



Technology, Deal Flow, € & You

Conference: Private-Public Partnerships
Europe Aid Project
25 January 2006, Moscow, Russia

**Innovative Ventures Inc.
Grand Rapids MI USA
Moscow Russia**

Thomas Nastas
President
Tom@IVIpe.com
www.IVIpe.com

25 January 2006

www.IVIpe.com
Info@IVIpe.com

Technology, Deal Flow, € & You

Today's Message

1. How Attract Attention, € & \$ to Russia?
2. What PPP Interventions Are Needed?
 - VC? IP? Business Plan Help? Centers of Excellence? Incubation? Capital Markets? Tax Incentives? Grants?
3. How Commercialize Technology?

How Get Started? Solutions & Priorities

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Myths in Russian Technology

1. No €, ¥, £, \$, RUR in Russia

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FACT: Russia Has Much €, \$, £, ¥, & RUR

- EBRD, IFC & US Govt. Supported Funds (\$1B+)
- Intel Capital (Corporate VC, much \$\$\$)
- Russia Technologies (Alfa Group, \$50MM)
- Regional & E. European Funds, e.g., Enterprise Investors (Poland), Advent, Horizonte, Baltic Investment Fund & Scandinavian Funds

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Why Little €/ \$ Goes to Russian Tech

- Capital Seeks the Highest Rate of Return
Strong Growth in Non-tech, Retailing, Distribution
- Competition from Stock Mkt & Real Estate
- Competition from Israel, US, Europe, etc.

What do with Tech & SMEs that are rejected?
Ignore? Sympathize? Seek New Solutions?

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Realities of VC

Equity is a Great Product, but:

1. It's Expensive (% ownership)
2. Selective-1/100 SMEs (in USA) seeking VC get \$\$\$
 - Need Big Markets (\$50-\$100MM)
 - People (Technical, Mkting, Mgt, Support, etc.)
3. Requires Capital Mkts &/or Strategic Buyers

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Individual Event

Probability

Company has enough \$\$

80%

Mgt Capable & Focused

80%

PD Successful

80%

Mfging Successful

80%

Competitors Behave as Expected

80%

Customers Want Product

80%

Pricing is Correct

80%

IP Issued

80%

Combined Probability of Success

—————→ **17%**

Low Success Rate = Invest 1 of every 100 deals

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Myths in Russian Technology

1. No €, ¥, £, \$, RUR in Russia
2. Lots of Great Technology in Russia

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FACT: Russia Has Good Ideas: Ideas ≠ Deals

1/200 SMEs seeking VC get €/\$: Why Reject?

- Undeveloped Opportunity
- Lack of Uniqueness/No Competitive Advantage
- Too much \$\$\$, too much time & too little reward
- People (mgt/employees)
- Lack of Transparency, No Clear Title/Ownership of IP

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IVI Strategy: Build Quality/Quantity of Deals

Attract Corporations to Russia & the CIS

Invest to Build Supply Chain Linkages

Invest in Suppliers/Create New Suppliers

Example: Partner w/Shell Oil & Others

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Results: 120 Technologies/2 Short-listed

Artificial Lift & Advanced Drilling	Enhanced Oil Recovery	Non-Seismic Exploration
Novel Well Construction, Smart Fields & Wells	Hydrocarbon Processing	Earth Modeling
Russian Specific Conditions	Renewables	Off-Shore

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Reasons: Technologies Interesting or Rejected

Interesting:

1. Opportunity Unique - Test Data, although not to Int'l Standards
2. Global Application or Domestic Use & Potential to Upgrade
3. Developers Responsive-Want to do business

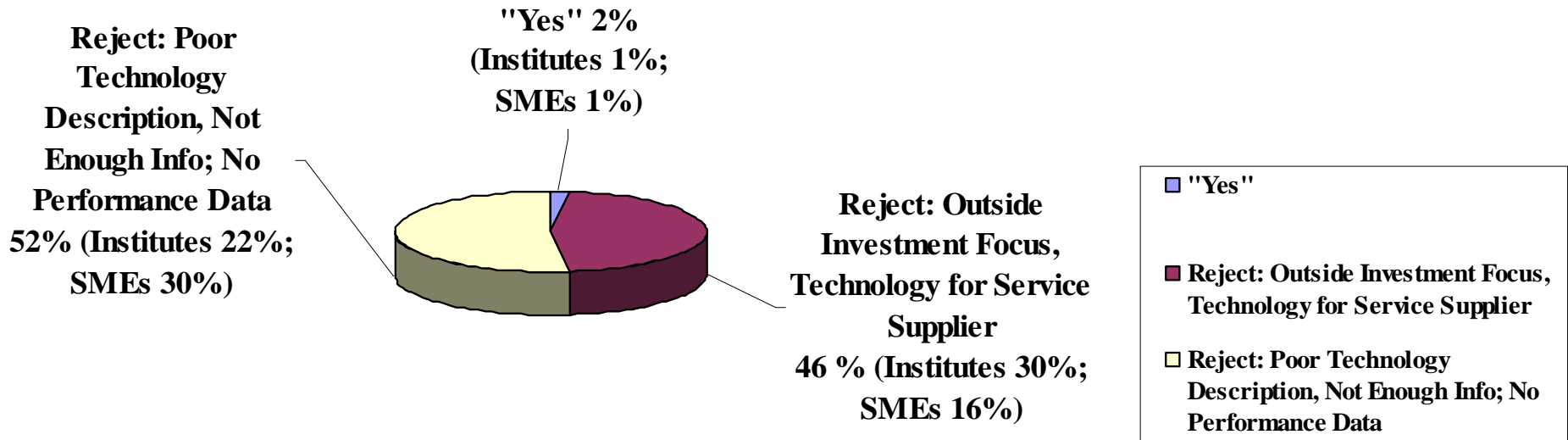
Rejected:

1. No Uniqueness nor Competitive Adv/Tech for a Service Supplier
2. No test/performance data-no projected performance, no targets
3. Developers Not Responsive

Rejection not due to lack of IP, Bus. Plans, Mgt., etc.

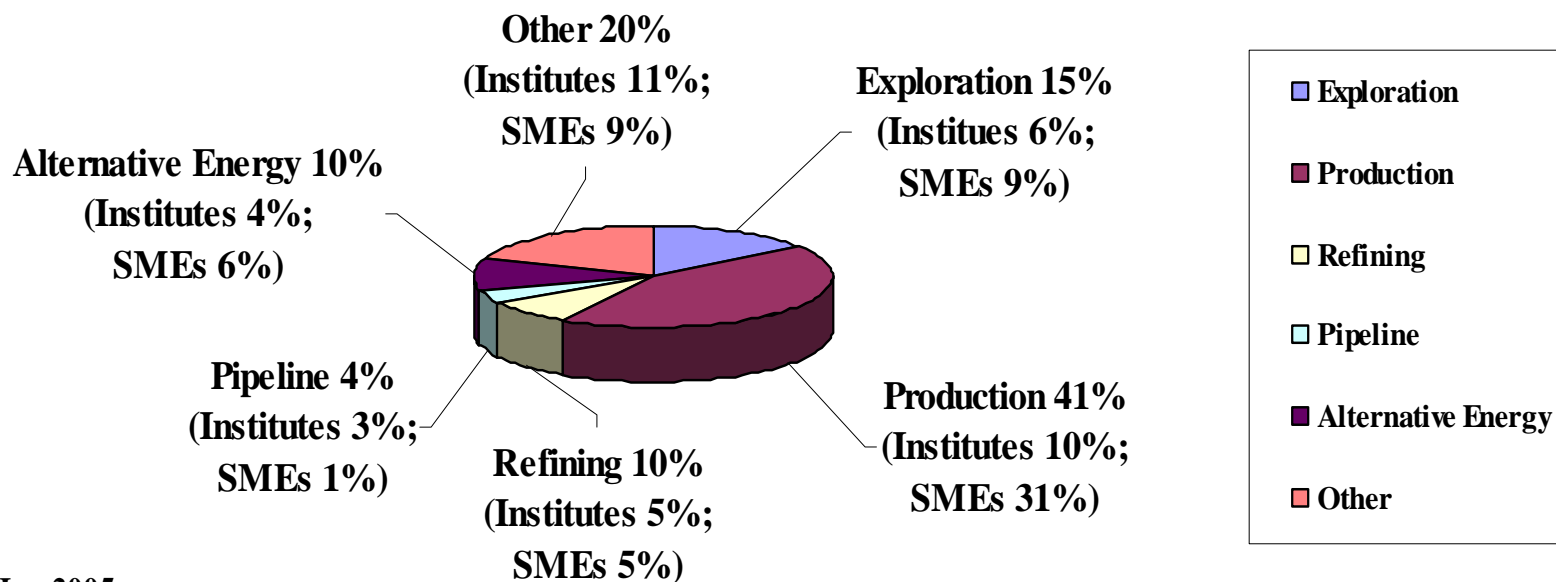
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Opportunities & Decisions



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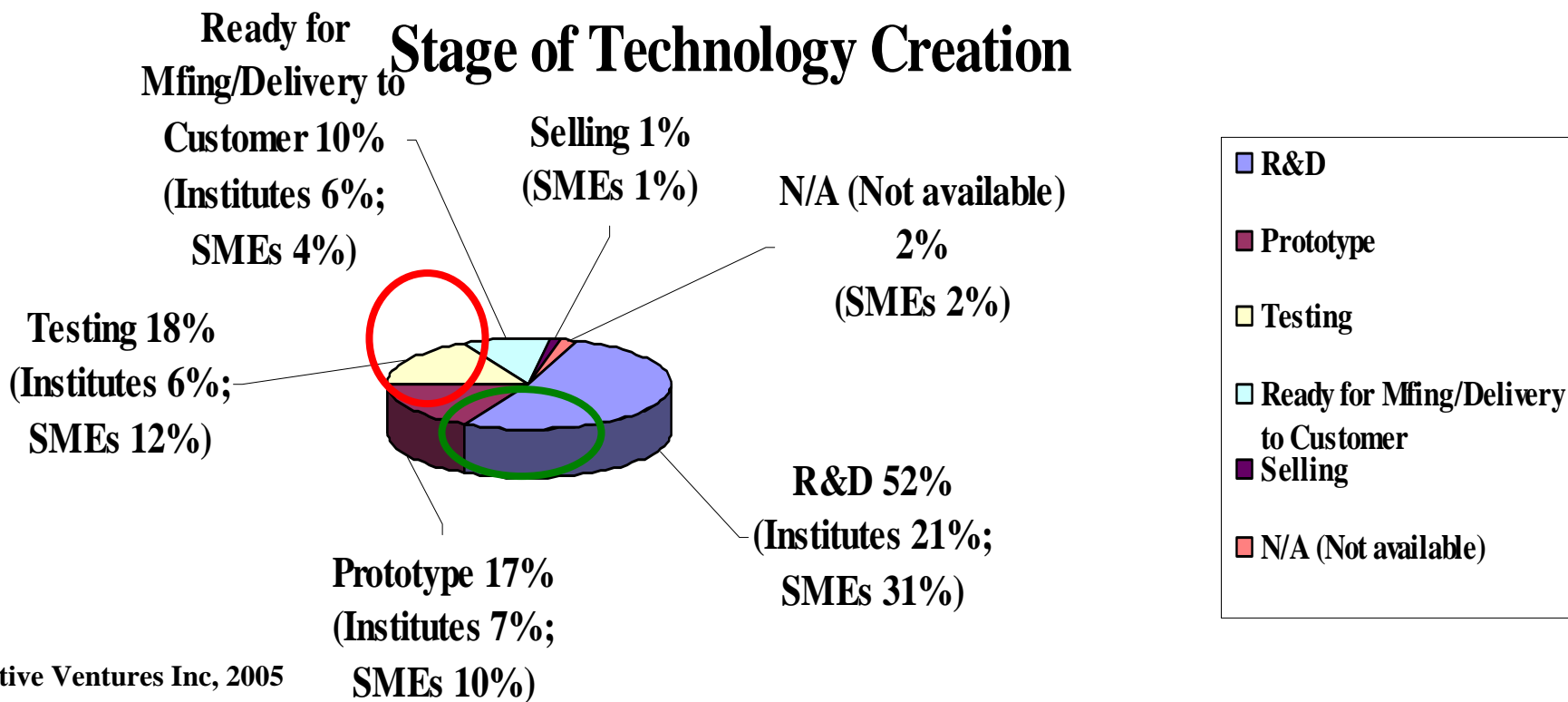
Technology Creation by Activity/Profit Ctr.



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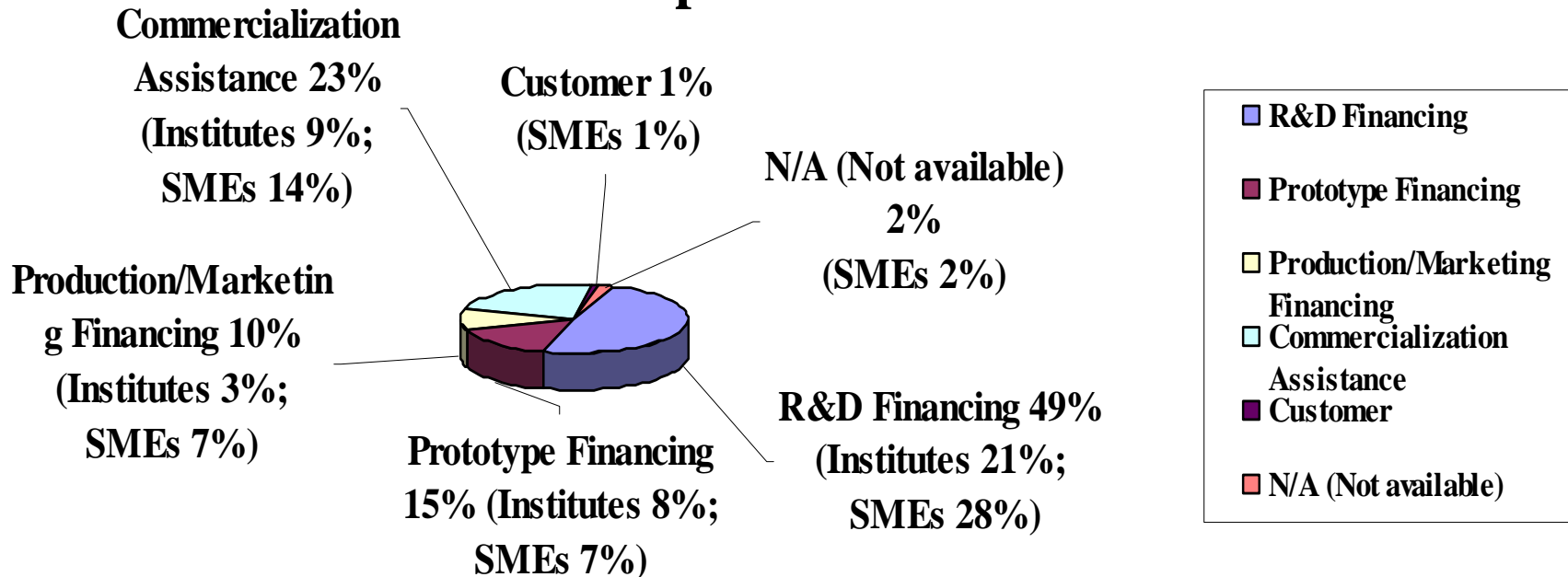
Co-Dev. & Sales Transactions Possible



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Actions Needed for Commercialization

What Developers & SMEs Need



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Most Tech Opts in Int'l Mkts

Where Demand Is

But

Gaining Access is Expensive

Penetration & Growth Takes Much Time

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Most Tech Opts in Int'l Mkts

Where Demand Is

Gaining Access is Expensive

Penetration & Growth Takes Much Time

Russian Deal Flow is too Low/Poor to Meet Int'l Test

Instead, Target Domestic Market, e.g., Tech for Oil/Gas Industry

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The GoForward Plan™ For You

1. Document & Benchmark the Deal Flow
 - Value in Domestic Mkt, not Global Mkt
2. Attract Corporations to Confirm Deal Quality & Potential as Supplier Technology
 - Go After Corporations that Do Business in Your Country
3. Get Technologies Adopted in Supply Chains-
Creates More & Better Deals
4. Then Other Solutions, \$\$, SBIR, etc.

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How PPPs Help Make Ideas=Deals

1. Document Business Case. Expand Role of TTOs
 - Performance vs. Competition & Alternatives.
 - Data that Confirms Benefits, Shows Weaknesses
 - Market: Customers (who are they), why buy, how much & *Why From You*
 - The Team (Does it Exist?)
 - €/\$ Needed & For What Purposes

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How PPPs Help Make Ideas=Deals

2. Create Proof of Concept Fund

- Generate the Performance Data vs. Competition & Alternatives
- Data that Confirms Benefits, Shows Weaknesses

3. Target Domestic Mkt/Users & Local Investors

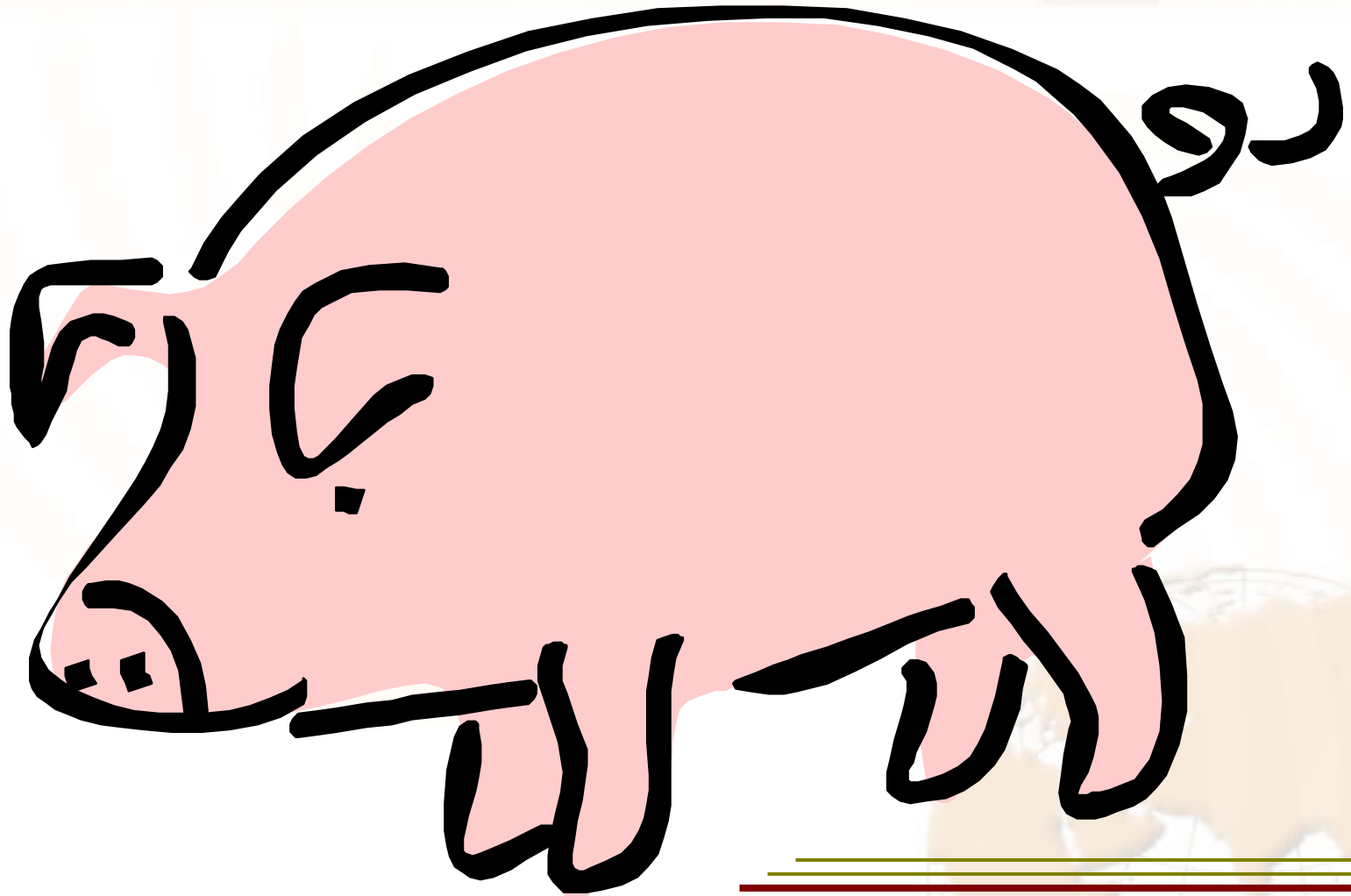
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How PPPs Help Make Ideas=Deals

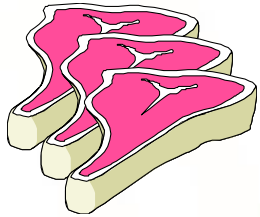
4. Keep You Focused to Your Job: Do You Remove or Create Barriers?

- Generate Deal Flow as Your Job or Sell Access?
- Sell Data or Provide Answers?
- Incentives: Cash/Salary or Equity?
- Accept or Avoid Risk (Professional/Personal)?
- Transparent or Opaque?
- Responsive or Egocentric? _____

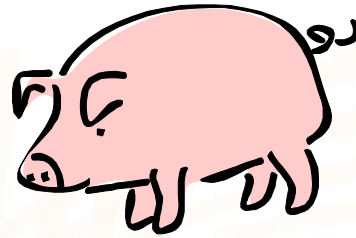
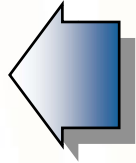
Ex: How Much Value (Added)? Where's the Technology?



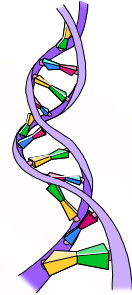
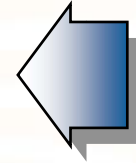
Technology In Many Places! Just Look & Define



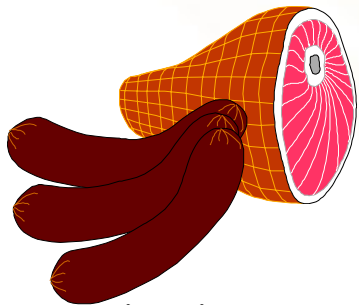
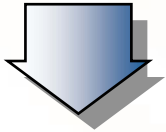
Slaughter



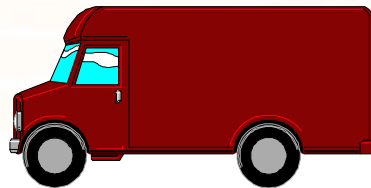
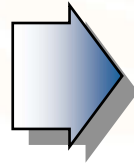
Raising



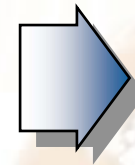
Genetic Engineering
& Breeding



Processing into Ham, Kielbasa



Distribution, Storage &
Delivery



Retail Locations

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Background on IVI

US VC Funds (1986)

The Michigan Product Development Fund (\$5MM-Gov/Private)

International VC & PE Funds (1992)

- Canada (\$100MM-Bus. Dev. Bank)
- Europe (\$10MM-EU, \$-Financière Saint Dominique, Paris)
- Africa (\$-IFC, \$-World Bank)
- E. Africa (\$5MM), Sub-Saharan (\$200MM), South Africa (\$30MM)
- Kazakhstan (\$-USAID, \$30MM EBRD)
- Russia (\$30MM-EBRD & USAID)

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Mkt. Dev: IVI, Tech VC & Russian Technology

1997: Transact Russian VC Deals-General Economy

2000: Investigate IT Deals/Sector

2002: Evaluate (Russian) E&P Technologies

For Service Suppliers (Halliburton, Schlumberger, etc.)

2004: Seek VC Investments. Partner w/Corporate VCs

Objective: Id/finance Russian technology

Transfer of IP (License/Sale)

VC Investment in Existing Company or Create New Company to execute technology into market-Build the Supply Chain



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