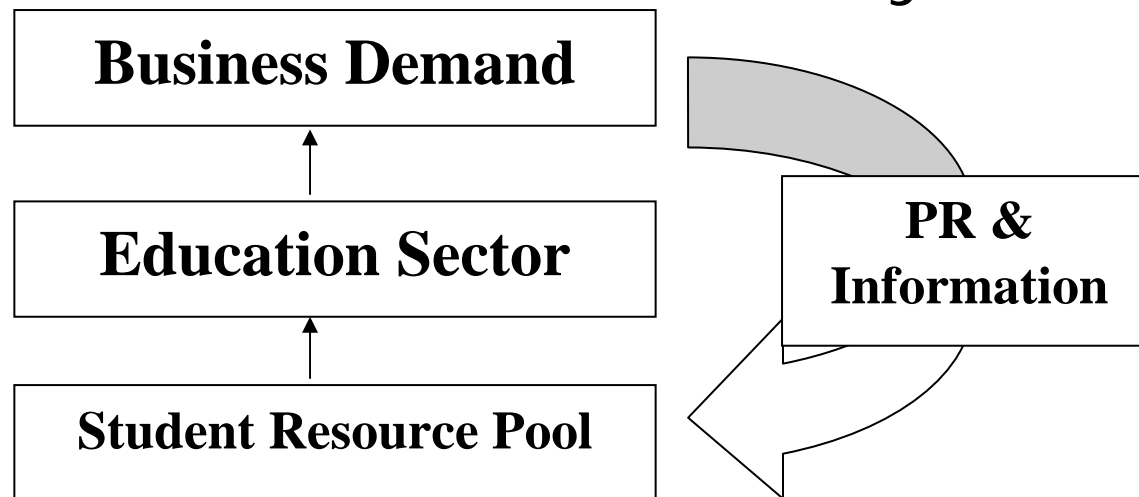
- Defense:
 - Demand for skilled people outstripping local supply, raising costs
- Offense:
 - Take advantage of political interest
 - Organize/strengthen competitive viability
 - Growth & diversification for education and recruiting sectors

Disability Cluster Group Objective

- Objective:

- Foster growth of Maine's disability insurance industry . . .
- as a distinguished center of excellence . . .
- able to compete on the world stage . . .
- based on sustainable technological and intellectual advantage

- Consensus on Immediate Priority:



Disability Insurance Cluster Activities

- Survey industry to develop picture of the industry's economic clout and resource needs
- Identify grant resources for internships
- Develop public relations plan
- Identify research topics to enhance center-of-excellence credentials

What We've Found

- This is actually a lot of work
- Focus on deadlines and tangible results
- Need to make ourselves visible
- Sustaining momentum is a full-time job

- - **Conclusion** - -

- Industries who work with their communities to build sustainable competitive advantage in a world economy will come out ahead.
- A lot of work, but the networking and camaraderie are rewarding.

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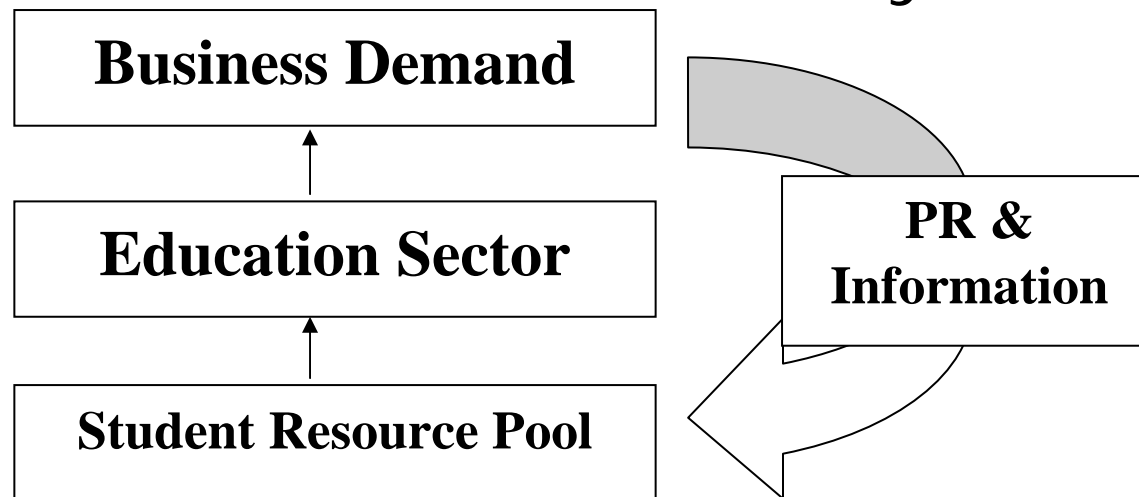
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