

Commonwealth Energy Fund

A Revolving Loan Program

Energy and Economic Development Financing Roundtable

NASEO/ASERTTI Energy Policy & Technology Outlook Conference

Tuesday, Feb. 7 - Friday, Feb. 10, 2012

Fairmont Hotel, Washington, DC



Commonwealth Energy Fund *A Revolving Loan Program*

Programs of the Virginia Department of Mines, Minerals and Energy*

- **RE & EE for residents and businesses (37%)**
- *Economic Development (26%)*
- **RE for state and local governments (20%)**
- **Block grants to localities (17%)**

* \$86 Million in SEP and EECBG ARRA funds



Economic Development Program

- Includes two revolving loan funds
 - Energize Virginia (DMME-administered RLF)
 - Commonwealth Energy Fund
 - Leverages private funds
 - VC-style approach advantages:
 - Professional due diligence
 - Business support, mentoring
 - 3rd-party administered



CIT GAP Funds

The Foundation for CEF

About CIT GAP Funds

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

CIT GAP Funds Outcomes

- 53 New Companies Seeded
- 7 Federal Lab and University Spin-Outs
- 14X Private : Public Funding Multiple
- 7 Portfolio Companies Exited
- Superior Value Creation for ...
 - ✓ Entrepreneurs
 - ✓ Co-Investors
 - ✓ Commonwealth of Virginia



CEF Overview

- DMME – CIT Public Private Partnership
- Launched Spring, 2011
- Capitalized by SEP/ARRA Funding
- \$1.8M Loan Pool Targeting 9 Investments
- “Commercial Ready” Companies
 - (1) Contributing to Virginia’s energy efficiency and renewable energy portfolio;
 - (2) Promoting energy conservation in Virginia;
 - (3) Reducing the growth rate of Virginia’s energy demand; or
 - (4) Reducing Virginia’s dependence on imported oil.
- Search Areas - Solar, Wind, Geothermal, Transportation , Batteries, Fuel Cells, biofuel, green building, water treatment and purification, and green IT.



CEF – “A Convertible Debt Fund”

- “Near-Equity” Instrument
- Initiates as Debt - Downstream Conversion to Equity at CIT Option
- Streamlined Deal-Making
- Balances Interests of Investor and Entrepreneur
- “Blended Investment Strategy” for Superior Returns and Fund Growth



CEF Investment Advisory Board (IAB)

CEF IAB

- Alpha Natural Resources
- GE Energy
- SJF Ventures
- GSD Energy Consultants
- Institute for Advanced Learning and Research

CIT GAP Funds IAB

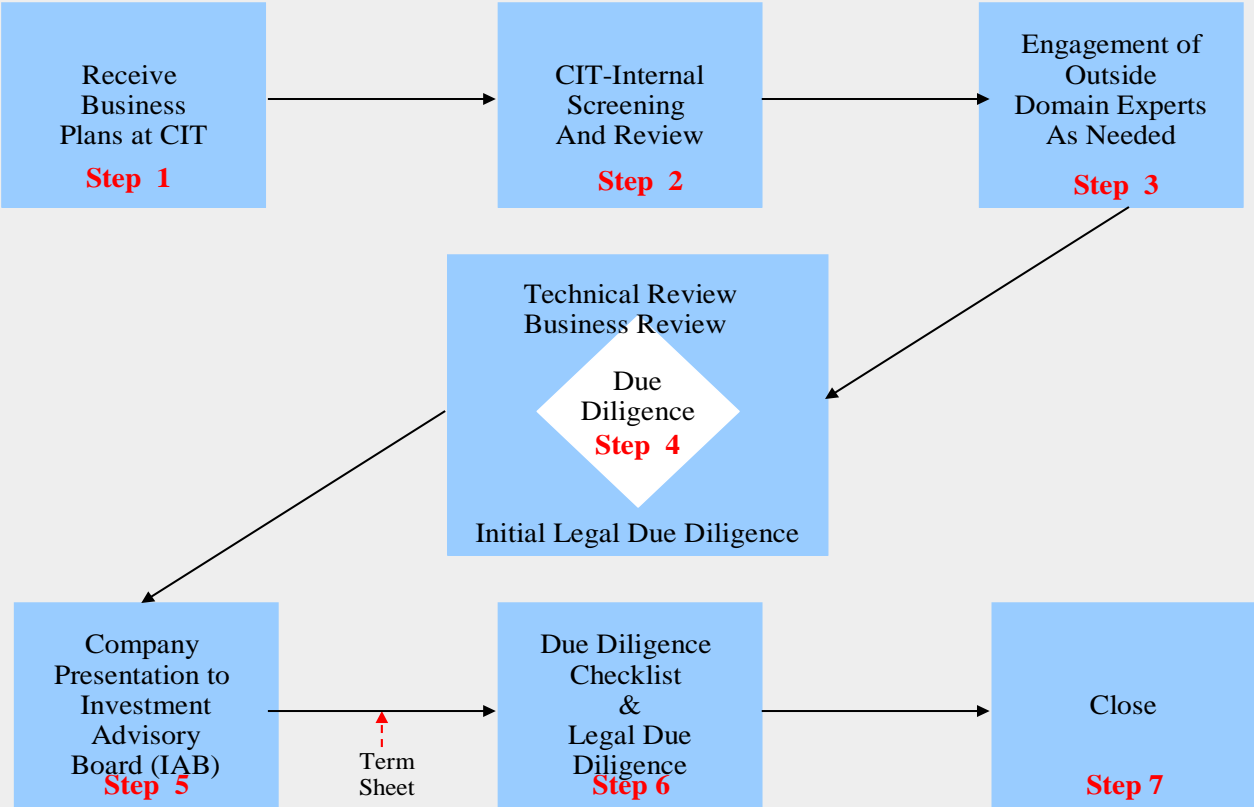
- Edison Ventures
- Harbert Ventures
- HIG Ventures
- In-Q-Tel
- New Enterprise Associates
- Valhalla Venture Partners



CEF Investment Process



CIT GAP Funds 7 -Step Investment Process



“Deep Engagement” Investment Strategy

- Hands-On Mentoring
- “Value-Added” Services
- Operational Accountability
- Board Observer role



“Leverage of Federal R&D Investment”

- Tech Transfer from Universities and Federal Labs
- Seek Companies and Technologies Underwritten by Federal R&D Expenditure
- Leverage “Non-Dilutive” Federal Grants and Contracts



Commonwealth Energy Fund Portfolio



Mclean, VA



Front Royal, VA



Charlottesville, VA



Bristol, VA



Louisa, VA



Blacksburg, VA



Commonwealth Energy Fund A *Revolving Loan Program*

Contact Information

Al Christopher
Director, Division of Energy
Department of Mines, Minerals and Energy
1100 Bank Street, 8th floor
Richmond VA 23219
al.christopher@dmme.virginia.gov
(804) 692-3216

Thomas P. Weithman
Managing Director
CIT GAP Funds
2214 Rock Hill Road, Suite 600
Herndon, Virginia 20170
Thomas.Weithman@cit.org
(703)689-3060

One more slide to go



CEF factsheet



COMMONWEALTH ENERGY FUND (CEF)

A Blueprint for Federal Leadership in High-Growth Company Formation

CEF Background

Virginia's Department of Mines, Minerals and Energy (DMME) and The Center for Innovative Technology (CIT) launched the Commonwealth Energy Fund (CEF) in 2011 to make loans to high-growth potential early stage Virginia companies capable of driving job creation, reducing energy consumption, increasing energy generation from renewable resources, and reducing greenhouse gas emissions. DMME capitalized the CEF with funds from the Department of Energy's State Energy Program (SEP).

CEF Foundation – CIT GAP Funds

The Center for Innovative Technology (CIT), a non-profit corporation, develops next-generation technologies and technology companies. In 2004, CIT formed CIT GAP Funds to invest in high-growth potential early stage technology, life science and energy companies. Since inception, CIT GAP Funds has placed more than 50 early-stage investments, driven multiple companies to later-stage venture capital investment and realized significant financial returns to the portfolio. Entrepreneur Magazine and the Northern Virginia Technology Council have recognized CIT GAP Funds for its work in high-growth company formation.

CEF's Mission-Driven Portfolio

The CEF seeks "commercial-ready" high-growth potential loan candidates strategic to Commonwealth's energy goals for their ability to (1) Contribute to Virginia's energy efficiency and renewable energy portfolio; (2) Promote energy conservation in Virginia; (3) Reduce the growth rate of Virginia's energy demand; or (4) Reduce Virginia's dependence on imported oil. Search areas include: solar, wind, and geothermal technologies; transportation technologies; batteries and fuel cells; biofuel applications; green building technologies; water treatment and purification; and green IT.

CEF Investments

To date, the CEF has evaluated more than 300 Virginia companies, making six portfolio loans:



McLean, VA
www.serphawk.com



Charlottesville, VA
www.adientengineering.com



Front Royal, VA
www.cavitronix.com



Louisa, VA
www.cirs.com



Blacksburg, VA
www.miserware.com



Bristol, VA
www.wiretough.com

