

CIT Commonwealth Energy Fund

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About the CIT

- 28 year history creating tech-based companies and strategies for innovation



- Nascent state equity vehicles include GAP and Commonwealth Energy Fund (CEF)

CIT GAP Funds Overview

- Family of Seed-Stage Venture Funds
- Virginia Investment Focus
- Convertible Debt Fund
- Spin-Outs from Virginia Research Institutions
- “Double-Bottom Line” Fund
- Deep Engagement with Portfolio Companies

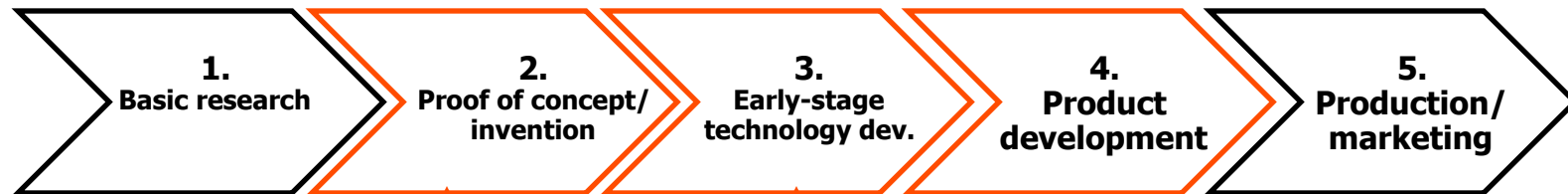
Outcomes

- 70+ New Companies Seeded
- 7 Spin-Outs from Universities and Federal Labs
- 16X Private: Public Funding Secured
- 7 Portfolio Companies Exited
- 4X Named “Top 100 Venture Fund”
- Value Creation for ...
 - ✓ Entrepreneurs
 - ✓ Co-Investors
 - ✓ Commonwealth of Virginia

Entrepreneur.com

CIT GAP Funds Program

Stages of development



**Angel or
Series "A"
Financing**

Investment Criteria

Management Team / Founder

- ✓ Full-Time Commitment
- ✓ Integrity, Passion, Creativity
- ✓ Coach-ability
- ✓ Record of High Achievement

Investment Stage

- ✓ Seed-Stage Focus
- ✓ Up to 36 Months Prior to Series-A
- ✓ Pre-prototype – Newly-Launched Technologies

Investment Range

- ✓ GAP Investment
 - ✓ \leq \$200K; $>$ \$100K Tranched
 - ✓ \leq \$1M Concurrent Syndication
 - ✓ \leq \$1M Previous Financing
 - ✓ Follow-On Investment up to \$250K
- ✓ Innovation Investment
 - ✓ \leq \$75K per Company
 - ✓ $>$ \$50K Requires IAB Review

Proprietary Advantage

- ✓ Unique Technology
- ✓ Defensible IP Position
- ✓ Difficult-to-Replicate

Scalability

- ✓ Markets with Big Buying Power
- ✓ Potential for Dominant Market Position

Returns

- ✓ Angel -VC Multiples

Industries

- ✓ Technology
- ✓ BioLife
- ✓ Energy

Geographic Focus

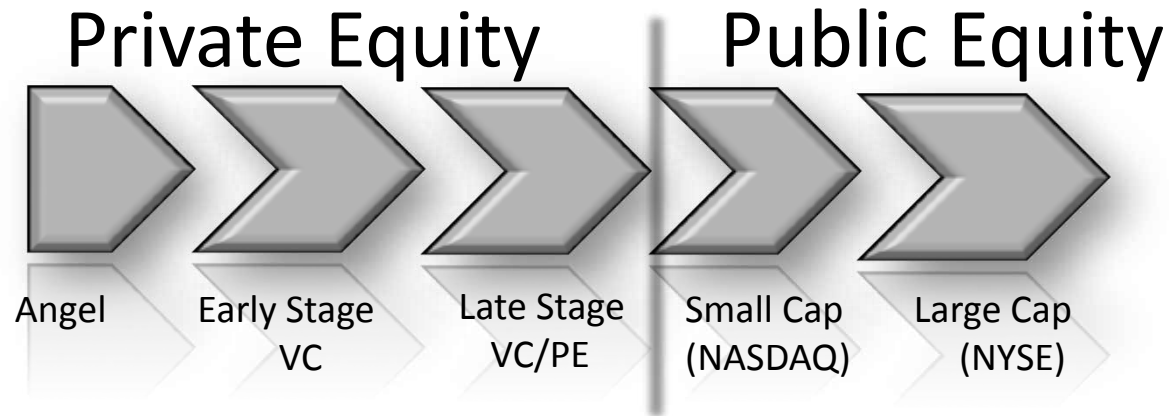
- ✓ Virginia-Only

Commonwealth Energy Fund

- Funded by the Department of Energy (State SEP block grant)
- Exclusive focus Virginia-based energy ventures
- Equity in *commercially available* stages only
- \$200K investment per tranche
- 8 investments closed in 12 month period distributed throughout the Commonwealth
- **Factoid** - 2009-2011, 87% of all US Cleantech VC went to co's HQ in the top 50 metro areas

<http://www.cit.org/service-lines/commonwealth-energy-fund-cef>

What is venture capital?

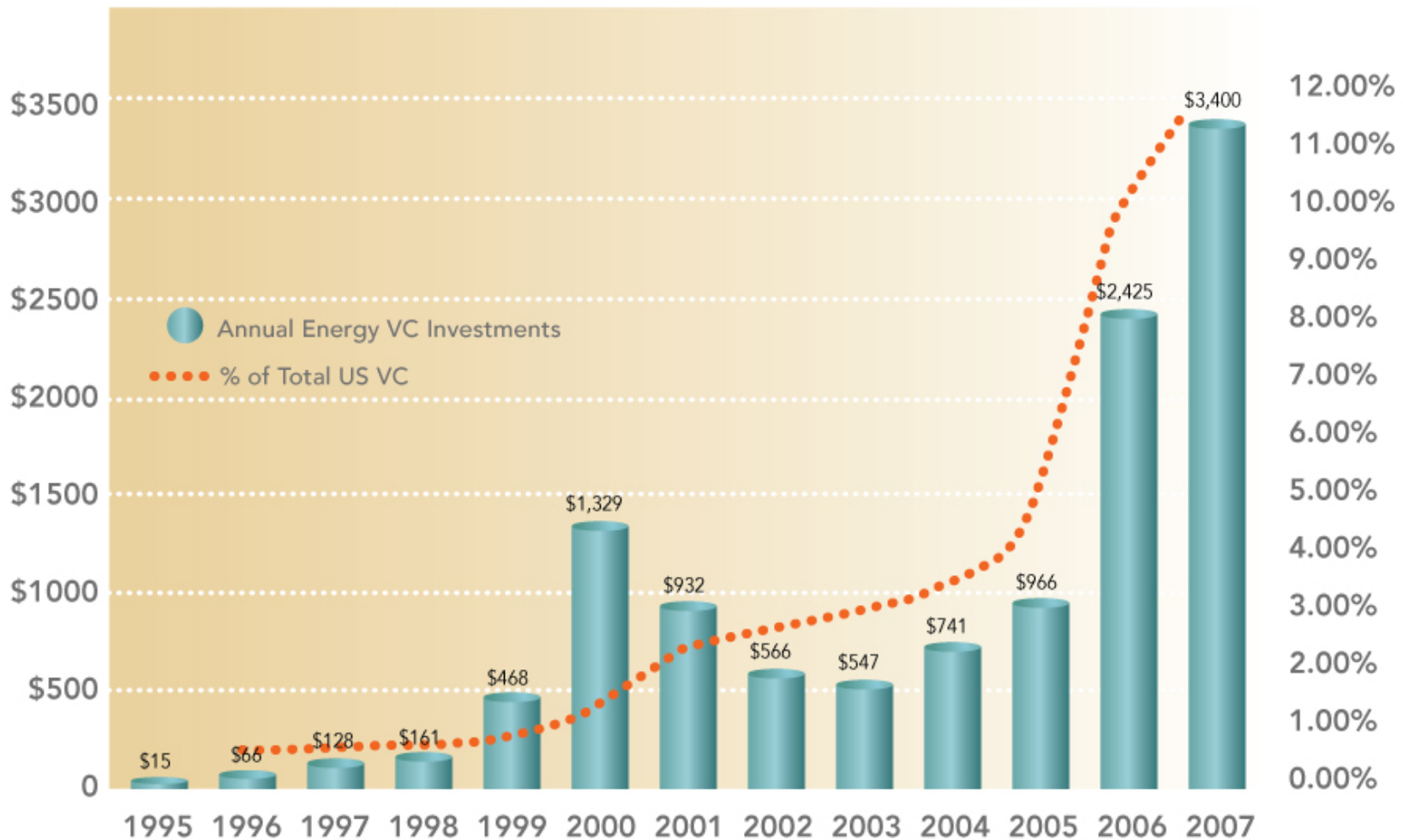


- Very early, high risk end of the equity investment spectrum
- Funds high growth companies through to IPO or acquisition exit
- Most start-ups fail, so VC looks for high returns on success (5-10x)
- An established ecosystem concentrated in Silicon Valley
- Responsible for launching new industries (semiconductors, software, biotech, internet) creating millions of jobs + \$100s of billions in economic value

Cleantech: Unique Attributes

- **Diverse set of old-line industries facing**
 - Increasing environmental pressures and changing regulation
 - Consumer interest in green lifestyles
 - Rapid growth in new places (China and India)
 - Aging infrastructure in old places (US and Europe) that requires replacement
- **Not just one market**
 - Multiple large industry verticals each with its own distinct dynamics
 - Power alone a trillion \$ industry worldwide with many *billion \$ niches*
- **Dominance of entrenched incumbents**
 - Utilities, oil majors, automakers, construction trades, waste disposal
 - Little internal innovation capacity
 - Physical ownership of channel to market (e.g. electric, gas distribution) or very high barriers to entry (e.g. auto, fuels)
 - Limited “home grown” entrepreneurial bench
- **Many opportunities capital intensive**
 - Project financing of large scale solar, wind, biomass, biofuels, waste and water
 - Long deal cycles to commercialize new technology

US VC Cleantech Market: Retrospective



Source: Nth Power
Source: Nth Power

2012 Investment Trends

- Cleantech drops by 28% in \$ and a 23% decrease in deals
- Sector saw \$3.3B in funding as compared to \$4.6B in 2011
- Overall, VCs invested \$26.5 billion in 3,698 deals in 2012
- 10% decline in total dollars funded and a 6% dip in number of deals over previous year
- Source - MoneyTree Report by PricewaterhouseCoopers LLP and the National Venture Capital Association (NVCA)

State-Level Statistics: One Interpretation

- Ecosystem report produced for 3 yrs based on ~ 75 indicators



- The top 5 states dominate the rankings

- Other regional states:

- VA - #27 | NC - #28 | MD - #18 | PA - #24
- DE - #22 | TN - #36 | WV - #49

Rank	State	Index Score
1	CA	91.1
2	OR	79.9
3	MA	76.1
4	WA	69.0
5	CO	65.1

- November 2012 ACORE report "Renewable Energy in the 50 States" is a useful resource.

<http://www.acore.org/interactive-report-renewable-energy-in-america>

- Takeaway - much to learn yet not an exact comparison given multi-decade, multi-billion \$ investment head start

Contact Information

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- Grotech
- Harbert Ventures
- HIG Ventures
- In-Q-Tel
- Intersouth Partners
- New Enterprise Associates
- SJF Ventures
- Tall Oaks Capital
- Valhalla Venture Partners

Angel Groups

- Active Angel Investors
- Blu Venture Investors
- New Vantage Associates

Corporations

- Alpha Natural Resources
- GE Energy
- Johnson & Johnson
- Carilion Health System

Research Institutions

- IALR
- NIH Office of Tech Transfer

Cashed-Out Entrepreneurs

Common Mistake(s)

- Just too early
- Lack of financial information/sophistication
- Lack of strategic market/channel thinking
- Weak IP
- Bad team dynamics on display
- The “Know It All” CEO