

Emerging Energy Ventures: Strategies to Attract Professional Private Equity

2011 Energy Technology Partnership Forum

at

Alumni House, College of William & Mary

Marco Rubin
GAP Funds Advisor

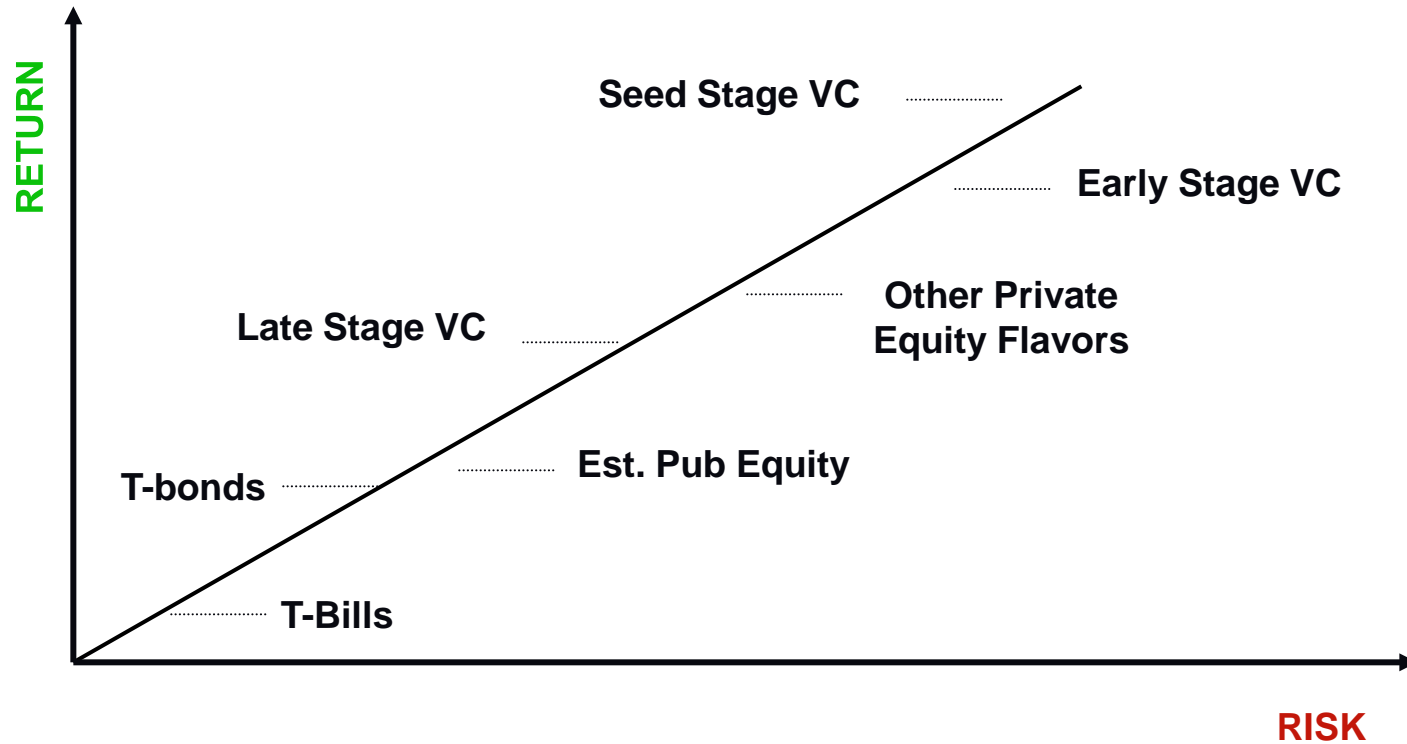
April 13, 2011

CIT GAP Funds

- Highlights
 - Tech, BioLife
 - 42+ investments
 - \$65M or 14:1 private equity leveraged
 - 13 Series A investments
 - 5 portfolio exits
- Team - your friendly investment crew
 - Tom Weithman - Managing Director
 - Marco Rubin - CEF Lead and GAP Funds Advisor
 - Erika Smith - BioLife Investment Director
 - Jennifer O'Daniel - Investment Analyst

www.citgapfunds.org

Performance Spectrum



Typical Financing Sources

- Self, Friends and Family
- Federal Government Grants & Contracts
- Business Angels
- Venture Capital (USA 2010):
\$21.8B invested in 3277 deals
- Small Business Investment Companies (SBIC)
- Trade Credit and Factoring
- Asset-based Lending
- Mezzanine Capital
- Private Placements of Equity (Relational Investors)
- IPO
- Public Debt

PWC MoneyTree Report – Full-Year 2010


Venture Capital Total Deployment	<ul style="list-style-type: none">• \$21.8B going into 3277 deals in 10• \$18.3B in 2927 deals in 09
Industrial/Energy Sector	<ul style="list-style-type: none">• \$3.4B going into 277 deals in 10• \$2.4B in 234 in 09
Startup/Seed stage	<ul style="list-style-type: none">• \$1.712B going into 363 co.s in 10• \$1.739B in 349 co.s in 09

Detailed results, including historical data back to 1995, can be found on the MoneyTree™ website at www.pwcmoneytree.com

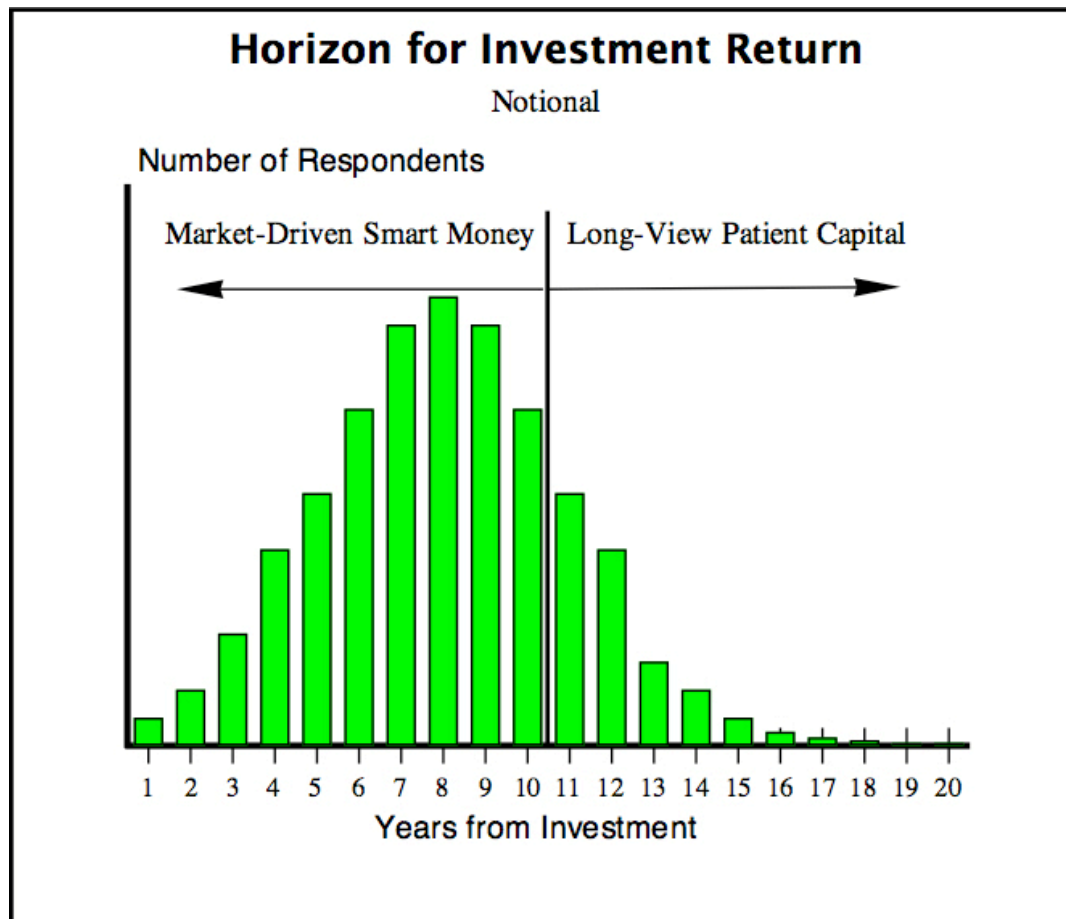
VC Profile

- Professionally managed pool of \$ - blind, illiquid, SEC-exempt
 - Corporations, institutions and high net worth individuals
 - Long-term perspective providing high-risk / high-reward
 - Professionally managed investments in young firms with big potential
- Themes and flavors
 - Sector – life sciences, information technology...
 - Stage – seed, early stage, later stage...
 - Geography – mid-Atlantic, Silicon Valley, Global emerging markets...
- Long-term partnerships with entrepreneurs
 - Pre-profit or even pre-revenue new company formation
 - Grow companies through \$ (syndication) and board
 - Focused on creating value hopefully recognized at exit

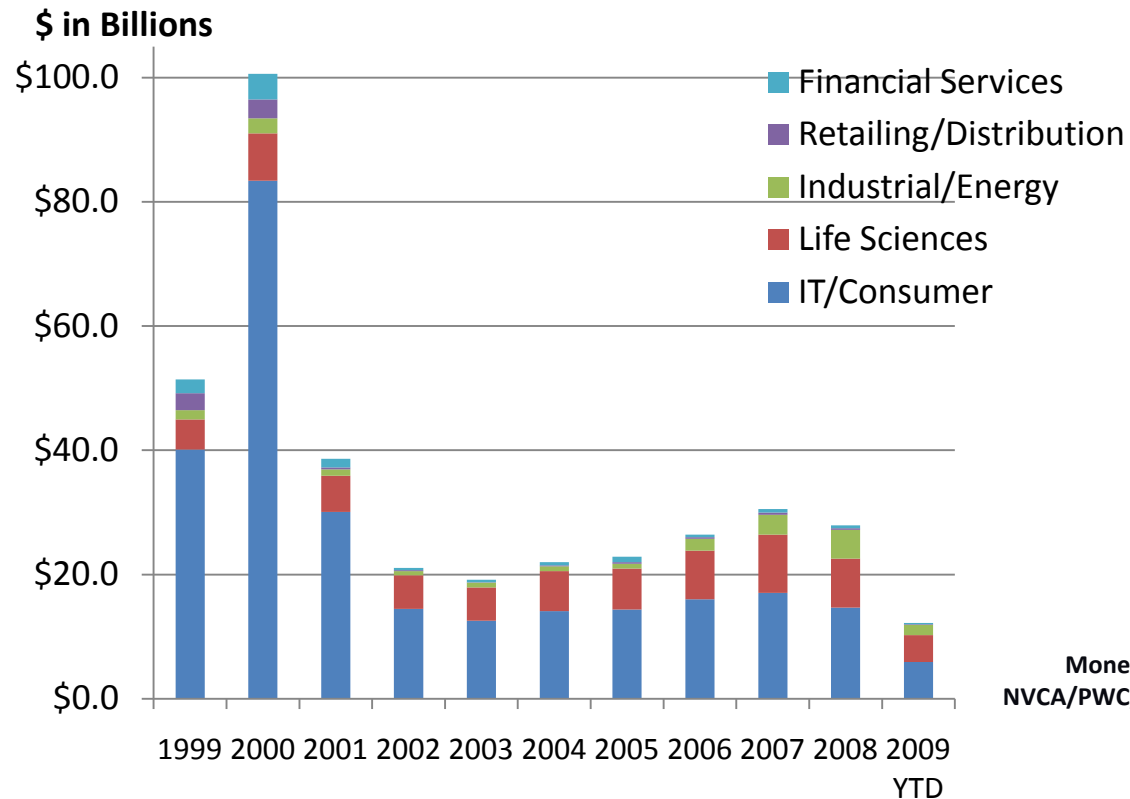
Investment Stage

- **Seed**
 - Lone inventor / entrepreneur
 - Bootstrap capital for “proof-of concept”
 - Initial product development, market research, team formation
 - **Start-Up**
 - Capital to complete product development and initial marketing
 - Pre-commercial launch
 - Key management and plans in place
 - **First-Stage**
 - Capital for manufacturing and sales
 - Pre-profit
 - **Second-Stage**
 - Working \$ for initial expansion
 - Production and shipment
 - Pre-profit to initial profit
 - **Mezzanine**
 - \$ for major expansion
 - Needs for plant and equipment, marketing, working capital
 - **Bridge**
 - Pre-IPO
- 
- Time-to-Liquidity
 - Investor’s Expected Return
 - Technology Risk
 - Business Risk
 - Entrepreneur’s Cost of Capital
- High**
- Low**

Are You Aligned with the Money?



VC – Statistics by Sector



MoneyTree Report
NVCA/PWC/Thomson Reuters

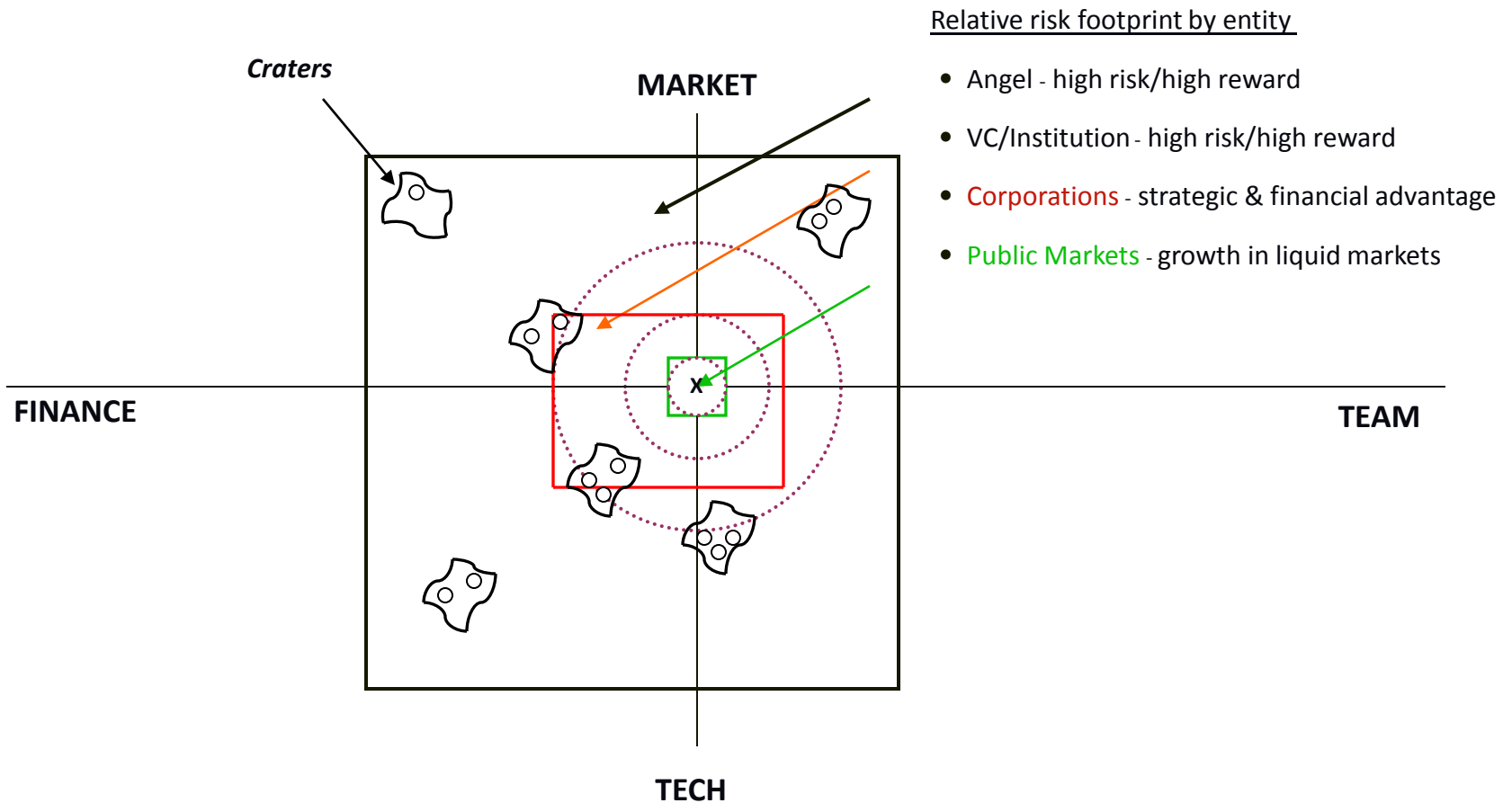
Example – Strong Portfolio

INV	AVG. INVESTMENT	RETURN
#1	\$1,000,000	\$0
#2	\$1,000,000	\$0
#3	\$1,000,000	\$500,000
#4	\$1,000,000	\$1,000,000
#5	\$1,000,000	\$1,500,000
#6	\$1,000,000	\$2,000,000
#7	\$1,000,000	\$3,000,000
#8	\$1,000,000	\$7,000,000
#9	\$1,000,000	\$15,000,000
#10	\$1,000,000	\$25,000,000
	\$10,000,000	\$55,000,000

Key “Blueprinting” Considerations

- **Value proposition** – subtracting costs from benefits, do customers view this as incremental? Strategic?
- **Founder(s)/management** – do they bring exception domain expertise to the venture? “King vs. rich”?
- **Market** – how big and is it growing? How do market prices, competition and regulations affect value?
- **Domestic & foreign competitors** – what response might you trigger? Who wins/loses if successful?
- **Capital intensity** – will this venture require \$K, \$M or \$B? Role of patient capital in a scarce \$ market?
- **Duration** – time to get to the market? Year or decades on the critical path to market entry?
- **Scale** – usually not a linear path, so what is the impact of unforeseen engineering mods? Blind alleys?
- **Intellectual property** – you’ve got patents/trade secrets. How valuable is it? Genuine blocking factor?
- **Regulations, standards and policies** – sector ubiquitous. How do “enablers & resistors” affect you?

Exit Planning Starts Day 1



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