



# Finance Your Technology Thru Venture Capital

1<sup>st</sup> Int'l Conf: Project Mgt & Financing in the Energy Industry  
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# Finance Your Technology Thru Venture Capital

## Today's Message:

1. The Business Development Potential with Russian Technology
  - Create Solutions that Do Not Now Exist (for Global Value)
  - Create Solutions to Fill Gaps in the Market (CIS & Int'l)
  - More Quickly Localize Product Content
2. How Venture Capital Can Work w/You to Finance & Commercialize Your Technology

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## Today, Where's the Customer Pain (Need)?

1. Reduce Cost, New Solutions to Russia (CIS)  
Specific E&P Problems (e.g., Shtokman)
2. Do More to Localize Product Content
  - Not Just Cost Reduction: More value-added tech vs. steel & cement, cheap labor
  - Value added tech sold to multiple customers
  - Generate supplier growth thru multiple locations (beyond one field/one customer)

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## So What? Where's Value in Russian Tech?

1. Reduce Cost, Create New Models, New \$\$
  - GameChanging R&D with Global Application
  - Almost World Class Tech @ Super Price/Value Combinations—Fills Economic Vacuums & Mkt Gaps

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## So What? Where's Value in Russian Tech?

### 2. Localize Product Content Faster & Cheaper

- Evolving Environment: Success of 1<sup>st</sup> Tier Suppliers/Intro of 1<sup>st</sup> Wave of Technology
- Considerable \$ to Replace (Old) Tech Assets
- Add Value in Multiple Segments for Tech.
- Build Assets in 2<sup>nd</sup>/3<sup>rd</sup> Tier Supplier Segment & Lower Tech Cost as %/Solution (e.g., Well Cost)

# Finance Your Technology Thru Venture Capital 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 Tech

1997: Transact Russian VC Deals-General Economy

2000: Investigate IT Deals/Sector

2002: Evaluate (Russian) E&P & Component Tech

- For Service Suppliers (Halliburton, Schlumberger, etc.)

2004: Seek VC Investments with 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

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## 120+ Technologies

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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## GameChanging Solutions w/Global Value

Distributed Temperature/Pressure System of the Wellbore (Remote Monitoring & 24/7) – *SME*

Disc Crystallizer (Refining) – *SME*

3D+VSP – *SME*

Hemispherical Resonator Gyroscope – *SME*

EOR 2 Stage Combustion Technology – *Institute*

Novel Well Testing (Software) & Ceramic  
Vitrification of the Borehole – *Institute*

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## Solutions that Fill Market Gaps

{Technology Developed in Closed Mkt, Different  
(Russian) E&P Policy vs. Int'l & Cheap Oil}

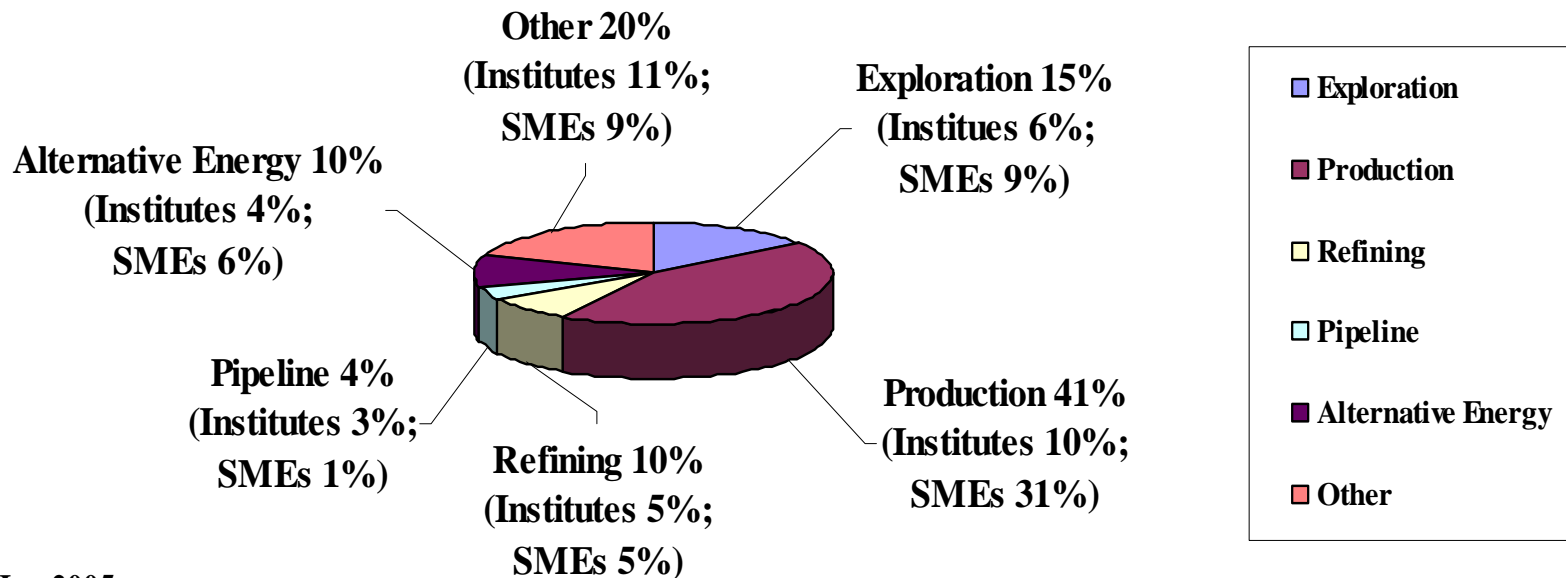
Almost world class, but significantly lower cost  
for price sensitive segments/applications

- Gas Separation – *SME*
- Sphere Plastics – *SME*

Near Term Sales: Expand Commercialization &  
(Later) Upgrade to Global Standards/Friendly

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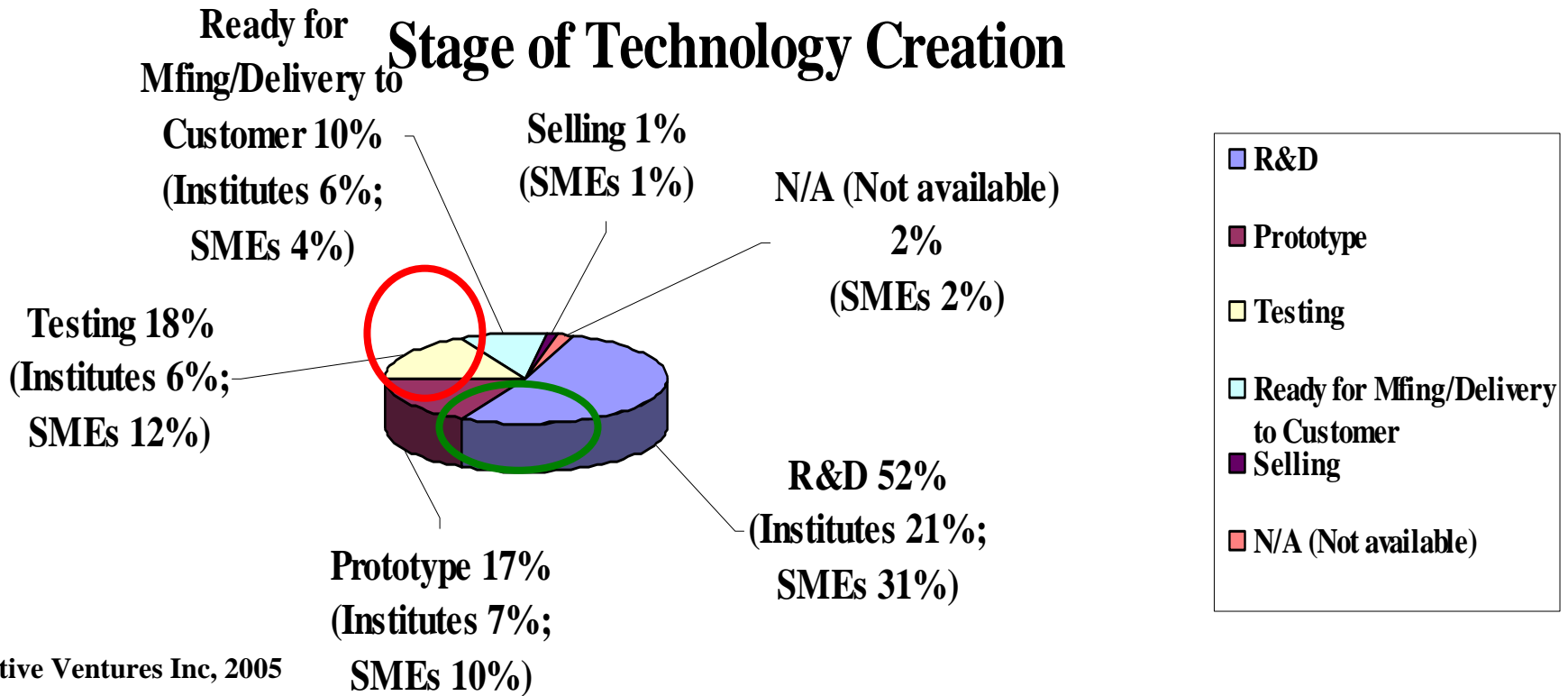
## Technology Creation by Activity/Profit Ctr.



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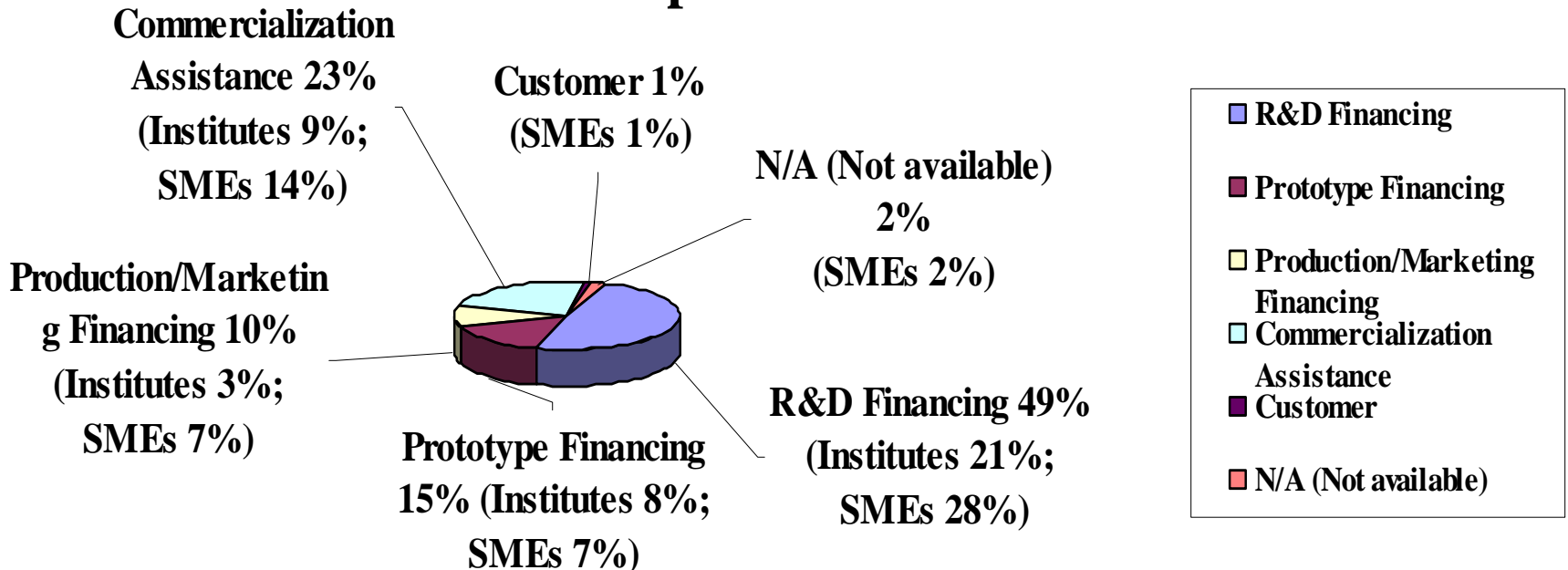
## Co-Dev. & Sales Transactions Possible



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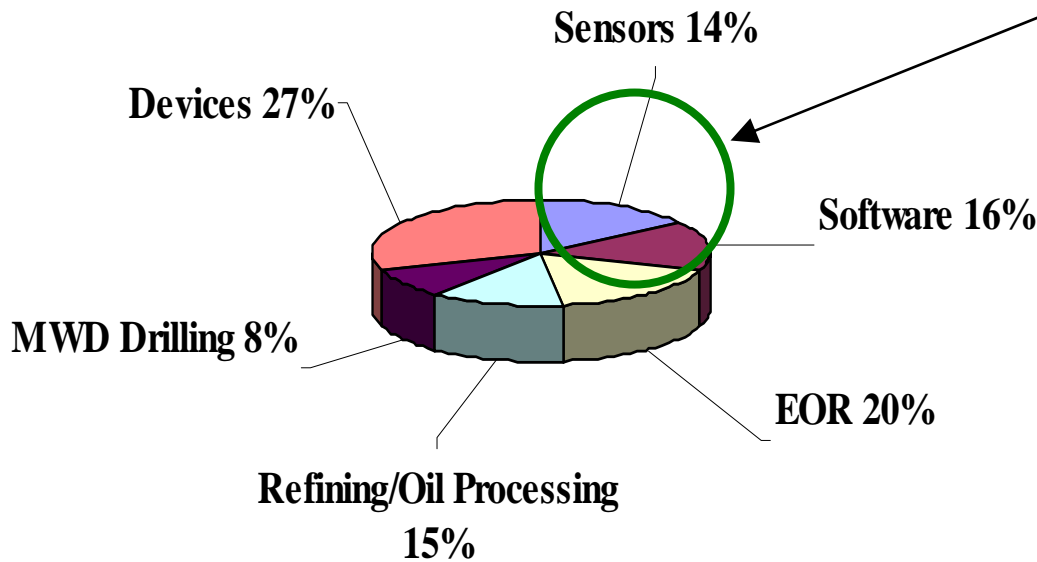
## Actions Needed for Commercialization

### What Developers & SMEs Need



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## Value Clusters Match Strategic Priorities of International Customers/Investors



### Analytics & Computation (Signal Processing)

- Sensing
- Measuring
- Recording
- Collecting
- Analyzing
- Reporting

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## Issues in Tech Dev/Commercialization

### Time (Timing) to Market?

- When is the Time Right?
- When will Customers Buy?

### How Approach 1<sup>st</sup> Adopters?

- Keep their Interest in Evaluation Stage
- Use Success to Penetrate Early Adopter & Bridge the Gap into Volume Applications & Big Markets

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## The GoForward Plan: Reqt's to Get \$\$

1. What Do You Want to Do?
  - Create/Grow Company or Sell Data/Get a Salary?
2. \$ Needed & for What Purposes?
3. Competitive Advantages if Development Successful?
4. Who are the Customers? Why will they Buy? When & How Often? Name?

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## The GoForward Plan: Reqt's to Get \$\$

1. Document the Business Case (6 pgs). Can You?
  - 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
2. Be Open, Transparent & Responsive

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## The GoForward Plan: Reqt's to Get \$\$

### 3. What Comes with VC \$\$?

- Operate to Corporate Governance Principles
  - ✓ Open & Transparent Decision Making
  - ✓ Accounting & Financial Reporting to International Accounting Standards
  - ✓ Investor Influences Direction on Board of Directors
  - ✓ Build the Team to Implement the Business
  - ✓ Team Manages the Business for the Shareholders
- Economic Interests Aligned, Equity Gains vs. Cash
- Sell the Company in 5-7 Years

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## What VC (IVI) Can Do (Besides \$)

Local Knowledge/Experience to:

1. Create the Opportunity: Technology  $\neq$  A Deal
2. Access Markets/Customers. Drive the Investment to Success
3. Secure Western Help in Bus Dev., Mkting & Sales for the Total Solution/Success
4. Maintain Vision: Liquidity & Exit Strategy



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