algaventures
THE FIRST ALGAE ONLY VC FUND

ALGAE BIOMASS SUMMIT | SEPTEMBER 29 - OCTOBER 2, 2014
SAN DIEGO MARRIOTT MARQUIS & MARINA | SAN DIEGO, CALIFORNIA
INVESTING

Investing in algae is exciting & challenging.
Still no clear path to exits, but there are signs of potential

We started Algal Ventures with $5 Million in 2012
Increasing to a $20-30M fund in 2015

Investors are interested in algae (finally)
Often asked if there are 100’s of sources of capital.

“Why is it so hard to get any?”

Companies don’t ask the right sources, in the right way, at the right time...
<table>
<thead>
<tr>
<th>DILUTIVE</th>
<th>NON-DILUTIVE</th>
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<tbody>
<tr>
<td>Friends &amp; Family</td>
<td>Debt / Loan</td>
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<td></td>
<td>Short / Long-term</td>
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<td></td>
<td>Recourse / Non-recourse</td>
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<td></td>
<td>Sub / Bridge / Mezzanine Etc.</td>
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<tr>
<td>Angel</td>
<td>Grant</td>
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<td></td>
<td>*Convertible / Venture Debt</td>
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<tr>
<td>Venture Capital</td>
<td>Investor – Strategic, University, Foundation, Charity Etc.</td>
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<td>Public Market</td>
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<tr>
<td>Investor – Strategic, University, Foundation, Charity Etc.</td>
<td>Crowdsourcing</td>
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SEE WHAT THEY ARE BUYING
EVERYONE BUYS A STORY

<table>
<thead>
<tr>
<th>WHO</th>
<th>WHAT</th>
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<tbody>
<tr>
<td>Venture Capital</td>
<td>Returns – In Cycle – Matching Their Story</td>
</tr>
<tr>
<td>Angels</td>
<td>Returns – With A Story</td>
</tr>
<tr>
<td>Government</td>
<td>Jobs, Economic Development</td>
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<tr>
<td>Strategic Investors</td>
<td>Need, Press Release</td>
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THREE QUESTIONS
ASK YOURSELF

So What?
1. What’s Your Idea?
2. What’s The Problem?
3. Where Does Your Idea Fit?

Who Cares?
1. Who’s Your Customer?
2. Path To Market?
3. Where’s The Money?

Why You?
1. Competitive Edge?
2. Who’s On The Team?
3. What’s Your Story?

Answer: “So What” 5 X
10 QUESTIONS
THE PERFECT PITCH

1. Why Should I Care?
2. What Do You Do?
3. Why Are You Better?
4. How Will You Stay Better?
5. Does It Work?
6. How Will You Make Money?
7. How Much Will You Make?
8. Why Are You The Right Team?
9. What Will You Do?
10. How Much Will It Cost?

Thanks to Linda Plano
FIVE RULES
THE PERFECT PITCH

1. KNOW YOUR TARGET

- Angel, VC (Seed/Late), Partner, Investors etc.
- What Do They Need?
- How Much Are You Raising? What For?
- Understand Valuation
- Understand Dilution
- Gather Informal Feedback
- Find 10 – 15 Targets MAX
2. BE IN THE MARKET (OR NOT)
   - Fundraising Is Fulltime
   - ROT Raise For 6 Months Execute For 12 Then Repeat

3. HAVE TERMS TO RAISE AGAINST
   - Have A Lead Investor Set To Term Sheet
   - Use A Convertible Note Structure
   - Raise Against Your Own Term Sheet
4. TRACTION IS EVERYTHING
   - Build Off People Signing In
   - If There Is None, Create The Illusion There Is
   - Team Traction = Good People Want To Be Involved
   - Company Traction = User Adoption, Engagement,
   - Excitement

5. HAVE A BACK-UP PLAN
   - Most Start-ups Succeed Because They Don’t Give Up And
     Outlast Their Competitors
ANGEL INVESTORS

BREAKDOWN

INDIVIDUALS
$25K + (AVG $50K - $250K)

ANGEL GROUPS
$50K + (AVG $500K - $2M)

30-90 DAY TURN AROUND

NACO | National Angel Capital Organization
angelinvestor.ca

ANGEL CAPITAL ASSOCIATION
angelcapitalassociation.org

AngelList
angel.co

gust.com

algave ventures
VENTURE CAPITAL/ PRIVATE EQUITY INVESTMENT

Professional investors $ 250k – 50 Million +

Understand What VC’s Need
Return what type of fund they are & where they are in their lifecycle. PE is different.

www.nvca.org
www.cvva.ca
Use professionals. Lots of options.

www.tsx.ca

www.bsx.com/MezzMarket.asp

www.londonstockexchange.com/companies-and-advisors/aim/aim/aim.htm
## PARTNERS/STRATEGIC

### THE INVESTORS

<table>
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<tr>
<th>POSITIVES</th>
<th>NEGATIVES</th>
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</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Limits Your Market</td>
</tr>
<tr>
<td>Creditability/ Traction</td>
<td>Loss Of Control</td>
</tr>
<tr>
<td>Talent/ Capabilities</td>
<td>Dependency</td>
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Considering Licensing, Sponsored R & D Etc.
IT’S NOT JUST ABOUT MONEY

NON-MONETARY ASSETS

Raising investment is not just about $. In kind, barter, purchase orders… Basically think outside the box

Consider Non-Monetary Assets When Choosing An Investor/Partner:

- Government
- Universities
- Hospitals
- Research Organizations

- Foundations
- Charities
- Crowdsourcing (Job Act)
PARTING THOUGHTS

1. Nail your pitches (30 sec, 2min, 5 min, etc)
2. Know your stuff (every data point)
3. Build long term relationships (get out of the building)
4. Show you can pivot to solve problems.
   Can move to plan B or C if/when a doesn’t work.
“Congratulating an entrepreneur for raising capital is like congratulating a chef for buying the ingredients”
To continue the discussion, for a copy of this or our extended presentation see me or email

JAMES@ALGAEVENTURECAPITAL.COM