CEI Community Ventures Inc. (CCVI),

A For-Profit Subsidiary of
Coastal Enterprises Inc. (CEI)

Business Plan

For

Yale-Goldman Sachs Partnership on Nonprofit Ventures

For its

2003-4 Non-Profit Business Plan Competition

April, 5th 2004

Executive Summary

For more than three decades, venture capital has served as a catalyst for economic development (jobs, tax revenue, incomes) for geographies fortunate enough to gain access to this source of growth financing. According to the National Venture Capital Association, venture capital investment over the past 30 years is responsible for the creation of more than 7.6M jobs and generating over $1.3 trillion in corporate revenues. Unfortunately, the overwhelming majority[1] of risk capital has been deployed and managed in major urban city centers in the US, leaving the rest of the country–particularly rural communities–without this vehicle of community wealth building. Even within major urban settings, venture capital finance is directed to high growth, technology businesses, leaving more traditional (non-technology) industries and companies with more modest growth potential (or those in sectors less favored by traditional venture capital) behind.

CEI Community Ventures, Inc. (CCVI), a for-profit subsidiary of a non-profit organization, represents a unique opportunity to address this disparity by bringing the economic engine of venture capital equity finance to areas of the country that have limited or no access to it. One of only six such entities in the US, CCVI is a $10M venture capital fund licensed under the Small Business Administration's (SBA) New Markets Venture Capital (NMVC) program designed to drive capital into underserved and distressed communities in the US; CCVI's geographic focus is Maine, New Hampshire and Vermont.

In addition to funding half of the $10m equity pool, SBA's NMVC program will also provide an operational assistance (OA) grant match of $1.5M, provided that NMVC funds raise an equal amount (cash, in-kind) as match—i.e. a $3M grant pool. Of the $1.5M to be raised by CCVI, at least half must be cash while the balance may be in-kind. CCVI has successfully funded its entire $10M equity pool and is now in the midst of raising OA funds. For OA, CCVI must raise $750K cash by December 2004 or face revocation of its NMVC license. To date, CCVI has raised nearly 30% of the cash match (and 78% of in-kind) and seeks to secure additional cash match through the Yale-Goldman competition.

OA resources funded through this equity-linked grant program provide a critical pre- and post-finance resource to companies that may be candidates for equity finance through CCVI's equity pool. A "no-strings" grant to target companies, CCVI's OA funds may be used to support business plans, legal counsel, marketing/strategic consulting and other professional services designed to help the company become equity ready (if pre-finance) and/or or to help the company achieve its business plan (if post-finance). This unique and innovative program is critical to companies in distressed communities as they typically lack the experience and, in many cases, sophistication required to access and secure venture capital.

CCVI's blend of equity combined with technical/operational assistance grant funds (OA) presents a new model for economic development in targeted regions. Moreover, the fund team's combination of proven venture capital track record, management consulting and operating experience and the non-profit parent's social track record present a compelling model that will serve the needs of investors, companies and communities. Having completed equity fund-raising from traditional investors (banks, insurance companies) and from socially motivated investors (foundations, state agencies), CCVI needs only to raise remaining OA funds to get on with its business of delivering its triple bottom line[2] to

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[1] In the year 2000, more than 70% of all venture capital financing was placed in five states (CA, MA, TX, NY, GA);
[2] The triple bottom line refers to achieving Financial, Social (jobs, wages, benefits, social equity) and Environmental returns. As the industry is in its infancy, there is not yet consistency in terms of the weighting and level of return within a given return category or relative to each other.

stakeholders. Short and medium term, CCVI expects to prove this new model of sustainable economic development-oriented venture capital. With success with this first fund, CCVI hopes to raise larger pools (e.g. $50-100M) of capital longer term to achieve scale, increase impact and extend into adjacent territories such as Massachusetts and New York.

CCVI presents to the Yale-Goldman competition a business and plan that offers the potential not only to leverage federal matching funds but to provide high impact capital whose effect will ripple through distressed communities. This unique government, non-profit and the private sector partnership will establish an economic development precedent that will accelerate the development of an emerging industry–geographically targeted, socially responsible venture capital. Yale-Goldman's role as a funder could prove to be the critical component to making a difference for individuals, companies and communities in underserved regions of northern New England. Absent grant funding support required by the December 2004 deadline, CCVI fund operation is at risk of being shut down by SBA[3].

Program Objectives:

The **equity program's primary objectives** are to: 1) create jobs (550 by year ten), and 2) provide attractive returns to investors (10-12% IRR minimum)[4] enabling the fund to raise future capital to continue its multi-bottom line (financial, social, environmental) investment program. The **OA program's objectives** are twofold: 1) increase the likelihood of companies receiving financing by providing them with resources prior to investment, and 2) supplement the companies' available resources, improving their odds of success. OA fund allocation to services which equity might have otherwise funded serves as an extra cash resource to the company. CCVI and SBA expect the OA pool to have a strong impact in helping companies become more attractive to investors, thereby enabling the job engine of venture capital to positively impact target regions.

While CCVI is seeking funds for the OA program, the heart of the opportunity risk in this venture rests with the core venture capital opportunity rather than the OA program. Accordingly, the majority of this plan describes the venture capital business rather than the OA element, for which capital is sought. The plan presents an overview of venture capital and its newer variant, Community Development Venture Capital (CDVC), as context. The plan also describes and addresses risks–both generally in venture capital and more specifically in the NMVC program. By defining the risks and strategies for mitigating these risks, CCVI will compel OA grantors to support this venture on the strength of the opportunity, the management team, and the institutional infrastructure afforded by Coastal Enterprises, CCVI's non-profit parent organization.

Although all relevant plan sections are addressed, CCVI's plan format varies somewhat from the suggested outline for this competition. However, given the unique nature of this opportunity, CCVI chose to present the plan with a flow that seems appropriate to understanding the business and opportunity.

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[3] SBA has allowed NMVCs that have completed their equity fund raising to commence operations so long as OA grant fund raising is completed by a stated deadline. Failing this, SBA has rights to retract the license and cease operations. SBA has recently sent a letter to CCVI reminding the fund of its obligation to complete fund raising and of SBA's right to close the fund if it is unsuccessful in raising remaining grant capital.

[4] As noted, in Section II, A, 2, the community development venture capital industry sets a target floor of 10-12%, which both financial and social investors support. CCVI's President is targeting returns in the range of 15-23%, given his belief that fund returns must approach traditional returns over time to ensure access to larger sources of capital.

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I. CEI AND CEI COMMUNITY VENTURES, INC. (CCVI)

Founded in 1977, Coastal Enterprises Inc. (CEI) is a community development corporation (CDC) and a community development financial institution (CDFI). Based in Maine, CEI operates primarily in Maine's rural regions. CEI's mission is:

to help low income people and communities achieve a better standard of living, working and learning in harmony with the natural environment.

Coastal Enterprises serves its mission by:

- Providing equity and subordinated debt capital and operational assistance to develop starting or expanding small businesses;
- Developing social services facilities such as child care centers; and
- Creating affordable rental and homeownership housing.

The organization employs more than 90 people and invests capital raised from private foundations, banks and investors, and public sources, especially federal agencies. CEI has directly invested or leveraged over $275 million in partnerships with banks and other private or public investors to over 1000 projects to create economic opportunity and livable wage jobs, self-employment or housing services for thousands of Mainers, including women in business, refugees and new immigrants. Both CEI and its president, Ron Phillips, have been recognized nationally for their work.[5]

In 1984, CEI was granted funds from the Ford Foundation to pilot a sample venture capital portfolio, which successfully returned an IRR of 17% (gross) over 12 years. In 1994, based on the success of this test, CEI created CEI Ventures Inc. (CVI)–its first for-profit community development venture capital fund–capitalized at $5.5M and full invested. On the back of its promising—though as yet unrealized—first fund portfolio, CVI has completed fund raising for its $20M successor fund. With CVI, CEI has demonstrated financial and operational capacity in relation to managing for-profit venture capital funds.

During the Clinton administration Ron Phillips helped create and lobby for an SBA initiative called the New Markets Venture Capital (NMVC) program (see http://www.sba.gov/INV/overviewventure.html). Through this program, qualified organizations raise venture capital funds and Operational Assistance (OA) grant monies that are then matched by the SBA. Low income and distressed communities are mandated to receive 80% of funds deployed. CEI was a successful applicant to this program and created its second for-profit venture capital subsidiary, CEI Community Ventures (CCVI)–see Organization Charts in Appendix.

CEI, as parent to both for-profit funds, plays several roles including:

- **Startup funding:** CEI fronted the start-up costs (salaries, consultants, etc.) required by each fund to form and secure external capital and licenses. In the case of CCVI, CEI provided funding and in-kind services valued at more than $350K.[6]

[5] In 2000, Ron Phillips was named Financial Service Advocate of the Year by SBA. In 2002, he received a James Johnson fellowship from Fannie Mae. Organizationally, CEI is recognized for its ability and record in tracking social impact.
[6] As is customary in newly formed venture capital funds, the fund sponsor's investment is repaid out of capital once the capital for the funds is fully raised. Should the equity fund fail to be raised, the sponsor's investment is at risk.

- **Office/back-office**: CEI provides office systems (desk, technology, support services) and accounting/legal services to the funds, paid for out of management fees[7] of the funds;
- **Funding relationships:** CEI's existing relationships with banks and foundations has proved critical to the funds' abilities to secure initial funds to launch. CEI's local and national reputation–particularly that of President Ron Phillips–proved essential to fundraising for both CVI and CCVI.
- **Social delivery/tracking systems:** Having staff and systems to deliver on its core social mission, CEI brings to both for-profit subsidiaries a core competency that facilitates the funds' own abilities to deliver on the "social" bottom lines.
- **Governance:** As owner of the management companies of both funds, CEI influenced the composition of the boards of both funds. CEI's senior staff and members of its board are among members of the boards of CVI and CCVI.
- **Financial backstop:** As an organization with significant assets and financial relationships, CEI may provide a financial backup resource where necessary.[8]

CEI's staff of 90 is an available resource that CCVI expects to contract certain services from but is otherwise uninvolved with the day-to-day activities of the fund.

The two for-profit subsidiaries operate autonomously and cooperatively. While the funds share a common social mandate, CCVI focuses on distressed communities while CVI has a broader geographic landscape in which to find and close investments. Through their Boards of Directors, these two funds have independent decision-making bodies that look after the interests of their respective investor groups while attending to common/shared interests (co-investment) and to synergies with activities of the parent organization (e.g. lending clients). CEI's governance roles on both funds' Boards of Directors maximize the opportunities for cooperation and alignment.

Apart from the roles described above, CEI seeks to "stay out of the way" of the fund managers it has hired to deliver on the objectives of these funds. CEI's role is formative, supporting and sustaining–the parent relies on the specific expertise of its fund managers to run these functionally specific entities.

About CEI Community Ventures, Inc. (CCVI)

CEI Community Ventures, Inc. (CCVI) (see www.ceicommunityventures.com) is a for-profit socially responsible community development venture capital fund. Formed by CEI in 2001, CCVI's fund is one of only six NMVCs licensed to operate in the US and is the only such fund operating in Maine, New Hampshire and Vermont. Under this program, SBA provides matching equity and grant capital to licensed funds.

Having risen $5M of private equity capital (matched by $5M of SBA funds), CCVI is working to complete fund raising $1.5M of OA funds, half of which ($750K) must be cash and all of which will be matched by $1.5M of SBA grant funds. Capitalized at $10M in equity with a $3M OA pool, this socially responsible CDVC will make private equity capital investments in 15-18 small companies and will provide operational assistance to more than 100 companies throughout the target region.

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[7] See Section II, A, 1, for more on management fees.

[8] CCVI must attend to certain financial covenants imposed by SBA as part of the relationship. Should CCVI run afoul of these covenants, CEI may be able to provide temporary financial support to enable CCVI to stay in compliance.

OA grant funds are to be used for a wide range of professional (consulting) services designed both to prepare companies to take on venture capital and to help them execute their business plans once such financing has been secured. Consulting services include areas such as technology, manufacturing, marketing, strategy/planning, etc. With OA funds raised to date, CCVI has deployed $66K of OA grants to fund three business plans, one market study, and a software application to five separate companies. (see Section III for more detail on the OA program).

Social impact

As one of only six NMVC organizations in the US, CCVI presents the Yale-Goldman competition with a truly unique and innovative model for economic development, using venture capital and grant funds. Structured as a for-profit subsidiary of a non-profit organization, CCVI creates a new model that—with Federal matching funds—puts the best of for-profit and non-profit together to provide significant social impact in two major ways:

- **For companies and communities:** Companies receiving venture capital finance from CCVI will gain needed growth financing where it was not previously accessible locally. With this financial support, companies will hire local people–many of whom will come from low income backgrounds–providing income and tax revenues to individuals and the local communities, respectively. The OA grant will facilitate access to venture capital and will improve the prospects for success (socially and financially), both for the company and, by extension, for the community. Further, CCVI's active involvement in the boards of directors of these companies will provide opportunities to direct progressive policies in areas such as environment, healthcare, childcare, and women- and minority-management/ownership.

  Since gaining its license from SBA in 2Q 2003, CCVI has invested equity capital in two businesses:
  - $200K (as part of a $600K round) in Juno Rising, a, women-owned/managed apparel business; and
  - $250K in Eziba, a catalog/e-commerce business that markets developing-world artisan products.

  Both businesses are located in distressed communities, Juno having moved into a target community as a pre-condition to CCVI committing its funds

- **For the non-profit parent serving underserved people and communities:** With CEI as both sponsor and a Limited Partner of the fund, gains from profits on investments will return needed capital to this non-profit parent, which can then continue its important initiatives in affordable housing, childcare, small business lending and natural resources preservation for its target Maine communities.

As noted in the Executive Summary, CCVI expects to add up to 550 jobs over ten years (see Social Projections in Appendix) with the capital it deploys through the equity fund, a fund enhanced by the OA pool. In addition, CCVI will seek to address, measure and influence other areas of social impact in companies in which it invests. These social metrics may include: environmental, workplace benefits (healthcare, childcare, and employee ownership), and minority- and women-owned businesses.

Through its equity and OA, not only will CCVI help develop rural economies, build sustainable businesses and return profits to its non-profit parent. In so doing, CCVI will help prove this new economic development/non-profit asset building model using the tools, funding and resources of venture capital. With the model proved, replication can occur and social impact on a much larger-scale can begin across the country.

II. VENTURE CAPITAL

A. Overview

1. Private sector venture capital

Venture capital (VC) is a unique funding source that creates primary and secondary benefits to regions in which this finance is directed–primary for companies receiving funds to support growth and jobs in the community, secondary in creating a tax base for local economies, local supply relationships (creating further positive economic impact) and community development in attracting high quality workers (and service and product industries to serve these companies) to regions in which VC funded companies exist.

A high risk, hands-on investment business, VC funds are raised and managed to finance ownership positions in privately held businesses. Fund managers charge to investors a management fee (2-3%[9] of capital raised) to cover fund operating expenses. Investments are realized through sale/merger, initial public offering (IPO), or buy-back, and profits are distributed to investors and fund managers. The manager finds investment opportunities within a region, sector and/or stage, evaluates the companies and management through various forms of research, negotiates minority[10] investments with owners, takes seats on companies' boards of directors and works with management to build value over the investment holding period (3-8 years).

Structural elements of a venture capital company are as follows:

Fund structure: Venture capital funds typically consist of two corporate entities: a management company (a C-corporation) and a limited partnership vehicle (LP or LLC). The management company is the entity that manages the funds that are invested by institutional and individual investors into the LP/LLC. Typically, a VC partnership has a ten year life with investments made during the first 4-5 years and liquidated within 3-5 years thereafter. Profits on investments are typically split 80%/20% between the investors in the fund and the managers of the fund, respectively. Once an initial fund's capital is deployed (typically between years 4 and 5), a fund will typically seek to raise a successor capital pool based on the promise or reality[11] of portfolio returns from the initial fund.

Fund size: The fund manager determines size of fund, implicitly determining the average size of investment (e.g. $10M fund, 20 investments, average $500K per investment). Fund size often

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[9] Smaller funds are able to negotiate larger fee percentages (3-4%) due to the smaller capital base. By contrast, funds that manage hundreds of millions (or billions) in capital typically see management fees at the lower end (given the higher base).
[10] Most venture capital investments are made in return for a minority ownership stake (typically 20-45%) in a company. For very early stage ventures, a majority stake may be taken dependent on the risk of the opportunity and the state of the management and product. Ultimately, however, majority stakes held by venture investors in early stages of development are reduced to minority stakes during the course of subsequent financings.
[11] First time funds seeking to raise second funds do so by demonstrating that their initial investments either achieved successive financing rounds at higher price points (valuations) than that paid by the fund or realized individual company returns (company sale/merger).

dictates size of staff ($10M fund, 20 investments suggests two investment principals plus one administrative staff).

Fee structure: Management fee (a percent of funds under management) provides cost coverage on staff, overhead etc. (e.g. 3% management fee on $10M venture fund = $300K/year).

Fund stage focus: Venture capital and private equity funds typically fund companies that fall into one or more of the following stages of development:

- **Seed:** Financing provided to newly formed companies for use in completing product development and in initial marketing.
- **Early**: Financing provided to companies that have expended their initial capital and now require funds to initiate commercial-scale manufacturing and sales.
- **Development/expansion:** Working capital provided for the expansion of a company which is producing and shipping products and which needs to support growing accounts receivable and inventories.
- **Buyout/special situations:** Financing to support acquisitions, mergers, management/employee buyouts etc. Company likely to be later stage but not necessarily profitable.

Investment process: Fund managers find and research investment opportunities in privately held businesses, negotiate with owners the investment structure and terms (amount invested, ownership percentage, security type), work with management/owners on board of directors, and help facilitate a value-realization event (a.k.a. exit) within 3-8 years from original investment.

Follow-on funds: Generally, VC fund managers fully invest a fund's capital by year five. Often, when 75% of the fund has been invested, the fund manager will seek to raise a successor fund (often larger than the predecessor) which begins anew another 10 year investment/harvest activity. Successor and predecessor funds overlay each other–i.e. while one fund is fully invested and is being managed, a successor fund is being invested.

Risks and Rewards

As noted, venture capital is considered high risk capital. In a typical "successful" early stage venture capital portfolio of 15-20 investments, investors can expect the following financial performance:

- Complete financial loss in one-third of investments;
- Break-even in one-third of investments;
- Superior returns in one third of investments.

Investment returns are commensurate with risk. In traditional venture capital partnerships, fund managers target an IRR of 25-35% annually over the fund's life. [12] These returns attract institutional investors such as pension funds, insurance companies, and university endowments, all of whom allocate 5-15% of their capital to high risk assets such as venture capital, real estate, etc.

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[12] Internal Rate of Return (IRR) is one of two key measures (the other being multiple of cost) of investment success in a VC fund. A percent return is calculated based on the timing and amount of capital drawn (from investors in VC funds) against timing and amount of returned capital and gains (net of losses, profit sharing and management fees) from investments.

2. Community Development Venture Capital

With first funds starting in 1994, community development venture capital (CDVC) is an emerging sub-sector of the broader and larger venture capital market (see the Community Development Venture Capital Alliance at www.cdvca.org for more information). The community development field has historically supported businesses through economic/community development–typically non-profit–organizations structured to provide business operational assistance and, often, subordinated debt or gap financing to local business. Some years ago, the economic development field recognized that a lack of equity capital was often a barrier to growth for small businesses. As a result, socially responsible community development VC funds formed to address this equity gap. Today, there are more than 100 community development VC funds managing more than $500M globally.

Equity financing as an economic and community development tool has adopted the namesake Community Development Venture Capital (CDVC) and espouses a "dual bottom line[13]" that includes "social returns" as well as the financial returns typically associated with venture capital. Social returns are most often measured in terms of job creation, particularly for people from low income backgrounds. Other social metrics include emphasis on minority- and women-owned businesses, environmentally friendly companies, progressive labor practices (healthcare, childcare), etc. CDVC financial return targets (IRRs of 10-12%[14]) reflect the perceived tradeoffs between financial and social return; an investment opportunity that has moderate sales growth coupled with high potential for job creation (or some other social benefit) would take priority over a purely financially driven return opportunity.

To date, investors in community development venture capital funds (principally foundations and banks) support this dual focus. Foundations invest in CDVCs to support a nascent industry that shows tremendous potential for social good; these same foundations typically neither seek nor accept material financial returns due to their non-profit status. Banks benefit both from meeting their Community Reinvestment Act (CRA) federal requirement[15] for a given region and from gaining an attractive return.

<u>New Market Venture Capital (NMVC) Program</u>

During the Clinton Administration, the New Markets Venture Capital program was created to direct capital to underserved markets in the US. SBA's NMVC initiative provides a 1:1 match by SBA.

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[13] CCVI considers itself a part of the CDVC community. However, we have added the third bottom line (environment) to the CDVC's dual focus of financial and social returns given our (and CEI's) interest in environment and sustainability.
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[14] According to members of the Community Development Venture Capital Alliance, IRRs for the CDVC industry are expected to be some 5-15% lower than traditional VCs' fund performance. Given the nascent stage of its development, the CDVC industry has not yet seen a full investment cycle (e.g. 10 years) from its members and so has yet to validate this return profile.

[15] The Community Reinvestment Act is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations. It was enacted by the Congress in 1977. The CRA requires that each insured depository institution's record in helping meet the credit needs of its entire community be evaluated periodically. That record is taken into account in considering an institution's application for deposit facilities, including mergers and acquisitions. CRA examinations are conducted by the federal agencies that are responsible for supervising depository institutions: the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS).

Equity Match: SBA provides to the NMVC company a loan for 150% of the targeted match amount–i.e. fund managers seeking $5M would receive a loan of $7.5M–with SBA retaining one-third of the loan principal ($2.5M in the prior example) as pre-paid interest for the first five years of the ten year-program. Interest is then to be paid semi-annually beginning year six of each capital draw.[16]

Grant Match: Recognizing the inherent challenges of seeking investments in distressed communities, SBA paired its fund matching program with an operational assistance (OA) grant matching program. The OA grant enables fund managers to direct resources to prospective investee companies. The OA pool may be directed to recipient companies both prior to and after equity investment, as described previously.

B. Markets and Competition

Small business growth is well understood[17] to be the critical engine to US economic growth. Finance for growth comes in the form of debt and equity. Provided by banks and economic/community development organizations, debt financing is often limited to companies that are at or near profitability. Provided by venture capital funds and so-called business angels, equity financing is offered to companies who show promise of growth rates that may lead to significant increases in company value over a 3-8 year time horizon.

Venture capital investment in the US peaked at $102 billion during 2000, dropping back to $64 billion in 2002. More than 70% of these funds were invested in five states (California, Massachusetts, New York, Texas and Colorado). Within these states, the major city-centers (San Francisco, Boston, NYC, Austin/Dallas, Denver) absorb the vast majority of funds. Rural and/or economically depressed areas in these and other regions receive a small fraction of funds available for investment.

Within the tri-state area served by CCVI, the vast majority of VC financing has come from outside the region (principally Greater Boston) and has mostly gone to businesses located in the southern tier of New Hampshire (among the 50 states, NH ranked 18th in terms of amount of VC financing during 2000; by contrast, Maine ranked 34th and Vermont 40th). In all cases, more than 90% of investments in Maine, New Hampshire and Vermont were made in the southern tier city centers (e.g. Nashua, NH) versus more rural areas. Reasons for this are several including:

- **Density:** Major city centers have a greater density of businesses and other supporting institutions (banks, universities, etc.). Such centers are a draw to venture capital organizations, entrepreneurs and workers. Conversely, rural and economically depressed areas lack both institutional infrastructure and densities more commonly associated with city centers.

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16 Once a fund is raised, fund managers "draw" capital periodically (e.g. quarterly) as investments and operating expenses dictate. The bulk of capital is drawn during the investment period (years 1-4) with the balance drawn over the remaining years of the fund's life. Each SBA draw is represented by a corresponding debenture, which then has interest beginning the sixth anniversary of that debenture's start date.

17 According to the Association of Small Business Development Centers (ASBDC), small business is the engine of economic growth. Small business accounts for 99% of all US businesses. It employs 53% of the private work force and contributes over half of the nation's private gross domestic product.

- **Distance:** Related to density is the logistic element of distance. Distance to more rural and/or out of city center areas can make pragmatic aspects of portfolio management (board meeting attendance, visits to company) more time consuming for VC management.
- **Experience of management:** Many entrepreneurs and management teams in rural or economically depressed areas are less seasoned than their city-center counterparts, creating need for more effort on the part of the VC to educate management and to shape deals to make them viable.

Regional/Local Venture Capital Sources

While southern points of NH and ME are within two hours drive of the venture capital-dense[18] Greater Boston area, regional venture capital funds serving northern New England are few and manage a relatively small amount of capital. These include:

Fund	Fund size ($M)	Home State	Stage	Target Region
Masthead Venture Partners	150	ME	Early/Expans.	New England
Borealis Ventures	20	NH	Early	ME and NH
Small Enterprise Growth Fund (SEGF)	8	ME	Early	ME
North Atlantic Capital	75	ME	Later/Mezz	New England, Mid-Atlantic
MB Partners	20	NH	Later/Mezz	NH and ME
Fresh Tracks Capital	20	VT	Multi	VT (primary), New England
CEI Ventures	20	ME	Multi	New England
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With the exception of CCVI's sister fund (CEI Ventures) and SEGF, none of these venture capital funds carry a social mission and none are explicitly targeting underserved communities.[19]

Cyclicality and Competition

Competition for venture capital fund managers exists at two levels: ***fundraising*** and ***fund investing***. At the ***fundraising*** level, managers compete with other funds to attract capital providers to their funds. Funds are evaluated by investors on a variety of criteria:

- Quality and experience the management team;
- Fund strategy;
- Stage, regional focus and industry sectors targeted by the fund;
- Social and/or community development aims and capacity of the fund sponsor.[20]

Fund investors with limited capital may choose between funds offering a similar story. Often, however, fund investors support multiple funds within a given market–e.g. Banknorth has invested in most of the funds listed in the table above.

Venture capital fund competition at the ***fund investing*** level occurs in markets in which VC supply is plentiful for a given set of opportunities–"too much money chasing too few good deals." With more than 100 funds managing more than $10 billion in Greater Boston, attractive opportunities have many suitors tending to drive valuations (private company pricing) up. In underserved markets

[18] Venture capital investments in Massachusetts totaled $9.5 billion (9% of US VC funds) during 2000.
[19] Both Fresh Tracks Capital and Borealis Ventures are part of a rural network of venture capital funds called Village Ventures. Although located out of city-center areas, both funds are financially focused seeking high growth, technology companies which happen to be located more rurally.
[20] Banks searching for CRA (see Footnote 6) and foundations interested in unique community development initiatives give weight to the community development experience of fund sponsors such as CEI.

located well out of city centers, there are far fewer city-center VC investors willing to spend time with a prospective investment candidate. Many of the opportunities located in these more rural markets represent opportunities that require consulting/advisory/ strategic work (e.g. OA) to shape them into venture capital-worthy opportunities.

Further, CCVI expects that many of the investment opportunities would be atypical for a traditional venture capital fund—i.e. CCVI's initial investment in Juno Rising, an apparel business, would not likely attract the attention of traditional technology investors. To the extent that CCVI does compete with traditional and/or other community development venture capital funds, CCVI will differentiate on the following bases:

- **VC "plus"**: CCVI is about more than just financial return and traditional VC performance metrics—the fund attends to social and environmental issues, making it appear a bigger picture player. Companies for whom these issues resonate are expected to favor CCVI as an investor. CCVI's unique network (non-profits, community development, etc) give CCVI's capital a very different complexion than that of a traditional VC.
- **Target return:** While CCVI will price and structure investments as traditional VCs do, its target return is lower. If necessary, therefore, CCVI could offer a more attractive price/structure.
- **Fund management:** Entrepreneurs evaluate funding partners with a number of different lenses (pricing/structuring, value added, management). Like traditional funds, CCVI's team brings compelling operating, investing and management consulting experience and networks to its prospective portfolio companies. Specifically, the fund President's operating background in software and direct mail/ecommerce (and investing experience in a variety of industrial, technology and media sectors) is expected to be compelling to potential investee companies in those sectors.

Competition for investment opportunities can be alternately viewed through the lens of supply of and demand for venture capital finance:

Dynamic	Supply	Demand
Market cycles	During bull markets, venture capital returns for funds raised 3-4 years previously are strong, increasing their ability to raise additional funds. During these high-supply cycles, venture capital funds tend to be more competitive with one another as demand for the best opportunities is met with ample supply of VC funds each of whom is capable and willing to be the sole investor in a given opportunity. During down-cycles, such as the current market environment, venture capital funds (while still flush with cash raised during the up-cycle) are often more willing to co-invest alongside other funds to mitigate risk that future financing rounds will need to be shouldered by a single investor.	Demand for venture capital typically exceeds supply with the best (and better) companies able to acquire capital and those with weaker business plans and/or management teams unable to source capital. During the recent bull market, weaker management teams and business plans did find financing. In the current down-market, even strong and capable teams with good plans must work harder to find investors given that many investors are absorbed in managing troubled portfolio companies and, as a result, have less time to evaluate for new investments.
Region	Major urban markets possess proportionately higher concentrations of venture capital funds, creating greater supply (and therefore competition) for	Demand follows supply in urban and rural areas–i.e. demand is greater in urban markets, lesser in rural markets. In many rural areas, demand for venture capital

	opportunities that are located close to these funds. Conversely, more rural areas have far fewer funds per square mile and less capital per fund, in part due to the lower density of investment grade opportunities and in part due to many VC fund managers' propensity to invest "close to home."	financing does not exist because company managers may not know about this form of financing or may be pessimistic about their chances of securing venture capital.
Sectors	Many sectors have the growth, defensibility and profitability characteristics that fit the venture capital return profile. Technology sectors such as software, telecommunications, biotechnology and internet products and services are representative of these characteristics. Accordingly, there has historically been greater supply of capital for these sectors than for others.	The greater growth potential of fast growth sectors (such as technology) tends to increase demand for capital to support capital equipment, working capital and expansion financing needs.
Fund stage focus	Although the venture capital industry began its life supporting companies at the earliest stage of inception ("two guys in a garage"), the industry's funds by both number of firms and capital under management are disproportionately weighted toward later stage (vs. early stage) investment. Later stage funding is by definition less risky and requires less work on the part of the investor than does early stage funding. The so-called "capital gap" for venture capital investment in amounts lower than $1M has long existed in the venture capital industry.	Not surprisingly, demand for funding at earliest stages of investment is much greater relative to the availability of such capital than for later stage opportunities.

Investment Criteria

In traditional VC markets, criteria used to evaluate companies include the following:

- **Management:** Experienced within domain, able to understand demands of growth, receptive to working with VC investor as partner, realistic about own skills/experience, and willing to change role if needed; management team should be complete;
- **Market:** Large, fast growing, markets; identified pain point of customers;
- **Barrier to entry:** Typically, intellectual property protection to defend product/service against competitors;
- **Financial:** Capital requirements appropriate to venture finance (e.g. not too capital intensive); strong profitability (gross margins);
- **Business model:** Scalable, consistent with current market conditions.

Within more rural markets, opportunities that meet most of these criteria can be found, but have the following differences:

- **Management:** Management do possess strong domain experience but may not have worked with VCs before and need education; management teams often incomplete;
- **Market:** Unlike technology markets (denominated in $ billions), markets served by more rural markets tend to be smaller in scale (denominated in $ hundred millions), with less dramatic overall market growth (low-mid double digit rather than triple digit growth of technology markets);

- **Barriers to entry:** For mid- and later-stage companies not operating in technology markets, barriers tend to be existing brands and current scale of business.

Supply

Sizing the target market

Supply of investment grade opportunities (demand for capital) in the tri-state area is difficult to quantify. A qualified company is one whose markets/products carry the following generic characteristics:

- Strong gross profit margins—i.e. 50+%
- Scalable product/service model—i.e. make once, sell many times
- Barriers to entry/intellectual property—i.e. patents, established branding, copyrights, etc

A wide variety of business types and models might qualify for venture capital based on the above, making market-sizing difficult. As an example, CCVI's sister fund (CEI Ventures) has had successful investments in sectors that include canvas tent making and gourmet foods; their portfolio includes companies ranging from pollution control equipment to organic compost to dog candy marketers . In short, one can find venture capital worthy investment opportunities in many different sectors.

For purposes of deal origination, CCVI has secured a number of business directory databases in the tri-state region. While not comprehensive these directories of manufacturers[21] and directories of technology companies[22] may represent a proxy for market size. The databases in hand list approximately 20,000 companies in the target market (Maine, New Hampshire and Vermont). These directories are not comprehensive—not all companies are included, both because the directory publisher may have not found them all and because some companies would not agree to be listed Assuming that the list spans 80% of the potential companies, CCVI estimates the total size of the business market to be 25,000. If only 20% of this market (5,000) represent companies with VC characteristics and (est.) 20% of this subset (1,000) are located in distressed communities, then CCVI must find and invest in 15[23] companies out of an eligible market of 1000—i.e. CCVI must find and invest in approximately 1 in 75 companies (1000 companies divided by 15 investments). Having already funded two businesses, CCVI believes that its unique and comprehensive marketing and deal origination program will allow the fund to meet its investment goals in worthy businesses.

Types of candidate companies

The categories of candidates can be parsed into three groups:

- **Category 1:** *Companies seeking venture capital:* Companies with existing business plans that are shopping their deals to VC funds locally and regionally.

- **Category 2:** *Companies seeking capital (through banks, individual investors…not venture capital):* Many companies in the region would not approach venture capital investors for several reasons:

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[21] Tower Publishing's Business and Professional Directories for Maine, New Hampshire and Vermont.
[22] Mass High Tech's New England Directory of Technology Companies.
[23] CCVI's fund is obligated to invest 80% of its fund/deals in the tri-state distressed community target areas—i.e. of 18 investments the fund will make, 15 must be in the target regions. The remaining 20% is allowed to be invested with no regard to geography. SBA created this provision for "out-of-market" investing as a hedge against the challenging distressed community mandate—i.e. the NMVC funds can make traditional VC investments with the 20% carve-out.

- They do not believe they could attract VC funds to their region;
- They do not believe that VCs would be interested in their sector and/or growth plans;
- They have negative pre-conceptions about venture capital.

- **Category 3:** *Companies not (currently) seeking capital:* Many companies have not sought external capital but would, if approached, be open to taking on an equity partner for any number of reasons: **accelerating growth** beyond that which could be self-funded; **partially cashing-out** existing owners/founders; **improving the balance sheet** (e.g. reduce debt).

Category 1 companies are sufficiently sophisticated to make themselves know to local sources of capital. CCVI estimates that it sees 5-10 C1 plans per month throughout the region. These plans are of varying quality and, as in the case of urban markets, fewer than 3 in 50 ultimately gain funding.
Companies in Categories 2 and 3 must be actively sought and uncovered. This much larger market requires sophisticated, aggressive and persistent marketing to find and convince founder/owners to take on external capital. CCVI's proactive marketing strategy–described in Section V: Operations, Sub-section B: Deal Origination–is currently producing high quality opportunities. Examples include:

1. A $10M (sales) profitable NH supplier of outdoor first aid (C3) whose CEO/owner recently bought out other family owners and is now looking more aggressively to the future. This opportunity was uncovered by searching a Chamber of Commerce site for member companies, researching companies of interest and contacting (via email) the CEO.

2. A $20M VT consumer products market leader seeking private individual investors to support an expansion round of capital. This C2 candidate was uncovered by identifying the company through a state business magazine's Top 100 Companies list and contacting (via email) the CEO.

These two examples–identified with a limited search effort–reflect the hidden opportunities that the tri-state region offers for funds willing and able to more actively engage companies (rather than passively waiting for business plans to come in the door). While there are thousands of small companies throughout the region, it is impossible to quantify the number of companies that would be candidates for venture capital (based on VC criteria) and the subset that would be willing to engage in discussions with CCVI. If the results of a limited search are any indicator, however, CCVI can expect to find sufficient quantity and quality to populate the portfolio with strong, growth oriented businesses.

III. OPERATIONAL ASSISTANCE

Note: *In the context of this unique program, Operational Assistance does not represent an industry with competitors, per se. Accordingly, this section will be more descriptive than analytical, describing the program in terms of its activities and management.*

Business OA can be any professional service that assists companies in their formation, development and operations. Examples include: business plan development, market/strategy analysis, financial support, marketing/distribution guidance, etc. In the non-profit world, economic development organizations and Small Business Development Centers (SBDCs) offer free or low cost business operational assistance in areas such as business plan development, financial planning and company formation. Like the NMVC program, these services are often subsidized or sponsored by SBA or by a state/local agency whose aim is to increase jobs and the tax base locally.

The NMVC OA program is offered at no cost or obligation to a recipient as an enhancement to CCVI's core venture capital activity. A newly formed initiative, the NMVC program has no precedent or proven model of best practice. The program resources may be provided to companies at two stages:

- **Pre-funding:** Help improve the probability of a company receiving venture capital financing by providing OA to companies prior to such funding;
- **Post-funding:** Help improve the company's ability to execute their business plan by supplementing with OA after venture capital financing has been provided.

OA can include a wide range of professional services designed to help a business. These services can include (but are not limited to):

- **Finance**: Business financial planning/budgeting; fundraising (loans, equity, etc.) strategy and assistance; cash management and accounting services;
- **Marketing:** Branding, positioning, public relations, etc.;
- **Strategy/Planning:** Business plan development; strategy analysis and planning; mergers, acquisitions and company sale advisory;
- **Sales:** Sales force and distribution analysis; pricing review;
- **Technology:** Intellectual property and patent review; technology strategy review;
- **Human resources:** Organizational development; management team building/recruiting;
- **Manufacturing:** Operational efficiency analysis (lean mfg., just-in-time inventory mgt., etc.);
- **Environmental:** Compliance, progressive environmental practice consulting;
- **Legal:** Company formation review; employee stock ownership plan development; mergers and acquisition advice;
- **Custom software applications**

OA does not guarantee business or investment success but rather reflects a "greasing of the wheels" to get the company positioned to access venture capital or to accelerate the company's business plan. While not a panacea, the program is particularly important to companies in underserved communities who may not have the sophistication or experience of the VC market that more urban market players do. CCVI expects success/failure rates to mimic those of traditional VC markets.

IV. MANAGEMENT

CCVI has completed all of its capital fundraising and some of its OA grant fundraising with its president, Michael Gurau, in place. In early 2003, the fund hired a Fund Administrator, Jen Boucher, who worked in a similar role for a for-profit Maine-based venture capital fund. Then, in March 2004, CCVI hired Michael Burgmaier as an Investment Associate. Michael Burgmaier's management consulting, MBA and non-profit background make him an unusually strong fit for the program and its many facets (non-profit affiliation, operational assistance consulting, business research/analysis). This team will serve in both investment and operational assistance capacities.

Beyond the investing team, CCVI will leverage the time and experience of its partners, parent organization, board of directors and community advisory board. Specifically, CCVI is utilizing the following resources available through this network:

- **Administration/reporting:** CCVI's parent organization CEI has capacity to backstop the investment/OA team with support in back office work (accounting, reporting, office services) and social and environmental program management/ tracking[24].
- **Investment due diligence:** CCVI's boards (Directors, Advisory) include business people with specific sector, region and functional capabilities and networks;
- **Marketing:** Both with its parent organization and with its Advisory board, CCVI is conducting in-market presentations designed to create awareness and network for deal original purposes (see Section V: Operations, sub-section B: Deal Origination).

Responsibilities of the investing staff (President, Associate) are as follows:

- **Deal Sourcing:** Through various means, identify, qualify and secure interest from companies who are seeking capital;
- **Due Diligence:** Research the market, management, product/service, and financial forecasts to understand the risk, opportunity and viability of the deal;
- **Negotiation (pricing, terms):** Negotiate investment terms (price, security and key legal/financial terms) with company owners and managers;
- **Decision-making:**
  - **Management decision:** Weigh risks and opportunities, chemistry with management and other factors to arrive at "go" or "no-go" decision within the investment team;
  - **Board Review:** Present investment recommendation to Board of Directors for vote;
- **Corporate governance:**
  - **Stakeholder management:** With seat on board of directors, help govern the company, balancing interests of various stakeholders–investors/shareholders, management/staff, and community/environment;
  - **Operational Assistance:** Assist company by providing both personal and professional efforts to help reach targets in the business plan; facilitate and deliver Operational Assistance services;
  - **Return management:** Work with management to keep financial and social objectives in view and within the time frame agreed between investors and management; facilitate exit opportunities that maximize these returns;
- **Reporting:** Prepare periodic fund and management reports:
  - **Board:** Every six to eight weeks, report to board on fund operations and fund/portfolio performance;
  - **SBA:** File and report to SBA as required by law and as is appropriate for this special investor;
  - **LPs:** Report quarterly and annually to investors (limited partners or LPs) on fund operation's portfolio performance (financial, social).
- **Fundraising:** Prepare fund-raising documents for successor fund (typically 3-5 years after start of existing fund); identify and present to prospective investors to secure fund commitments.

Responsibilities of the OA program:

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[24] As part of its triple-bottom line investing program, CCVI will conduct pre- and post-investment screening/tracking in social (e.g. jobs, benefits) and environmental practices.

- **Sourcing OA consultants:** Creating systems (web site, internal) and marketing programs to attract qualified consulting service providers to the program;
- **Qualifying consultants:** Screening candidates and conducting due diligence (reference checks) on prospective consultants;
- **Contracting with consultants:** Negotiating and signing contracts with consultants;
- **Matching consultants to recipient companies:** Matching needs of the company to candidate consultants;
- **Monitoring consulting engagements:** Periodic monitoring of consultants' work progress for efficacy and client satisfaction;
- **Reviewing progress:** Conducting post engagement review/analysis;
- **Reporting:** Developing periodic reports to SBA, CCVI's Board of Directors and OA grantors;
- **Reimbursement management:** Managing OA program's back-office activities (invoicing, payments, accounts receivables) with respect to consultants, OA grantors and SBA.

As most of the activities above are closely related to the investment process, the fund team will manage the needs of the grant program as part of their day-to-day responsibilities.

Management Background and Governance

The current team brings together strong investing, consulting, administrative and operating experience:

President: Michael Gurau
As President of CCVI, Michael brings ten years of venture capital and four years of startup operations experience. Immediately prior to CCVI, Michael was a General Partner of Nesbic CTe Fund, a Euro 260M early stage technology venture capital fund based in the Netherlands (Europe). Before that, Michael worked as a founding member of the marketing team in product management, marketing and strategy at Silknet Software, an internet software development company that went public in 1999. Michael came to Silknet after two years as General Manager of Living Balance, a direct mail and eCommerce startup that was a subsidiary of publicly-traded HMO Oxford Health Plans. Prior to Living Balance, Michael spent seven years with an international venture capital fund, Advent International, in its London and Boston offices. While at Advent, Michael participated in eight investments totaling $73M. These investments returned $284M, reflecting nearly four times original cost and an internal rate of return (IRR) of 42%. In addition to the above, Michael has experience in banking and consulting. Michael earned his BS Finance from Babson College and his MBA from the University of Virginia's Darden School. Living in Freeport Maine, Michael is married with three children.

Associate, Michael Burgmaier
Michael works with CCVI's President in all aspects of the investment and operational assistance program. Having joined in early 2004, Michael brings a combination of for-profit and non-profit experience, combined with Masters degrees in public policy and business. Prior to joining, Michael worked with Bain & Company, Inc. for three years, finishing as a Case Team Leader.s Prior to Bain, Michael spent three years with the non-profit advocacy group Children Now, helping draft and articulate healthcare policy for this organization. Michael received his BA from Boston College, a Master of Public Policy from Duke, and an MBA from the Tuck School of Business at Dartmouth. Michael is married with two children.

Fund Administrator: Jen Boucher
Jen administers the day-to-day operations of the fund and is the primary contact for general information regarding the fund. Most recently, Jen worked with Wintergreen Financial Group, a local financial services/broker dealer firm. Prior to joining Wintergreen, she managed the operational affairs at Masthead Venture Partners, a Portland-based early-stage venture capital firm focusing on information technology and biotechnology investments. Jen holds a BA in English from the University of Maine. She has been involved in the National Youth Sports Program, a comprehensive educational and sports program which teaches vital life skills to economically disadvantaged children, and is the president of The Greenwood Club, an educational and sports alumni and fundraising organization. Additionally, she is a volunteer for the Maine Mentor Program, and is the coordinator of a local natural food cooperative.

Board of Directors and Community Advisory Board
CCVI is governed by a diverse eleven-person board of directors that includes business and investment professionals and representatives from the non-profit world, including senior staff from CEI. Included in this group are: three venture capital professionals, four regional bankers, two CEI staff (president, CFO), one entrepreneur, one director of a non-profit (and former entrepreneur), and one state agency (technology granting organization).

Drawing from the tri-state community it plans to serve, CCVI has also created a community advisory board that includes six economic development leaders from across the region and one (manufacturing) operational assistance organization.

Members of both Boards are listed in the Appendix.

V. OPERATIONS

CCVI's team currently manages all aspects of the venture capital fund and OA program. CCVI's parent company (CEI) provides to its CCVI subsidiary the following services:

- **Back-office support**: Bookkeeping, accounting support, administrative services, etc.
- **Overhead**: Rent, utilities, etc.
- **Professional services:** CEI's Targeted Opportunities Program Services (TOPS) provides job placement services to companies that receive either loans (from CEI) or venture capital (from either of CEI's venture capital subsidiaries).
- **Financial services to the fund:** CEI provides CCVI with a line of credit to support timing-related cash flow requirements.
- **Fundraising assistance:** CEI supports CCVI in securing OA grant funds.
- **Social impact monitoring:** CEI helps CCVI in developing systems and processes to track and influence social impact.

CCVI's day-to-day operations span several functional areas including: fundraising, deal origination, OA program management, due diligence, negotiation, monitoring/governance, exit management, reporting and team development.

A. Fundraising

Equity:

CCVI has raised its minimum $5M of equity capital from various sources including:

	$
BankNorth	1,500,000
Ford Foundation	1,000,000
MacArthur Foundation	1,000,000
MEMIC	500,000
Sandy River Foundation	500,000
Finance Authority of Maine (FAME)	200,000
Community Development Venture Capital Alliance (CDVCA)	200,000
Vermont Community Foundation	100,000
Total	5,000,000

Equity funds raised from these sources will be "drawn down" periodically based on the projected operating expenses and investment pace of the business plan.

OA Grants:

To date: CCVI has raised OA cash and in-kind as follows:

Cash: $205K (of $750K target)

- Department of Economic and Community Development (ME): $100,000 (with $150,000 committed pending HUD funding)
- Chittenden Bank: $20,000
- New Hampshire Community Development Finance Authority: $20,000
- Surdna Foundation: $15,000
- Coastal Enterprises: $50,000

In-kind: $588,080 (of $750K target)

- Cook Little (legal): $100,000
- Pierce Atwood (legal): $100,000
- Ernst and Young (accounting): $100,000
- University of Southern Maine (business counseling): $100,000
- Cope and Associate (HR consulting): $50,000
- Ethos Marketing (marketing consulting): $50,000
- Department of Environmental Planning (environmental consulting): $35,000
- Brown & Co (marketing/web consulting): $28,080
- Coastal Enterprises (business and HR consulting): $25,000

CCVI's OA grant fund raising has been challenging for a couple of reasons:

- **Capital:** On the back of the boom and bust of the late 90s, early 2000s, both non-profits and bank foundations experienced significant declines in value in their endowment/public investment portfolio, resulting in a reduction in capital available for giving/PRI[25].

[25] Program Related Investment or PRI is the term that describes foundations' contributions/grants to non-profit organization.

- **Complexity:** In many cases, prospective funders did not appreciate/value the combination of equity plus grants (e.g. only looked at the grant program's impact without the equity impact) or found the concept of funding a for-profit subsidiary of a non-profit beyond their scope of interest.

CCVI has proposals outstanding with a variety of in-kind providers and is developing cash grant proposals to various sources (including the Yale-Goldman competition).

B. Deal Origination (Marketing)

- **Networking and marketing:** CCVI actively markets its fund to groups across the region– economic development organizations (EDOs), other venture capital funds, banks, and professional services organizations (PSOs). CCVI has held ten presentations on using venture capital as a tool for financing growth in three states (and is scheduling another 15 such presentations) to educate local EDOs, entrepreneurs and PSOs. In New Hampshire and Vermont, CCVI has presented to regional development agencies (RDAs) and venture capital networks. After launching the equity fund in April 2003, CCVI received significant press coverage, helping increase awareness and create deal flow (see Press Coverage in the Appendix).

- **Pro-active sourcing:** Networking and marketing help identify companies *already* seeking funds from the venture capital community. CCVI supplements this approach by identifying and approaching companies of interest *before* they approach the venture capital market. Using business directories, chamber of commerce listings, local newspapers and other methods, CCVI identifies opportunities through this direct approach, generating attractively priced, proprietary deal flow to CCVI. To maximize the pro-active sourcing effectiveness of its small team, CCVI has integrated corporate directory databases for the tri-state region with mapping software that allows CCVI to overlay company locations on a map with identified distressed communities. CCVI can then immediately access data on companies within our target communities to review for sector/business, size, key personnel, contact information and more. The alternative—physically leafing through directories page by page—is time consuming, inefficient and tedious.

CCVI considers its pro-active deal origination program critical to the fund's success. As few entrepreneurs are likely to reach out to venture capital funds in non-traditional rural markets, it is critical for CCVI to find these entrepreneurs and educate and inform them on the use of venture capital as a tool for growth. CCVI believes that its pro-active sourcing program is unparalleled in the breadth of its reach (chambers of commerce, regional newspapers, business directories, etc) and in its use of technology.

C. OA Program Management

As noted above, OA implementation will consist of recruiting and placing consultants in companies that are both prospective candidates for investment and existing portfolio companies. CCVI uses its networking and marketing as well as a web presence to attract qualified OA providers to the program. Working with companies, CCVI staff seeks to match the needs of the company to consulting resources that can help move them forward.

In some respects, OA funds act as a supplement to or replacement of equity funds that would otherwise have funded a given outsourced service. For example, a **post-investment** OA allocation to support a market study for a new area a company has interest in might have otherwise been funded by capital from the equity investment. However, in many cases, CCVI expects that the provision of OA resources would be incremental to what would ordinarily have been a company's cash spending plan–i.e. *but for* the OA program, the company would not have allocated funds to a given activity. In this sense, the OA program provides an incremental and valued resource to enable a company to go further than it would have otherwise gone with equity alone. Also, as noted, OA resources will support companies prior to an equity investment, helping the company become venture-ready. This application of OA funds is expected to make the difference between a company being able to secure venture funds or not, making the OA pool a critical resource for companies in economically challenged regions.

D. Due Diligence (Venture Capital)

CCVI's investment evaluation process involves rigorous risk assessment of the company including (but not limited to):

- **Market:** Size and growth rates of target market; competitive landscape (number and size, bases for competition); trends (fragmentation/consolidation, maturity of industry, pricing competition); barriers to entry;
- **Customers:** Conversations with prospective and existing customers to understand why they would buy, what other alternatives exist, etc.;
- **Management:** Evaluation of quality/completeness of team; reference checking in relation to prior work; assessment of personal chemistry with the investing principal of CCVI;
- **Technology:** Defensibility review of product/service; patent assessment;
- **Legal:** contract reviews; assessment of legal structure and standing (pending/potential lawsuits);
- **Environmental:** Review of the company's sensitivity to environmental impact of its product/service as well as management receptivity to more progressive management practices;
- **Financial:** Analysis of historic and forecast financial statements; strength and sustainability of gross margins; evaluation of sources and uses of capital; anticipated future financing requirements and risk;
- **Business model:** Evaluation of quality and sustainability of chosen business model (e.g. application service provider, direct mail, etc.).

E. Negotiation/Close (Venture Capital)

Negotiating ownership levels and investment terms with founders and management; working with lawyers to document agreements and to move to signed completion. CCVI approaches pricing and negotiation with primary emphasis on financial returns, to assure that the fund achieves its targets. The potential social and environmental "returns" are weighed at the outset of an opportunity's life cycle but are not explicitly built into pricing/negotiation as a "discount" to the financial return objectives.

F. Monitoring/Governance (Venture Capital)

As a member of boards of directors, CCVI will work with other board members to support the company and to balance representation of shareholder interests with those of the company.

Projecting a fund portfolio of 18 investments, each of two investment partners will manage up to eight board of director positions each, with up to four investments made on a passive (e.g. no board seat) basis.

G. Exit Management (Venture Capital)

To ensure that the fund performs financially, CCVI will facilitate the company's movement toward a value realization (exit) event within some pre-defined time range (e.g. 3-8 years after initial investment). CCVI will work with management and professional advisors to optimize financial returns in line with achieving social targets.

H. Reporting (Venture Capital and OA Program)

CCVI will create reporting and filing systems to track all elements of its activities including:

Deal log: CCVI tracks and reports to its board new investment opportunities noting the following:
- **Source:** Where the deal came from (network, direct, unsolicited, etc.);
- **Sector:** In which industry sector the investment is focused;
- **Location:** City, state and county;
- **Stage:** Early, development, later;
- **Capital:** Requested capital.

Investment memoranda: Descriptions of investments under review, including single page summaries, 3-5 page reviews and completed investments (with due diligence write-ups).

Reporting
- **Board:** Investment progress, budgets, portfolio reviews etc.;
- **Investors:** Quarterly/annual company and fund review;
- **SBA:** Investment and fund activities; annual SBA examination.

Social/environmental tracking
- **Social metrics:** CCVI tracks and monitors almost four dozen company metrics (see Social Projections in Appendix) just as its parent company CEI and its sister venture capital fund CEI Ventures have for the past several years. Investors such as Ford Foundation and MacArthur Foundation require this tracking as part of their support for the funds.
- **Environmental metrics:** CCVI is developing a series of environmental screens and metrics that it will use both in understanding a prospective investor's status at time of investment as well as to seek progress over time of the investment and beyond. CCVI will report on these metrics both to its board and to investors.

OA activity including:
- **Requests for OA services:** number and type of requests for OA services;
- **Current OA engagements:** status and progress;
- **Outcomes**: Engagement outcomes, deals funded (stemming from OA provided), reports to state/local grant providers.

I. Team Development and Management

CCVI's investment team and staff will form an internal culture and practice that is consistent from professional to professional, from deal to deal. The culture and practice will form in large part from the experience of its president and, subject to his/her experience, the vice president. Areas of personal and professional practice include:

- **Communications:** Standards of engagement with entrepreneurs, CEI staff, CCVI investors and board, and the media.
- **Work output:** Deal origination activities; levels and rigor of due diligence; standard terms and conditions of CCVI investments; depth and quality of portfolio company interaction and management; reporting quality.
- **Culture:** While allowing for contribution to culture from all members of CCVI staff, CCVI's culture will incorporate certain key values and practices:
- **Respect:** Engaging with entrepreneurs, other investors, CEI staff, and CCVI co-workers will require a level of respect and courtesy that can survive the inevitable conflicts and disagreements that occur over the life of a business relationship;
- **Balance:** As a fund with a dual bottom line, CCVI needs to balance the need to perform financially and socially. CCVI expects to have this tension tested in instances where an outstanding financial return might come at the expense of local job losses. Further, CCVI will seek to balance the interests of all stakeholders (investors/shareholders, management/staff and community/environment) on boards of directors on which it sits. Again, CCVI expects to be tested in instances where investor/shareholder interests may be at odds with interests of the management and/or community.
- **Mission:** CCVI's culture will incorporate and institutionalize the social justice and environmental mission of the parent organization, CEI.

VI. STRATEGY AND COMPETITIVE ADVANTAGE

CCVI plans to successfully source and analyze opportunities, negotiate and close investments, and effectively govern and exit investments within a 3-6 year time horizon. Like most funds, CCVI intends to achieve sufficient success in both financial and social measures so as to raise a successor fund in 3-5 years. Key elements of CCVI's strategy include:

- **An experienced VC management team:** CCVI's staff possesses proven venture capital performance, operating, and management consulting experience in both for-profit and non-profit environments. The former is critical for helping assure the financial success that will enable the non-profit parent to fund its other activities and will allow the fund manager to raise future funds to continue delivering financial and social benefit to targeted people, companies and communities. The latter ensures that the investor can add operating (rather than just financial) insight to senior managers on the boards of companies in which they invest. The consulting experience of both investing principals provides an understanding of the requirements and processes involved in the OA program.
- **Source unique opportunities:** Finding high quality companies in which to make attractive investments and convincing owners to accept proposed financing and terms are critical first steps to success. CCVI will secure the most attractive opportunities and sourcing proprietary deals (as noted above) by:

  - VC industry networking;
  - Regional and sector industry networking;
  - Direct marketing.
- **Negotiate and govern effectively:** Venture capital as an investment business requires skills and experience in business plan assessment, pricing, legal structuring, negotiation, and corporate governance in order to assist a company in its growth and to effectively drive the company toward the value realization event (exit). An experienced venture capital team will negotiate and structure investments optimally and, following investment, will govern responsibly and effectively. Importantly, a VC fund with a social and environmental focus will use its position as an investor and a director to move the company toward more progressive human resources and ecological practices.

Competitive advantage

CCVI expects to deliver superior financial and social returns to investors and the target community based on a combination of:

1. **Management:** An experienced venture capital investment management team;
2. **Strong community partner:** A strong community and economic development parent company with proven experience in both workforce development and community development venture capital;
3. **Operational Assistance pool:** A $3M supplementary Operational Assistance pool that increases the overall resources to investee companies over and above the equity capital invested.
4. **Social responsibility as differentiator:** CCVI's social mission affords it a marketing edge with entrepreneurs for whom the mission and lower hurdle rate[26] will prove attractive relative to funds whose only criteria is financial.
5. **Regional focus:** As noted earlier, competition for urban-center investments is greater due to correspondingly higher supply of venture capital funds. A regional and more rural focus with no specific sector emphasis provides portfolio diversity, ensuring relative stability compared with a narrower sector focus.
6. **Deal flow plan:** An effective marketing strategy to generate deal flow.

1) Management track record and experience: Fund President Michael Gurau brings to the role more than ten years of successful venture capital investing experience and more than four years of startup experience. With Advent International, Michael led, co-led or supported $73M of investment into eight companies at various stages (early, later) in several industries. These investments returned more than $284M, representing 3.8X cost and an IRR of more than 42%. The venture capital process involves many activities and disciplines. From deal sourcing to due diligence to negotiation to corporate governance, the venture capital business is a profession that benefits from experience. Having grown up in the profession (from analyst to associate to general partner), CCVI's president understands all elements, providing a competitive advantage to funds whose VC management experience is comparatively weaker.

Michael Burgmaier brings complementary experience working with a top tier management consulting firm (Bain & Company), bringing to bear skills in business strategy, research, analysis and presentation. These skills will prove important both for investment analysis and for managing the operational assistance program (an outsourced consulting activity). Burgmaier's non-profit and

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[26] A lower hurdle (IRR) rate can translate to lower equity/ownership dilution for founders/entrepreneurs.

public policy background is helpful in understanding and working with the non-profit parent, non-profit funders/grantors and the government.

2) Community Partner: With CEI as the Fund Manager and a General Partner, CCVI can take advantage of the deal flow, workforce development, operational assistance and social tracking systems available through CEI. CEI's reputation and experience in Maine, New England and nationally provide a unique asset and resource that will help assure that CCVI's triple bottom line is given more than lip service.

3) Operational Assistance Funds: Unlike all other venture capital groups in the region, CCVI can offer an extra level of support through the OA program, an additional resource that will help both attract companies to CCVI and accelerate companies' development beyond the equity investment.

4) Social Responsibility as Differentiator: A socially responsible, community development venture capital (CDVC) fund not only drives decisions based on a "triple bottom line" but also delivers market advantage against traditional VC funds in two key ways:

- **Entrepreneurs:** Entrepreneurs considers many factors (pricing, personalities, other fund qualities) in considering competitive offers of finance from VCs. Early pre-marketing of this fund suggests a strong reception by many entrepreneurs to the social and environmental aspects of CCVI's blended return aims. Entrepreneurs pre-disposed to issues that are reflected in CEI's mission might weigh CCVI's involvement more heavily than a venture capital fund whose only criterion is financial return.
- **Pricing:** As CDVC investors expect a lower-than-traditional VC return, CDVCs are able to price investment opportunities more competitively than a fund carrying a higher target return (hurdle rate). Put another way, entrepreneurs would need to give up less ownership to a CDVC than they would to a traditional VC.

5) Regional Focus: In major metropolitan markets such as Boston, funds tend to demonstrate focus by industry sectors (e.g. life sciences, information technology) or by stage (e.g. early, development, later). Regional funds, of necessity, tend to diversify across stage and sector. Although demanding from the perspective of VC expertise, this stage/sector latitude allows the regional funds to maximize investment opportunities (can look at more deals) and provides some portfolio risk management through this industry and stage diversity. Further, fund density thins as one moves out from city centers, such as Boston or San Francisco. Correspondingly, competition for opportunities is far less prevalent in rural areas.[27]

6) Deal Flow: As noted above, CCVI is identifying unique and proprietary investment opportunities through its networking and proactive sourcing program. By identifying non-competitive deals, CCVI gains pricing advantage relative to opportunities that are more widely circulated. Moreover, CCVI is positioning itself to lead larger financings than it can support itself, requiring CCVI to recruit co-investment partners, facilitating its role as a deal originator and lead investor.

[27] Conversely, investment opportunities are fewer and of lesser quality (generally) than for city centers. Based on an analysis of these markets, however, CCVI believes that there are sufficient quality and quantity of investments in these markets to support the size and focus of fund that CCVI manages. Also, the absence of venture capital itself accounts for the poorer deal quality and argues for the existence of more funds to stimulate business activity in these more distressed communities.

Despite a challenging mandate, CCVI's manager is confident that the process and judgment developed over years in the traditional venture capital business will assure that investments completed meet or exceed the financial aims of the fund and, pursuant to this, deliver the social and environmental targets as well.

VII. FINANCIAL PLAN

CEI's financial statements (Form 990) are included in the Appendix. CEI Community Venture's financial projections for both the investment operation and the Operational Assistance program are also included in the Appendix. The projections include:

- Proforma Income Statement for OA Program;
- Proforma Statements for CEI Community Ventures Fund LLC including Balance Sheet, Income Statement, and Cash Flow.

Commentary

OA P&L Commentary

Income
As noted earlier, the OA program's income sources include:

- $2.25M cash: $1.5M matching from SBA plus $750K to be raised by CCVI;
- $0.75M in-kind: professional services (legal, accounting, marketing, consulting) contributed to CCVI over the life of the fund.

While projected to come in evenly over the ten-year life of the fund, these income streams will likely come in irregularly as funds are raised, services are used and SBA cash grant matches are secured.

Expenses
Within the TA budget, approximately 25% of the annual spending is related to overhead. The grant program allows the investing and administration team to charge up to 20% of their time (some $68K/year in salary and fringe) toward administering the program. The remainder of the annual overhead allocation goes to travel, supplies, etc. Non-overhead expenses relate to providing funds and resources (in-kind) for OA to companies.

Fund P&L, Cash Flow and Balance Sheet Commentary

The P&L for a venture capital fund shows income in the form of fund management fees ($375K/year) and OA administrative income ($68K/yr, as above). Expenses relate to the cost of running a VC fund with salaries as the largest expense ($254K/yr). Other expenses (marketing, travel, legal, accounting, etc.) account for less than 10% (each) of the total income line.

Unlike the P&L forecast, balance sheet and cash flow projections for a venture capital fund are not particularly useful as a management tool given the unpredictability of timing and size of investment activity (initial investment, follow on, write-offs, liquidations/exits). The primary value in forecasting is to set broad targets for number, stage and size investments per year. The assumptions underlying these forecasts are:

- **Number:** Fund invested in 18 opportunities over years 1-4 as follows:
    - **Year 1:** 5 deals

- **Year 2:** 6 deals
    - **Year 3:** 4 deals
    - **Year 4:** 3 deals
- **Stages** of investments:
    - **Early:** 11 deals
    - **Later:** 7 deals

Management Salaries:

Management compensation (before fringe benefits) for CCVI is budgeted as follows:

- President: $90,000/year
- Associate: $70,000/year
- Administrative Assistant: $40,000/year

Scenarios:

- **Base case:** CCVI's base case—shown in timing of investment returns sufficient to pay interest and/or principal to SBA while providing a solid return for private investors;
- **Worst case:** Not shown in the financials, worst case scenarios reflect either poor investment performance (or financial projections—reflects the target returns (IRR 10-12%) with delayed returns) with a corresponding inability to pay interest or principal to SBA. In this scenario, CCVI would need to seek support from its private capital investor base and/or its parent organization to meet the repayment terms of SBA's commitment. CCVI believes this will be possible and forthcoming only if problems related to repayment are due to timing issues (delayed exit from portfolio companies) rather than poor investment performance. In the latter case, CCVI's investors and parent organization would likely consider allowing the fund to default, resulting in SBA shutting down the fund. Clearly, CEI and CCVI believe that the combination of the parent organization's resources and the experience of the CCVI management team will mitigate the likelihood of this scenario.

VIII. RISK ASSESSMENT AND CONTINGENCY PLAN

The program being undertaken carries multiple layers of risk. First, venture capital represents high risk investing. Second, community development venture capital compounds that risk by looking at criteria beyond financial and accepting lower returns for higher risk. Third, distressed community investing adds yet another layer of risk by targeting areas that are less likely to have the opportunities and management capable of creating returns commensurate with the undertaken risk. Finally, SBA expects this fund to begin interest repayment in year six or face closure. Risks are part and parcel of the VC manager's life–VC is also known as "Risk Capital"–and are manageable if anticipated and understood.

Risk Mitigation Plan: Understanding both the general and program-specific risks of this fund, CCVI has developed strategies to minimize risks while maximizing returns. Among them:

- **Portfolio Management:** As noted above, venture capital funds may be sectoral (e.g. information technology or IT), regional (e.g. northern) and/or stage-based (e.g. startup vs.

later-stage). Like any public or private investment fund manager, portfolio risk is mitigated by diversity–in this case of stage, sector and region. Sectoral funds (e.g. IT) may spread risk by avoiding excessive concentration in any one sub-segment of IT, such as consumer software. Regional funds may be sectoral or generalist. If the former, then risk is mitigated as above. If the latter, risk will be spread by creating a diversified portfolio across sectors–i.e. mix of business types (manufacturing, service, retail, etc.) and industries (e.g. healthcare, consumer products, software, etc.).

- **Opportunity Management:** Pricing, plan analysis, structuring and governing investment opportunities are critical skills in managing an opportunity through its lifecycle:
  - **Pricing**: Through effective and rigorous due diligence, CCVI will risk-assess a given opportunity in terms of its management, market, finance and defensibility and then price according to both the opportunity-specific risk and to the VC portfolio realities that result in a minority of investments accounting for the majority of returns.
  - **Plan Analysis:** Implicit in good pricing is reality-checking the business plan's forecast. In nearly all cases, business plans overestimate expectations for revenues in future years. CCVI will review forecasts to ensure that sales and earnings expectations are realistic vis-à-vis CCVI's exit analysis–i.e. CCVI will use conservative exit-year forecasts and exit pricing in its investment analysis.
  - **Structuring**: Smart pricing analysis alone does not assure that the investor will realize the value that a given investment "should" yield according to its risk; deeper understanding of legal terms and conditions can make the difference between success and failure for the fund manager. Having taken into account commercial risks identified during due diligence, CCVI will work with VC-experienced lawyers to translate the investment opportunity to a series of investment documents. In addition to defining the basics of negotiated pricing, legal documents also anticipate all possible negative and positive scenarios. Risks identified during due diligence will be mitigated both by the structure of the investment made (e.g. preferred stock vs. common stock) and by the negotiated rights associated with a given structure–i.e. the right of an investor to approve company management's spending levels above a stated level or to approve senior management changes.
- **Exit Management**: It is said that a venture capitalist walks into the room backwards so as to see the exit. Proper exit management begins with the first discussion with management, is then structured into legal documents, and finally is maintained on the agenda of the board of directors until the peak opportunity (for both management and investors) is realized. While operational skills may be critical for helping a company grow and reach its plan, exit management skills are crucial to ensure that the fund performs for its investors.
- **Operating Experience:** An ideal venture capital fund manager couples investment experience (to price, structure and exit an opportunity) with operational experience, to help the management team of a given company to progress its plan. While few venture capital investors possess deep experience in both categories, those who do possess this mix offer the best prospects for risk management and fund success. A fund manager with public and/or private company operating experience is better positioned to add value as part of a Board of Directors than might a purely financial venture capital investor.[28]

[28] Successful VC investors come from all walks of life. Investors and fund managers recognize that investment experience coupled with operating experience provide greater overall value to companies and investors than financial experience only, particularly for early stage companies.

In addition to general risks for all venture capital investors, NMVCs face additional risks that need to be addressed:

Distressed communities:

- **Challenge:** Investment opportunities in distressed communities are unlikely to be of the quality one will find in a metropolitan area.
- **Tactic/Solution:** CCVI will ensure that it not only sees every investment opportunity being presented to VCs but also identifies–through pro-active deal origination–and develops opportunities with companies who may not know of or be seeking venture capital. In addition to increasing deal flow, CCVI will use its funds as an incentive for companies to start or move their operations to a low-income area. In this way, stronger management teams and business opportunities can be imported to more challenged regions. Finally, the OA program–while not a solution to the challenges of distressed communities–is a mitigating resource for those companies who have some of the key elements needed to increase the likelihood of success.

SBA/SBIC Default:

- **Challenge:** SBA's debenture structure demands repayment of interest beginning year six. As a small fund working with companies whose path to exit may be longer than that of traditional VCs, this repayment may be difficult to achieve. If CCVI cannot make its obligatory interest payments, SBA can shut the fund down.
- **Tactic/Solution:** CCVI expects that 40% of its deals (and nearly 60% of its capital) will be invested in later stage opportunities–companies with revenues of $5M or better and at or near profits. As a small fund, CCVI will use its local and regional network of VC fund relationships to identify opportunities of interest to multiple funds and will seek to find larger investment opportunities to syndicate with this network. Later stage opportunities will have a greater chance either of earlier exits and/or of creating an income stream that can meet the requirements of the SBA's debenture repayment. Should temporary financial support be required, CCVI anticipates that its parent company CEI will provide needed resource.

Size/financing risk:

- **Challenge:** As a small fund supporting early stage businesses, CCVI risks supporting companies that require multiple rounds of investment. If CCVI were to be the sole investor, it would risk running out of capital, likely prior to the third round of financing.[29] Many funds make this mistake and find that the company runs out of cash and goes bankrupt or the company finds external new investors who wipe out the value achieved in the early rounds in which first investors supported.
- **Tactic/solution:** CCVI expects to only fund early stage businesses that require limited funding rounds to reach cash flow breakeven or in which multiple VC investors are participating at the outset (to ensure that multiple rounds can be met with existing investors).

[29] Many early stage technology and life science companies require 3-6 venture capital financing rounds to reach cash flow breakeven and/or exit.

Management risk:

- **Challenge:** CCVI's success might be hampered by the loss of one or more of its key managers.
- **Tactic/solution:** While this risk exists for most VC funds for which management is the key asset, CCVI has some backstop capability in that its parent organization has an existing VC team (CEI Ventures' management) in place. While this does not necessarily eliminate the management issue risk, CEI's having institutional capacity/infrastructure for this type of investing does mitigate the risk

With respect to the Operational Assistance program, the operational risks are few:

Inability to raise required cash grant capital: Without the minimum cash raise, CCVI is subject to SBA closing the fund years ahead of the fund's natural life.

- **Contingency plan:** CEI is prepared, if necessary, to directly fund the OA program, should cash sources not be found. However, as a non-profit with limited unrestricted cash, this would be an unusual and heavy burden for CEI. Like many non-profits in the current environment, CEI is under considerable financial pressure stemming from a depressed economy (affecting the parent's lending portfolio), foundation/grant fund reductions and a low interest rate environment[30].

Inability for investment team to manage OA program: Should the investment team find the demands of managing the OA program along with the equity fund too great, each program may suffer from poor or weak execution.

- **Contingency plan:** CCVI may choose to hire a part-time or outsourced support system to help reduce the workload if it becomes too great. Already, CCVI is outsourcing various OA back office and OA services (environmental and HR related OA) to the parent company.

IX. CURRENT STATUS

Equity Financings:

As noted earlier in this plan, CCVI has committed to investments in two businesses: a $200K investment in Juno Rising (www.junorising.com) a woman-founded outdoor apparel business, and a $250K investment in Eziba (www.eziba.com) a catalog/e-commerce business that markets developing world artisan products. Both businesses are located in distressed communities, Juno having moved into a target community as a pre-condition to CCVI committing its funds.

Operational Assistance Grants:

With operational assistance funds raised to date, CCVI has been able to provide the support to the following companies:

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[30] Like many community development corporations, CEI secures long term low interest loans from foundations and re-lends to companies, making money on the spread between its cost (typically 1%) and what it can charge in the market. The low interest rate environment has significantly reduced that spread.

Company, State	TA Engagement	Amount	Partner	Status
Idealswork, ME	Business Plan	$15,000	USM/SBDC	In process
Forestrade, VT	Business Plan	$25,000	Headwaters Strategy	In process
Tender Corp, NH	Business Plan	$25,000	Headwaters Strategy	In process
Coy Paper, NH	Struct. Survey	$15,000	Roche Engineering	Contract in devel.
Juno Rising	Acctg software	$11,000	Murphy & Associates	Completed
Juno Rising, VT	Strategic Planning	$1,080	Brown & Company	Completed
Juno Rising, VT	ETAG	$5,000	Coastal Enterprises, Inc.	Completed
Coy Paper, NH	Legal	$1,318	Cook Little	Completed

The companies above are all located in distressed communities in the target region (northern New England) and all represent industries and sectors overlooked by traditional venture capital funds.

Opportunities

Since mid-2002, CCVI has logged 187 investment opportunities of which:

- 7 are considered under **active evaluation** (due diligence and/or TA engagement)
    - 3 of which have Investment Briefings (Coy, SRI World, Forestrade)
    - 4 of which have TA Engagements pending/underway (Tender, Idealswork, Forestrade, Coy)
- 163 have been **turned down**
- 15 are **dormant** (not working, not turned down)
- 2 are **other** (closed investment, sold, etc.)

For a graphic breakdown of opportunities by state, sector and stage, see Deal Flow Snapshot in Appendix.

Although the quality of opportunities is uneven, CCVI is pleased that its marketing and origination efforts are bearing fruit in the form of deal flow worthy of attention. Examples of deals in progress:

	State	Stage	Rev ($M)	CCVI position	Source	Status
Outdoor first aid company	NH	Later	10	Lead	Direct	Evaluating
Natural products producer	VT	Later	20	Follow	Direct	Turned down
Fair trade organic products	VT	Development	7	Lead	Direct	Evaluating
Software developer	ME	Early	0.1	Follow	Network	Dormant
Specialty paper manufacturer	NH	Seed	0	Lead	Network	Evaluating

Summary

CCVI presents the Yale-Goldman competition with a truly unique entity. Structured as a for-profit subsidiary of a non-profit organization and funded by the private sector and government, CCVI has an opportunity to demonstrate a new model for economic development that puts the best of for-profit and non-profit together to:

- **Develop rural economies:** Create jobs, build wealth and develop local, underserved economies; and
- **Enhance the non-profit business model:** Facilitate non-profit asset building using the tools and resources of for-profit structures;
- **Build sustainable businesses:** Blend progressive social and environmental practices with financial tools to deliver the so-called triple bottom line

With the expected success that this program offers, CCVI hopes to help drive this new industry to scale by raising larger pools of capital (and potentially additional OA fund pools[31]) to reach broader geographies and create greater impact. It is critically important that this form of economic development venture capital achieve scale—i.e. raise successive and larger pools of capital—to continue its work in ensuring that all regions have an opportunity to benefit from the catalyst of this form of financing. Support from Yale-Goldman competition awards would prove instrumental in enabling this fund to prove the model, making a difference for workers and communities in underserved areas.

[31] While the NMVC program is uncertain to be refunded in a future administration, CCVI believes that the model of OA in support of equity is one that is worthy of implementing irrespective of government matching support. Other CDVCs that are not part of the NMVC program have successfully raised grant funds through related non-profit entities.

APPENDIX

- **Social Projections**
- **Financial Projections**
    - **Proforma Income Statement (CEI Community Ventures Fund LLC)**
    - **Proforma Balance Sheet (CEI Community Ventures Fund LLC)**
    - **Proforma Cash Flow (CEI Community Ventures Fund LLC)**
    - **Proforma Income Statement (OA Program)**
- **Organization Chart**
- **Boards of Directors and Advisory**
- **Press Coverage**
- **Deal Flow Snapshot**
- **Coastal Enterprises: Audited 2002 Financial Statement**
- **Coastal Enterprises: 2002 Annual Report**
- **Coastal Enterprises: IRS Tax Determination Letter**
- **CCVI Staff Resumes**

SOCIAL PROJECTIONS

Year	One	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
SOCIAL INDEX										
Date Closed										
Total Number of Investments (cumulative)	5	11	17	18	18	18	18	18	18	18
Number of Failed Investments (cumulative)	0	2	5	6	6	6	6	6	6	6
Net Number of Investments (cumulative)	5	9	12	12	12	12	12	12	12	12
State of Maine	1	3	5	6	6	6	6	6	6	6
State of New Hampshire	2	4	5	5	5	5	5	5	5	6
State of Vermont	2	4	6	6	6	6	6	6	6	6
Out of Tri-state area			1	1	1	1	1	1	1	1
CCVI Investment	$1,784,304	$5,238,432	$7,314,030	$8,319,750	$8,536,500	$8,536,500	$8,536,500	$8,536,500	$8,536,500	$8,536,500
Other Public and Private Leverage	$4,817,621	$14,143,766	$19,747,881	$22,463,325	$23,048,550	$23,048,550	$23,048,550	$23,048,550	$23,048,550	$23,048,550
Total Public and Private Leverage	$8,386,229	$24,620,630	$34,375,941	$39,102,825	$40,121,550	$40,121,550	$40,121,550	$40,121,550	$40,121,550	$40,121,550
Venture Capital Imported	$892,152	$2,619,216	$3,657,015	$4,159,875	$4,268,250	$4,268,250	$4,268,250	$4,268,250	$4,268,250	$4,268,250
Total Bank Loans to Portfolio Companies	$4,460,760	$13,096,080	$18,285,075	$22,921,760	$22,255,875	$28,048,500	$33,841,125	$39,633,750	$45,426,375	$51,219,000
Number of Exits	0	0	5	8	13	13	13	13	13	13
Number of ESOP Exits	0	0	0	0	0	0	0	2	3	4
Pre-Investment Employment	125	275	425	450	450	450	450	450	450	450
New Jobs Created (Cumulative)	11	40	81	127	185	256	327	399	471	550
Total Employment	136	315	506	577	635	706	777	849	921	1000
Female Employees	57	132	213	242	267	297	326	357	387	420
Minority Employees	3	6	10	12	13	14	16	17	18	20
Jobs Created (annual)	11	29	52	75	110	146	181	218	253	297
Low Income Jobs Created (cumulative)	6	20	41	64	93	128	164	200	236	275
Ex-Public Assistance Jobs Created	2	6	12	19	28	38	49	60	71	83
Average Starting Wage	$7.00	$7.21	$7.42	$7.64	$7.87	$8.11	$8.35	$8.60	$8.86	$9.13
Average Wage, CEI Targeted Jobs	$9.86	$10.15	$10.46	$10.77	$11.09	$11.42	$11.76	$12.11	$12.48	$12.85
% Jobs with Health Insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
% Jobs with Dental Insurance	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%
% Jobs with Retirement Benefits	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
% Disability Coverage	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%
% Child Care Assistance	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
% Educational Assistance	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%
% Unskilled Jobs	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
% Semi-Skilled Jobs	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
% Skilled Jobs	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
% Managerial Jobs	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
% Jobs with Ownership Opportunity	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
% Jobs with Profit Sharing	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%
% Jobs with Gain Sharing	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
% with Employee Decision-Making	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Local, State and Federal Taxes Paid	$802,962	$1,859,801	$2,987,489	$3,406,682	$3,749,122	$4,168,315	$4,587,508	$5,012,606	$5,437,703	$5,904,129
Annual Maine Payroll	$879,098	$2,637,294	$4,395,490	$5,274,588	$5,274,588	$5,274,588	$5,274,588	$5,274,588	$5,274,588	$5,274,588
Annual New Hampshire Payroll	$1,758,196	$3,516,392	$4,395,490	$4,395,490	$4,395,490	$4,395,490	$4,395,490	$4,395,490	$4,395,490	$5,274,588
Annual Vermont Payroll	$1,758,196	$3,516,392	$5,274,588	$5,274,588	$5,274,588	$5,274,588	$5,274,588	$5,274,588	$5,274,588	$5,274,588
Total Annual Payroll (tri-state)										
Transfer Payments Avoided (per year)	$36,486	$132,678	$268,673	$421,253	$613,636	$849,139	$1,084,643	$1,323,463	$1,562,283	$1,824,323
Total Company Sales	$5,000,000	$13,000,000	$23,500,000	$36,250,000	$49,937,500	$63,421,875	$79,277,344	$99,096,680	$123,870,850	$154,838,562
Revenue Growth Rate	0%	160%	81%	54%	38%	27%	25%	25%	25%	25%
Total Net Income (approximate)	$0	$866,667	$2,350,000	$3,625,000	$4,993,750	$6,342,188	$7,927,734	$9,909,668	$12,387,085	$15,483,856

FINANCIAL PROJECTIONS

TA Program: P&L

Operating Expenses	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Personnel	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	400,000
Fringe Benefits	28,053	28,053	28,053	28,053	28,053	28,053	28,053	28,053	28,053	28,053	280,526
Consultants (accounting. Legal)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
Travel (incl. mileage)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
Equipment	4,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	13,000
Supplies	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Contractual (CEI ETAG)	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-	50,000
Other	281,947	284,947	209,947	209,947	209,947	219,946	219,945	219,944	144,943	144,942	2,146,459
Total Direct Charges	375,000	375,000	300,000	300,000	300,000	299,999	299,998	299,997	224,996	224,995	3,000,000
Totals	375,000	375,000	300,000	300,000	300,000	299,999	299,998	299,997	224,996	224,995	2,999,985

Fund Balance Sheet Proforma

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets	Cash	(142,761)	(286,537)	(429,284)	(572,337)	1,558	4,142,810	12,352,816	12,209,763	12,066,710	11,923,657
	Reserve for mgt fees					1,875,000	1,500,000	1,125,000	750,000	375,000	-
	Unfunded capital commitments	7,665,696	3,911,568	1,535,970	230,250						
	SBA prepaid interest	2,000,000	1,500,000	1,000,000	500,000	-					
	Investments at cost (net of write offs)	1,784,304	4,196,298	5,810,652	6,460,902	4,300,202	5,745,202	4,597,702	6,894,402	6,894,402	6,894,402
Total Assets		**11,307,239**	**9,321,329**	**7,917,338**	**6,618,815**	**6,176,760**	**11,388,012**	**18,075,518**	**19,854,165**	**19,336,112**	**18,818,059**
Liabiliti	SBA loan	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Total Liabilities		**7,500,000**	**7,500,000**	**7,500,000**	**7,500,000**	**7,500,000**	**7,500,000**	**7,500,000**	**7,500,000**	**7,500,000**	**7,500,000**
Equity											
	Partnership Capital	1,167,152	3,044,216	4,232,015	4,884,875	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
	Unfunded Capital	3,832,848	788,632								
	Capital increase (decrease)		(315,875)	(1,901,169)	(4,027,541)	(10,953,829)	(4,085,714)	1,112,152	9,165,815	8,866,107	8,566,232
	Operating Gain (Loss)	(1,221,109)	(1,477,377)	(1,549,035)	(1,228,294)	4,180,589	3,473,027	5,181,859	(874,500)	(874,500)	(874,500)
Total equity		**3,778,891**	**2,039,595**	**781,811**	**(370,960)**	**(1,773,240)**	**4,387,313**	**11,294,011**	**13,291,315**	**12,991,607**	**12,691,732**

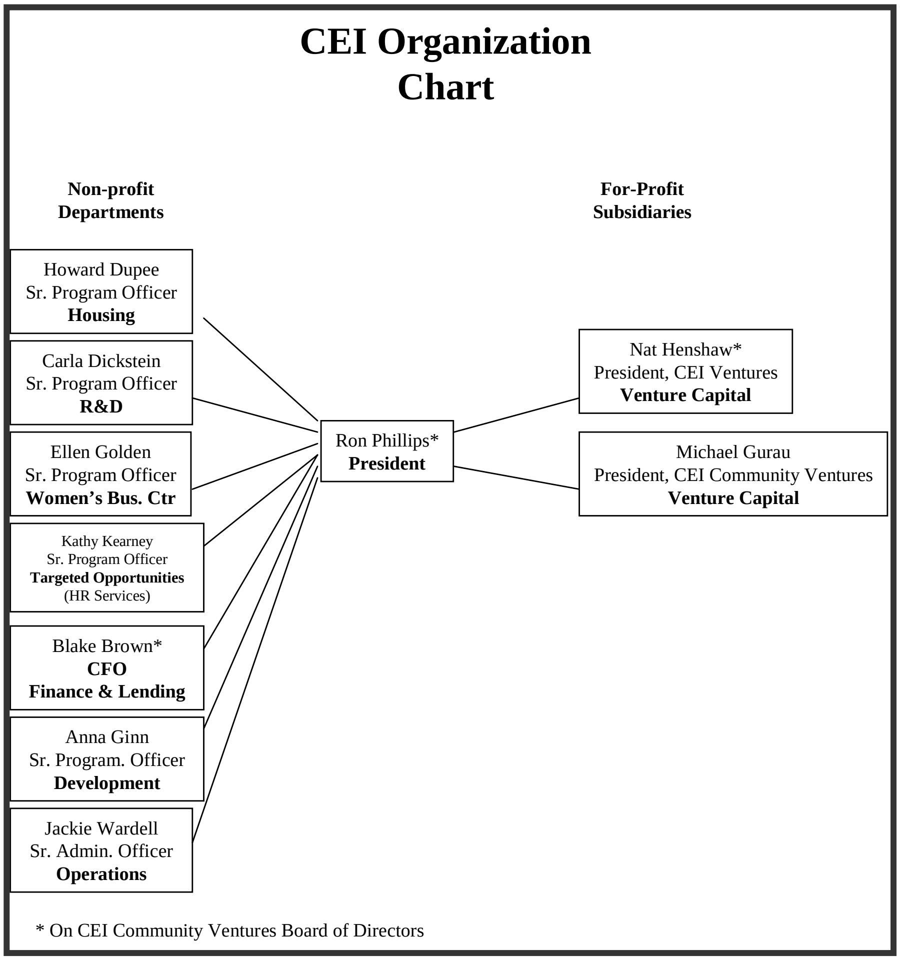
Fund Cash Flow Proforma

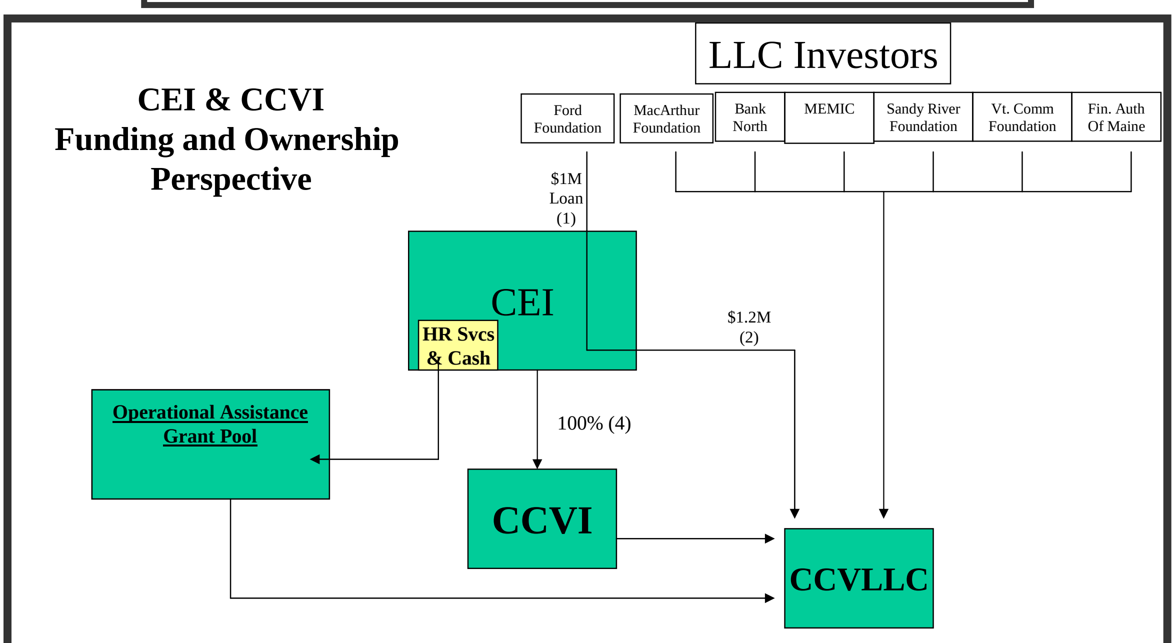
Cash inflows	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Drawdown (inc. mgt fees)	2,334,304	3,754,128	2,375,598	1,305,720	516,750	550,000	300,000	300,000	300,000	300,000
Interest income	3,140	3,590	3,460	2,699	1,412	1,558	1,139	604	292	125
Net portfolio increase/decrease	-	-	-	-	7,648,928	5,496,727	8,353,059	-	-	-
Net inflows	2,337,444	3,757,718	2,379,058	1,308,419	8,167,090	6,048,285	8,654,198	300,604	300,292	300,125
Cash outflows (ex. SBA)										
Investments	1,784,304	3,454,128	2,075,598	1,005,720	216,750	-	-	-	-	-
Expenses	446,652	446,614	446,207	445,752	444,465	444,611	444,192	443,657	443,345	443,178
CEI Repay	250,000	-	-	-	-	-	-	-	-	-
Net outflows	2,480,956	3,900,742	2,521,805	1,451,472	661,215	444,611	444,192	443,657	443,345	443,178
Net cash flow	**(143,512)**	**(143,025)**	**(142,747)**	**(143,053)**	**7,505,875**	**5,603,674**	**8,210,006**	**(143,053)**	**(143,053)**	**(143,053)**
Starting cash (April Drawdown)	-	(143,512)	(286,537)	(429,284)	(572,337)	6,933,538	12,537,212	20,747,218	20,604,165	20,461,112
Ending Cash	(143,512)	(286,537)	(429,284)	(572,337)	6,933,538	12,537,212	20,747,218	20,604,165	20,461,112	20,318,059

Fund Income Statement Proforma:

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Income										
Management fees	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000
OA admin. income	68,053	68,053	68,053	68,053	68,053	68,053	68,053	68,053	68,053	68,053
Interest income	3,599	3,561	3,154	1,333	1,648	1,287	695	333	167	-
	446,652	446,614	446,207	444,386	444,701	444,340	443,748	443,386	443,220	443,053
Operating expenses	446,652	446,614	446,207	444,386	444,701	444,340	443,748	443,386	443,220	443,053

ORGANIZATION CHARTS





Notes:
1) Ford Foundation committed to CCVILP due to its social goals. As Ford was indifferent to returns, it made its investment in CCVLLC by lending CEI $1M in the form of a long term, low interest loan. CEI is required—through a separate agreement with Ford—to invest these funds in CCVLLC.
2) CEI is investing Ford's $1M loan plus $0.2M of CEI's own capital for a total of $1.2M. CEI may seek to replace its $0.2M prior to close with an external investor, subject to SBA approval.
3) CEI is making an in-kind contribution ($25,000) of HR Services and $50,000 cash to the Operational Assistance pool.
4) CEI controls 100% of the management company, CCVI.

CCVI BOARDS OF DIRECTORS AND ADVISORS

CCVI Board of Directors:

Ronald L. Phillips (Chair)
President, Coastal Enterprises, Inc. (ME)

Timothy P. Agnew
VP, Masthead Venture Partners (ME)

Halcyon Blake
Owner, Halcyon Yarns (ME)

Blakeslee P. Brown, CFA
CFO, Coastal Enterprises, Inc. (ME)

Geoff G. Gattis
Sr. Vice President & CCO
Bath Savings Institution (ME)

Nathaniel V. Henshaw
President, CEI Ventures, Inc. (ME)

Janet Yancey-Wrona
Director, Maine Technology Institute (ME)

Roz A. Ciulla
VP, KeyBank (OH)

Cynthia Gubb,
Community Investing, Chittenden Bank (VT)

John Burns
Manager, Small Ent. Growth Fund (ME)

William Ginn
Director, The Nature Conservancy (ME)

CCVI Community Advisory Board

John Hamilton
Director, New Hampshire Community Loan Fund (NH)

Susan Hammond
Director, Four Directions Development (ME)

Dick Mansfield
Executive Director, Vermont Community Loan Fund (VT)

Brian Hamel
Executive Director, Loring Development Center (ME)

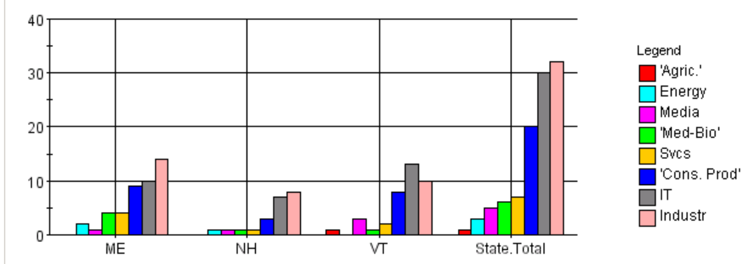
Paul Denton
President, Northern Community Investment Corporation (VT)

Diane Tilton
Director, Sunrise Council Economic Development (ME)

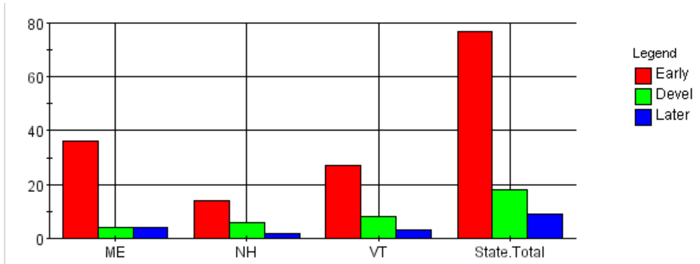
Nicholas Karvonides
Director, Manufacturing Extension Partnership (ME/NH)

PRESS COVERAGE

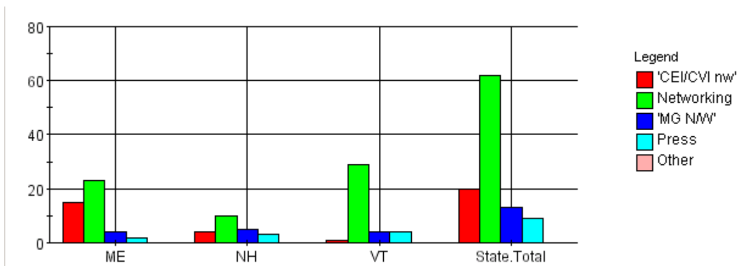
DEAL FLOW SNAPSHOT



Deals by Sector



Deals by Stage



Deals by Source

STAFF RESUMES

Michael Gurau
9 Norton Farm Road
Freeport, ME 04032
207-865-6301
mhg@ceicommunityventures.com

CEI Community Ventures, Portland ME **Nov. 2001-Present**
President

Nesbic CTe Fund, Utrecht Netherlands **Jan. - Oct. 2001**
General Partner

- **Job Descriptions:**
  - Fund strategy: develop sector focus and market strategy for fund;
  - Team development: Guide and mentor associate and analyst team;
  - Investment: source and complete early stage private equity investments; help manage existing portfolio companies;
  - Investment review: review all investments and refinancings;
  - Investor and public relations: Present fund progress through periodic presentations to limited partners; represent fund to media and at industry conferences;
- **Highlights**
  - Strategy
    - Developed mobile communications sector strategy and participated in overall fund strategy
  - Team development: Trained associate team on improved due diligence and proactive deal sourcing processes;
  - Investment
    - Sourced several opportunities within target sector focus; brought two investments through internal review;
    - Managed three existing portfolio companies on behalf of the fund;
  - Investment review: Participated in over 20 new investment and refinancing review meetings;
  - Investor and public relations
    - Prepared for and presented at several investor meetings; spoke at Venture One and EIF conferences;

Silknet Software (Kana Communications), Manchester NH **1998-June 2000**
Market Strategy Manager, Kana Communications (4/00-6-00, resigned)
Product Marketing Manager, Silknet Software (4/99-4/00)
Product Manager, Silknet Software (5/98-4/99)

- **Job Descriptions:**
  - Market Strategy Manager: Responsible for market mapping, strategic analysis, M&A analysis, competitive analysis;
  - Product Marketing: Responsible for increasing Silknet's presence in the .com market (content, commerce, community) through:
    - Corporate strategy (general)
    - Market positioning and messaging for .com market
    - Market Research
  - Product Manager
    - Silknet E-Commerce strategy
    - E-Commerce market research/analysis
    - Product launch and support (Feb 1999)
- **Highlights**
  - Strategy
    - Co-developed post-merger positioning as part of Kana-Silknet team;
    - Co-led eMarketing application M&A analysis;
  - Product Marketing

        - Founding member of Silknet Marketing Team; responsible for positioning broadly and in the dot-com market specifically
        - Conceived/developed marketing based intranet portal for Silknet sales and marketing team
    - Product Management
        - Developed strategy and launched Silknet's E-Commerce product line; trained executive management, sales, and professional services;

Oxford Health Plans, Norwalk CT **1996-1998**
General Manager, Living Balance (alternative medicine content/commerce site and DM catalog)

- **Job Description**
    - Research/develop business plan
    - Build direct mail and e-commerce site
    - Define, execute alternative medicine online content strategy
- **Highlights**
    - Secured $1M in seed round of financing of direct mail and internet catalog business;
    - Built e-commerce site for under $20,000;
    - Recruited five person call center/fulfillment team;
    - Launched print catalogs (two iterations) to Oxford and non-OXHP prospects;
    - Licensed alt med online content from IVI Publishing, published on Oxford's main web site

Advent International, **Boston, MA; London England:** **1987-1990, 1992-1996**
Investment Manager, Investment Analyst

- **Job Description:**
    - Source, analyze, close venture capital investments;
    - Provide strategic, financial and marketing guidance/exchange through Board of Directors roles
- **Highlights:**
    - Generated career return 42%IRR on $73M of investments in companies in which I led and/or supported;
    - Investments spanned seed-, early, and revenue stage as well as MBOs; industries included internet, software, telecommunications, specialty chemicals and advanced materials; Board of Director roles included:
        - **European Software Publishing (led)** (Chairman);
        - **ESAT Telecom (co-led):** Irish telecom and radio operator;
        - **Eunet (co-led):** Pan European Internet Service Provider consolidation;

Technology Financial Services Inc, Chelmsford MA: **1985-1987**
Senior Research Analyst

State Street Bank and Trust, Boston MA: **1985**
Business Valuation Analyst

Pitney Bowes Corporation, Burlington, MA:= **1984**
Sales Representative

Non-Profit, Community Service

- **Board of Directors, Treasurer**; Educational Community Farm (ECF), Wilton NH 1999-Present;
- **Founder/Chairman** Business Volunteers for the Arts/Boston 1989-1990

Education

- **MBA**, University of Virginia's Colgate Darden School of Business 1992
- **BS** Finance, Babson College, 1984;

Other

- Married, three children

MICHAEL BURGMAIER

34 Burnside Road • Needham, MA 02494 • (781) 559-8447 •mburgmaier@yahoo.com

A. *EXPERIENCE*

2001 – Present **Bain & Company, Inc.** **Boston, MA**
Summer 2000 *Case Team Leader, Consultant*

- *Growth strategy*: (1) Defined and assessed the core business of a $500M kitchen countertop manufacturer and led effort to develop new product and branding strategy. (2) Developed one-week course to teach growth strategy to executives for $100B+ industrial company.
- *Marketing effectiveness:* (1) Currently assessing the marketing mix (trade, advertising, consumer) and effectiveness for an $8B food processing company. (2) Determined detailed ROIs for a $30M+ marketing budget of a big box footwear/apparel chain. Recommended changes projected to increase sales by 10% with a 20% decrease in spend.
- *Manufacturing and supply chain strategy*: Identified $85M in annual operational improvements for a $1.5B window manufacturer as part of an overall supply chain blueprint redesign.
- *Business unit strategy*. Created new strategic blueprint for an engineering and construction firm's $500M oil, gas and petrochemicals division, as part of a $5B post-merger integration.
- *Organizational strategy*. Generated recommendations, which were implemented, to redesign the Board of Directors and Development functions for a pre-eminent biomedical research institute.
- *Cost reduction*: Saved $2M in one year (10% of spend) for a hospital system pharmacy.
- *Internal asset building*: Wrote global "Strategy Toolkit" training presentation; Selected as Bain's global program manager to lead new consultant training; Highly involved with recruiting.
- *Management*: simultaneously managed five consultants across seven workstreams for two clients.

1996 - 1999 **Children Now** **Oakland, CA**
Senior Health Policy Associate (1997-99); Acting Director of Policy (1998); Health Policy Associate (1996)
National non-profit children's policy and advocacy organization ($2.5 million annual budget).

- Led three-person staff and managed $400K project to improve the quality of health care
- Organized national forum on early childhood health care for leaders of 24 organizations resulting in over $3.5 million in new voluntary commitments
- Authored report on managed care and adolescent health (see www.childrennow.org/health/partners/report-partners-long.pdf)
- Published a financial and economic policy options analysis that helped create a new public program for 700,000 previously uninsured California children

1995 - 1996 **The Commonwealth of Massachusetts** **Boston, MA**
Fiscal Policy Analyst, Fiscal Affairs Division

- Managed $700 million of state spending for the Departments of Mental Health and Elder Affairs
- Developed departmental budgets and fiscal savings plans on behalf of Governor William Weld

Summer 1994 *Policy Research Analyst, The Executive Office of Administration and Finance*

- Analyzed and prepared policy recommendations for the Gov.'s Director of Strategic Planning

1992 - 1993 **Muir California Tax Free Bond Fund** **San Francisco, CA**

- Assistant to a small staff (3.5 people total) for socially responsible startup fund.

1.

B. *EDUCATION*

1999 - 2001 **Tuck School of Business at Dartmouth** **Hanover, NH**
Master of Business Administration, June 2001
Entrepreneurship finalist, Health Care/Biotechnology Club (founder), Hockey, Admissions Interviewer, Tuck Volunteer Consultants, led market entry and distribution study in Vietnam for Avaya, Inc.

1993 - 1995 **Duke University** **Durham, NC**
Master of Public Policy

a) ***Teaching Assistant, Nonprofit Internship Fund (founder)***

b) ***School district merger integration study for the North Carolina Department of Public Instruction***

1988 - 1992 **Boston College** **Chestnut Hill, MA**

Bachelor of Arts, Economics, *Magna Cum Laude*

Departmental Honors in Economics, Arts and Sciences Honors Program, Appalachia Volunteer

(i) PERSONAL

Volunteer Activities: Big Brothers program (volunteered weekly for two years), Habitat for Humanity, Public Allies (an AmeriCorps youth development program)

Interests: Playing with my son, hiking, cross-country skiing, travel in India, Nepal and Central America, Boston Marathon, web-site creation (for my wedding), dog walking