



Financing Innovation

World Bank Science & Technology Project Zagreb, Croatia

Intro Comments from presenter Nastas: I did this presentation as a component of an assignment to assess a grant making scheme for Croatian technology, and solutions required to leverage the grant scheme into creation of seed and early stage venture capital for Croatia.

This presentation is a discussion on the solutions to the barriers that exist in Croatia, to scale up more innovation, entrepreneurship and investment. It is not a stand-alone presentation without audio; however it was videoed and will be uploaded to my Slideshare & www.scalingupinnovation.com blog.

If you want to engage with subjects in this presentation, please write me at Tom@IVIpe.com, or through comment section, www.scalingupinnovation.com

Be well & be lucky.
Tom Nastas



Financing Innovation

World Bank Science & Technology Project
Zagreb, Croatia
17 February 2011

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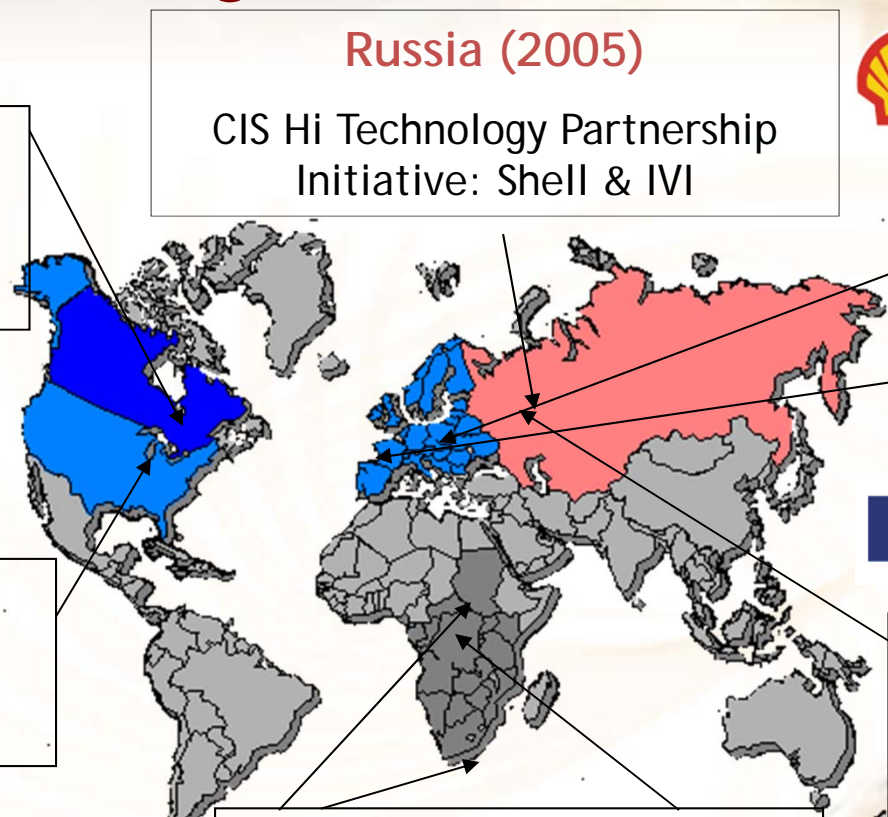
Tel. +1.517.899.1432

Innovative Ventures Inc.

Haslett, MI. USA

www.IVIpe.com
Info@IVIpe.com

IVI History-VC/PE Investment



Canada (1992)
C\$100MM-Canadian
Bus. Dev. Bank



Russia (2005)
CIS Hi Technology Partnership
Initiative: Shell & IVI



Shell Technology
Ventures

Europe (1992/94)
Tech Fund,
\$10MM-EU, \$5MM
Financière St
Dominique, Paris



NATEXIS
Private Equity



European
Commission

USA (1986)
The Michigan Product
Dev. Fund (\$4MM)



Russia (1997)
HP LP, \$30MM-EBRD &
USAID



European Bank
for Reconstruction and Development



Africa (1993/96)
E. Africa \$5MM, Sub-Saharan,
\$280MM, South Africa, \$30MM,
IFC/World Bank





Innovative
Ventures
INCORPORATED

Tom Nastas' Board Membership

Republic of Kazakhstan



Independent Directors Association



RUSNANO
Russian Corporation of Nanotechnologies



Larta
Institute



bpo(om)



Leadership with trust



European Bank
for Reconstruction and Development



BROAD
COLLEGE OF
BUSINESS
MICHIGAN STATE
UNIVERSITY



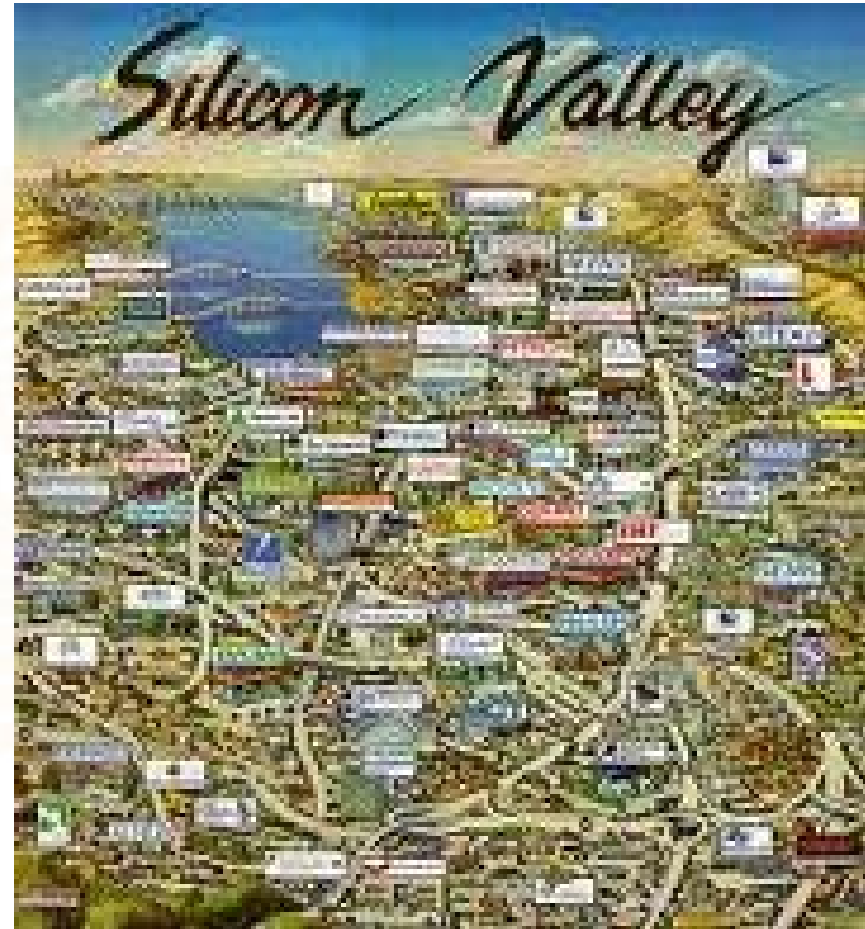
Softline Venture
Partners

- Founder: IVI USA-1986, Russia-1997
- Independent Director, Technology & Commercialization Board, 2010, Almaty
- Non-Profit. Member, Board of Directors, 2008, Moscow, Russia
- Nanotech, Advisor to the Corporation & Independent Director, Zelenograd Nanocenter, 2010, Moscow, Russia
- Tech & VC. Member, Global Advisory Committee, 2009, Los Angeles, USA
- Outsourcing. Co-founder & Member, Board of Directors, 2009, Moscow
- Food/Beverage. Member, Board of Directors, 2009 Suntyco, the Russian investment of Tata (Mumbai) & EBRD
- Member, Private Equity Advisory Committee, Eli Broad Graduate School of Business, Michigan State Univ., 2010
- Corporate VC Fund in IT/Tech. Member, Investment Committee, 2009, Moscow

Models of Development



Models of Development



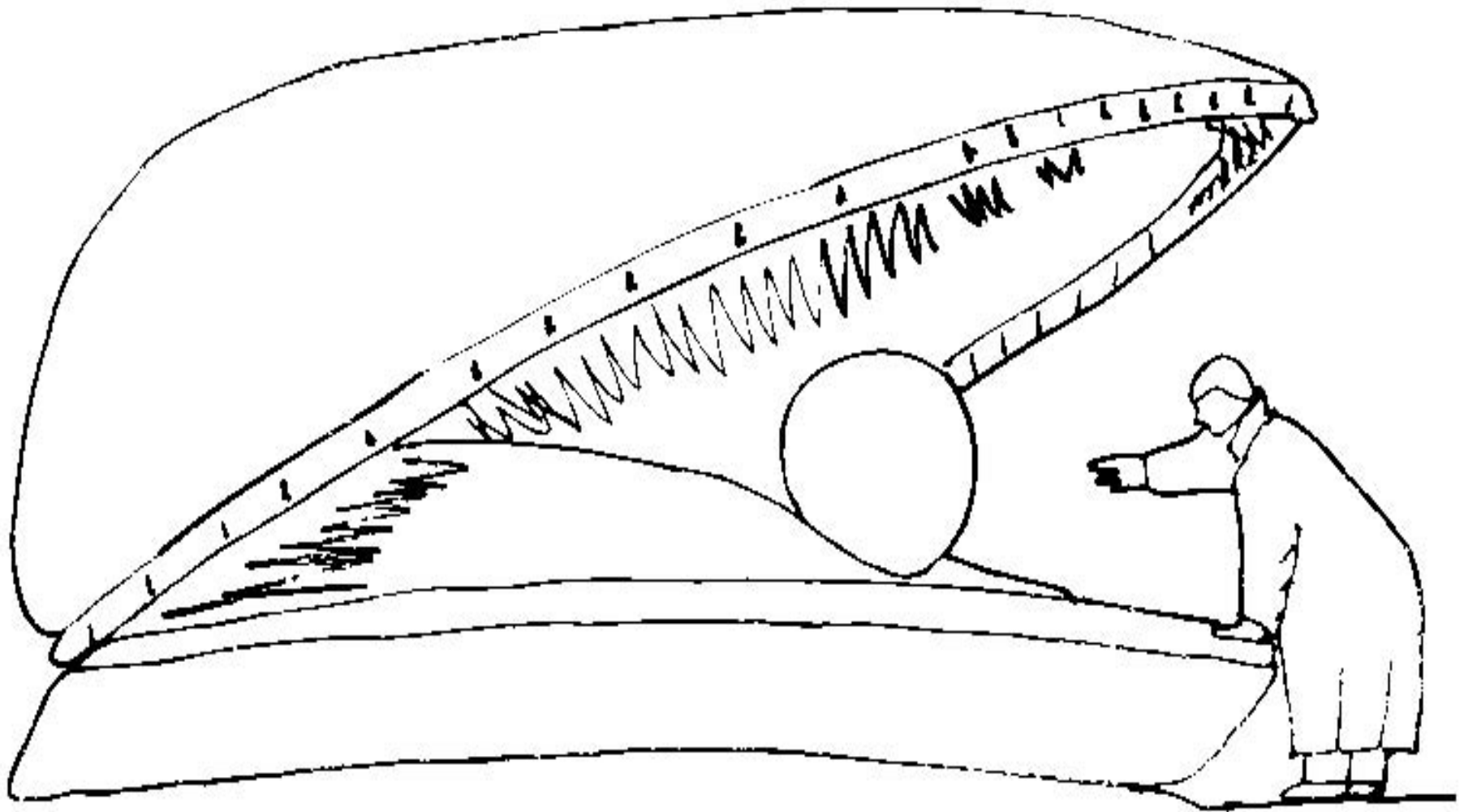
What Worked for Arnold



Build New Chains in Finance



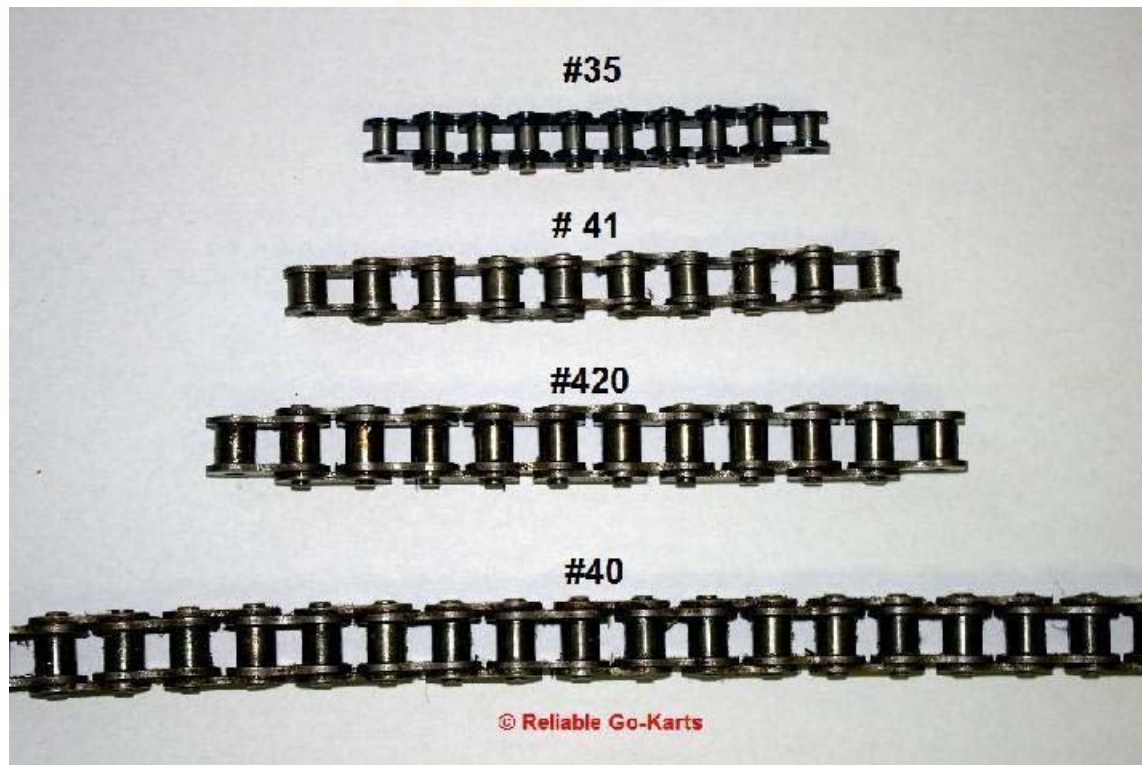
Build Experience-Risk Tolerance



Build Experience: Acceptance to Failure



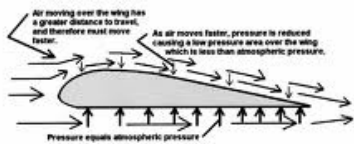
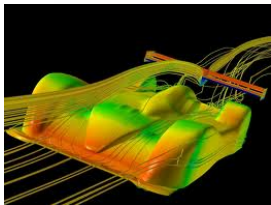
Build New Chains in Finance



Finance Chain



Basic & applied research



Proof of concept & bench model



Prototype



Company formation (series A/B)

Licensing or selling IP

Product launch & growth

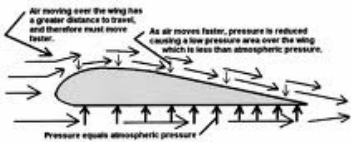
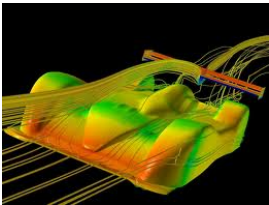


Finance Chain

Government & DFIs



Basic & applied research



Proof of concept & bench model



Prototype



Company formation (series A/B)

Licensing or selling IP

Product launch & growth



Finance Chain

Basic & applied research

Proof of concept & bench model

Prototype

Company formation (series A/B)

Licensing or selling IP

Financial Instruments

- POC grants
- TA for business modeling
- Monitoring
- **Go-to-market grants**
 - \$20-300K in 2-3 stages
 - **Market buy-in through industry sponsorship preferable**
- **Competitive grants for existing prototypes**
- Equity financing from DFIs/other VCs
- Licensing fee from industry

Necessary skills

- Technology audit
- Market intelligence
- Business modeling
- Networking and brokering
- Initial customer access
- Technology valuation
- New product development
- Financial modeling for commercialization
- Attract CEOs
- Raise \$
- Intellectual property management

Ideas #1?

1. Assemble 'investment ready' projects into a portfolio.

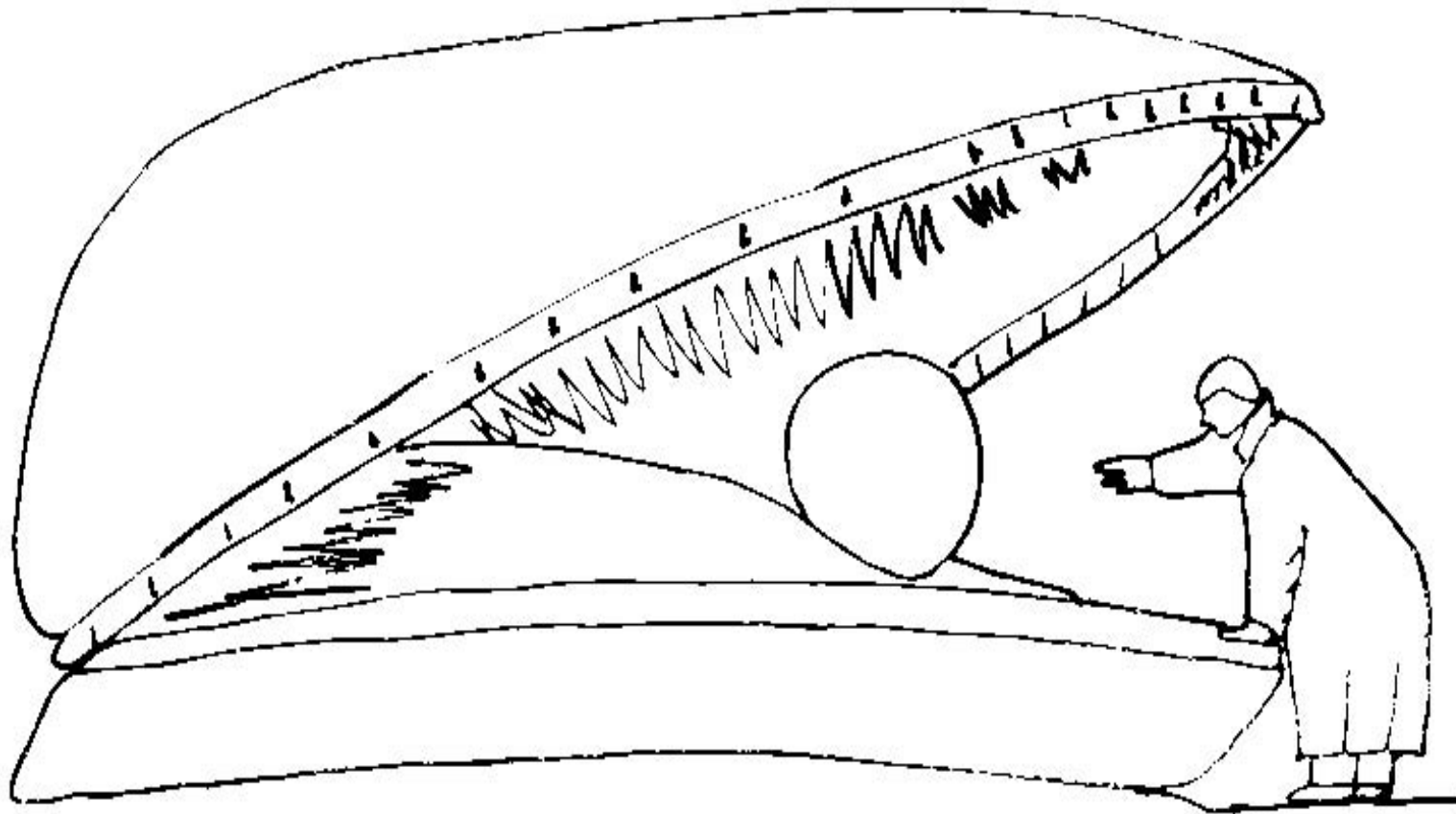
Idea #1?

1. Assemble 'investment ready' projects into a portfolio.
2. Organize a 'for-profit' arm to raise \$

Idea #1?

1. Assemble 'investment ready' projects into a portfolio.
2. Organize a 'for-profit' arm to raise \$
3. Raise \$ from Economic Cooperation Funds

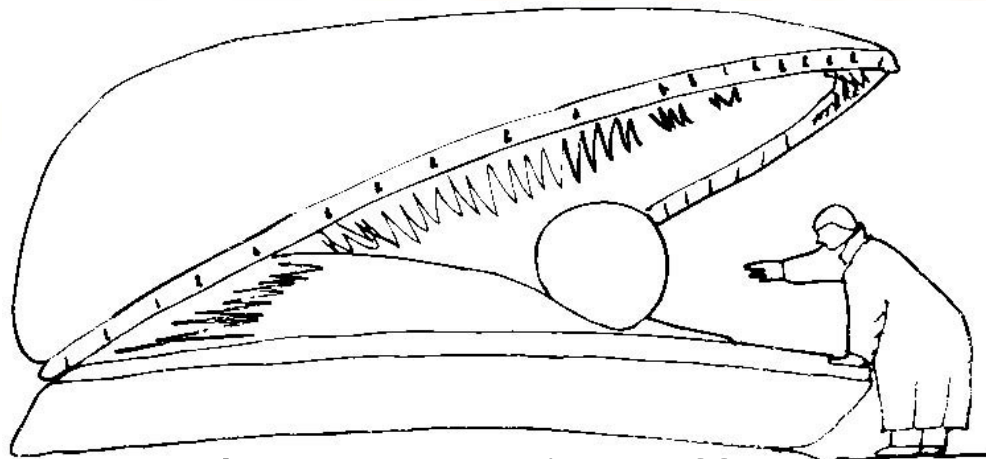
Build Experience-Idea #2



Differences, Silicon Valley & MIT & Rest of USA (World Too!)

Velocity & Amount of VC

Attitude to Risk Impacts Risk Taking-#1

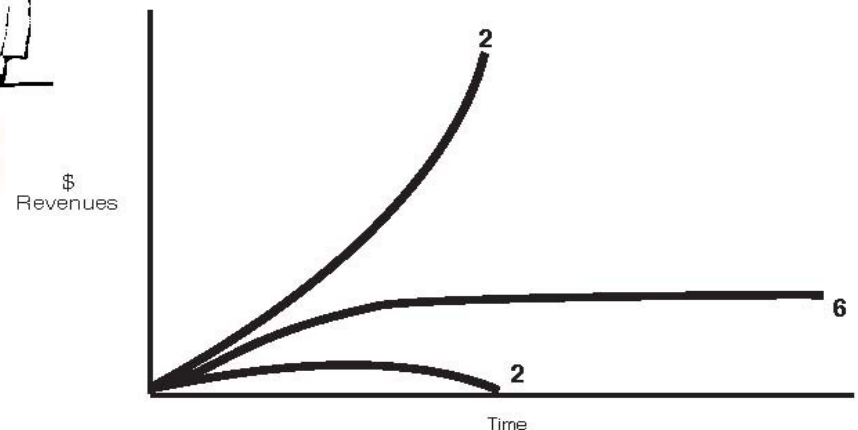


Brand & Reputation Effects
to Attract Best
Entrepreneurs-#3



Accept Lack of
Certainty -#2

Private Equity 2-6-2 DISTRIBUTION OF RETURNS RULE



Build Experience-Idea #2

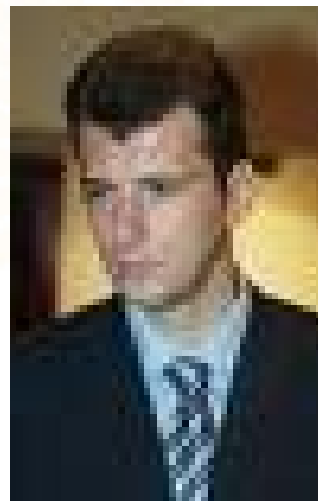
“Croatia is a Country of Savers, not Investors”

‘Capital Preservation’

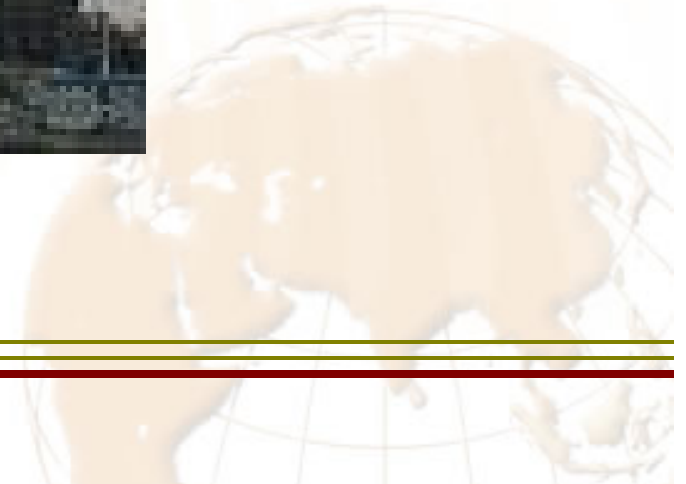
What's Common to these Guys?



Attitude to Risk & Uncertainty

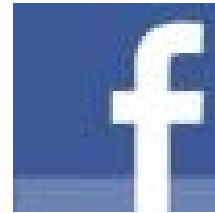


Known Risks





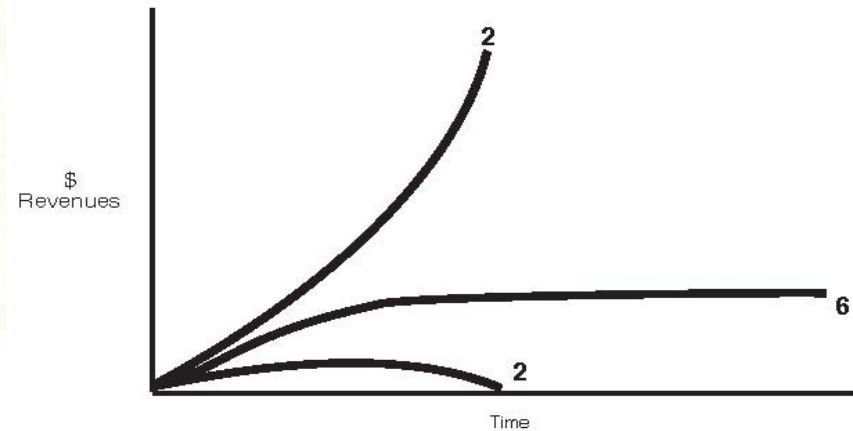
Together-Sell Risk to Scale Up Entrepreneurship



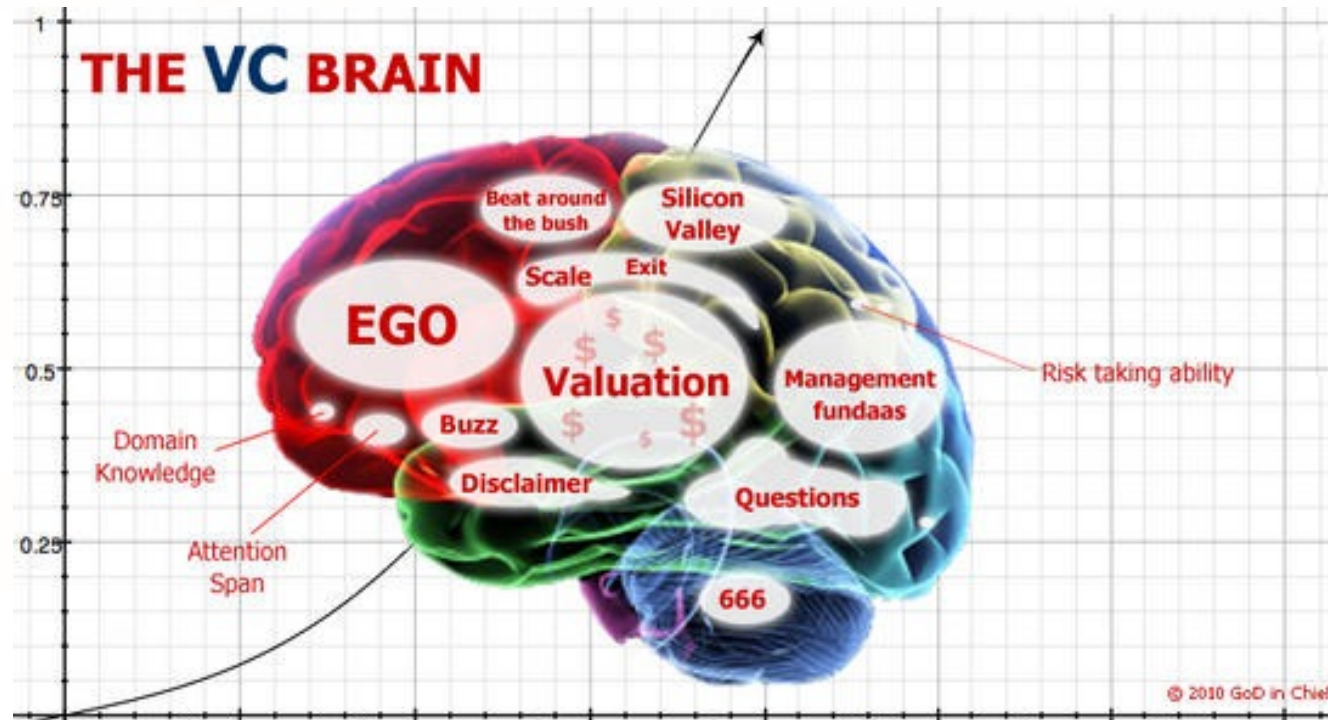
Attitudes to Risk & the Ambiguity of Risk -#2



**Private Equity 2-6-2
DISTRIBUTION OF RETURNS RULE**



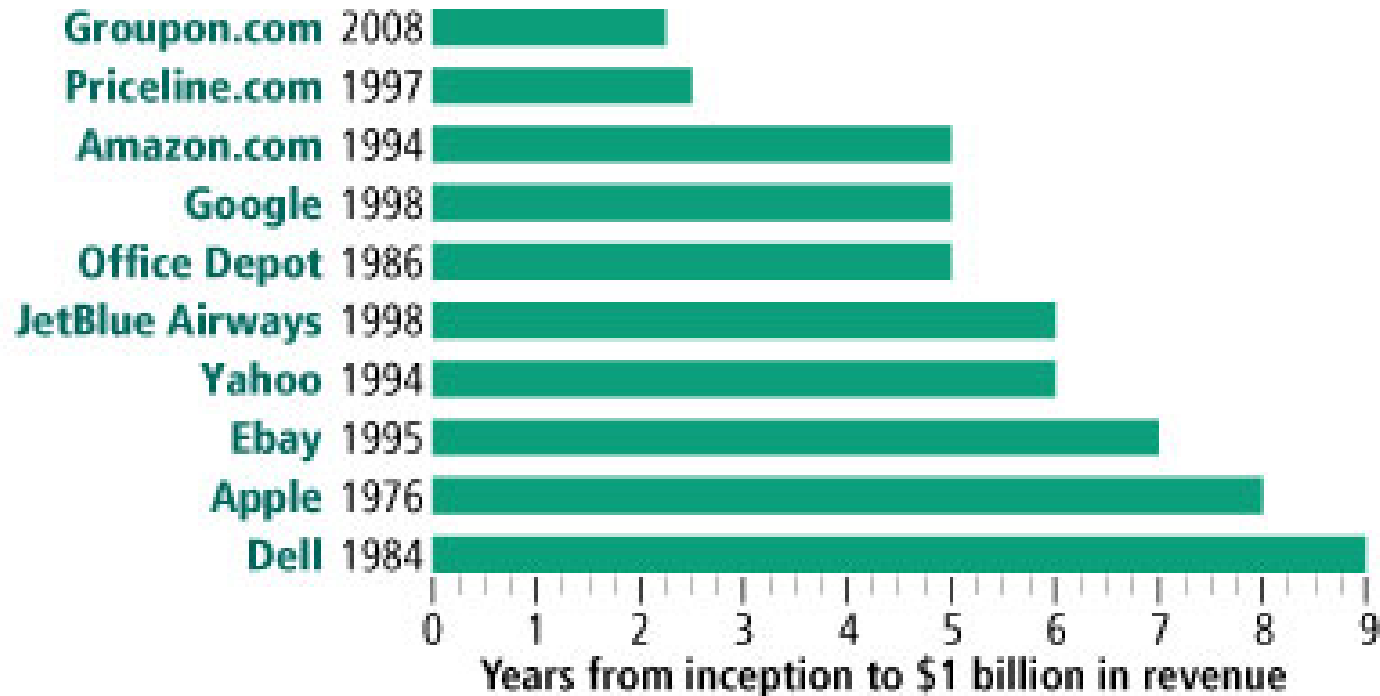
The Venture Capital Brain



16-19 November 2009

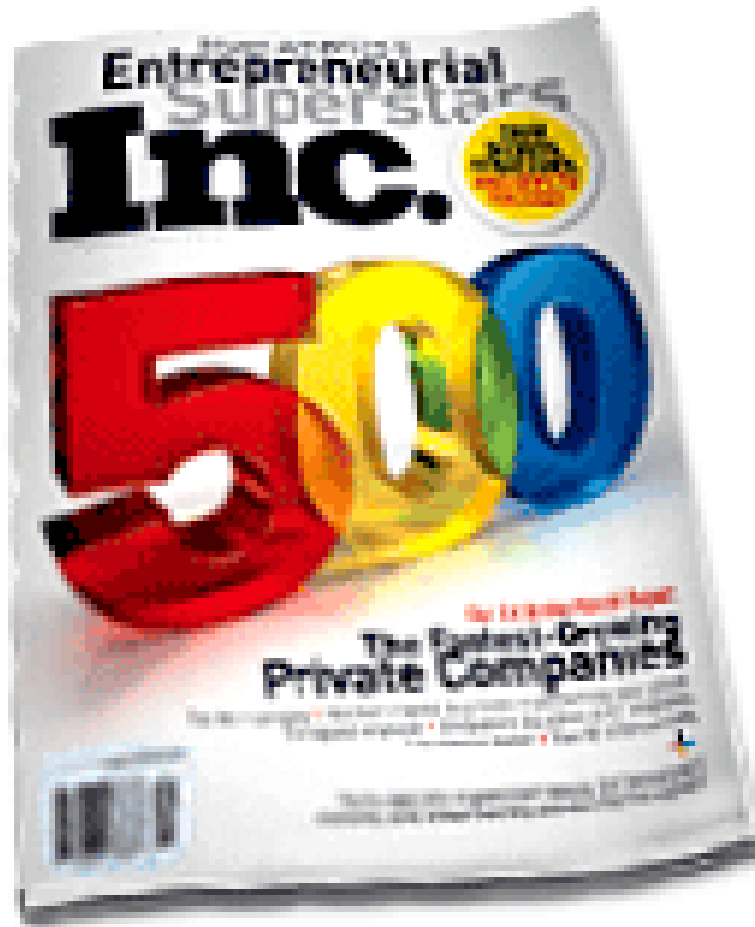
www.IVIpe.com
Info@IVIpe.com

Years to Hit Sales of \$1 Billion



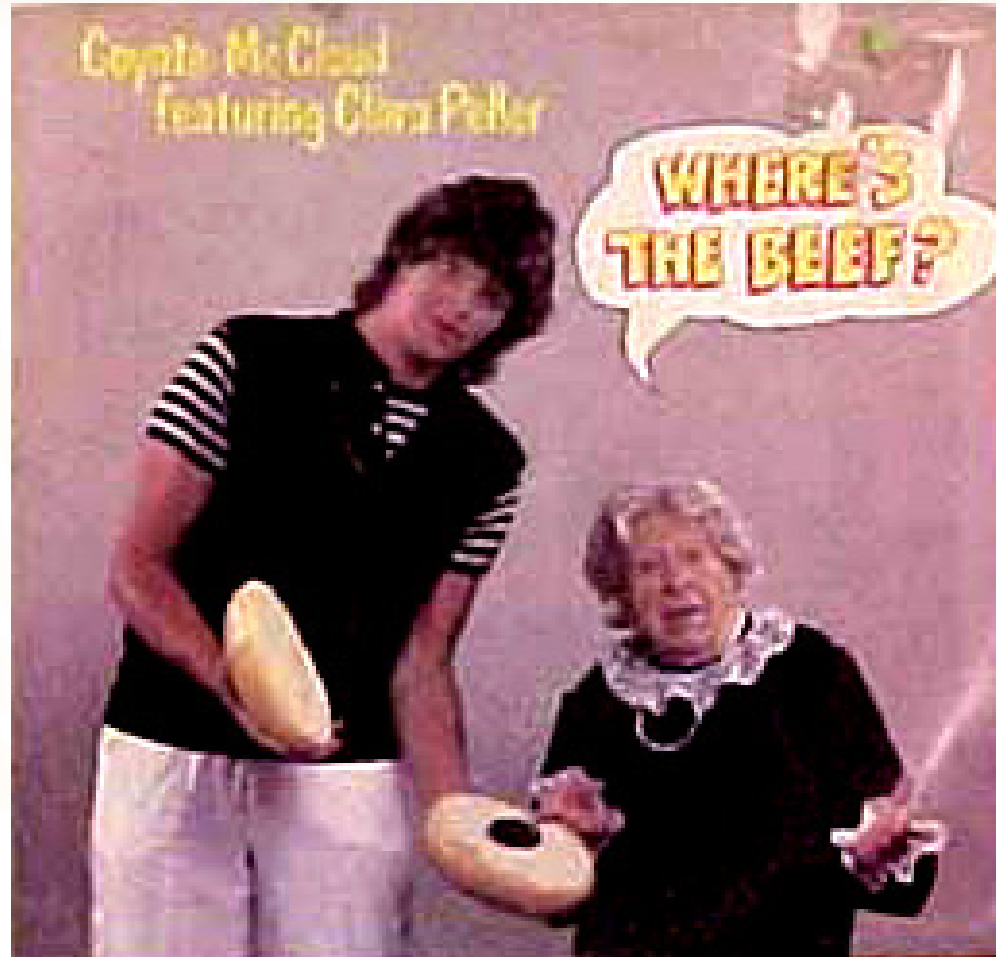
Sources: Capital IQ, a Standard & Poor's business; Morgan Stanley; Thomson Reuters Fundamentals via FactSet Research Systems; Forbes.

VC is Selective



Only 5%
Raise VC

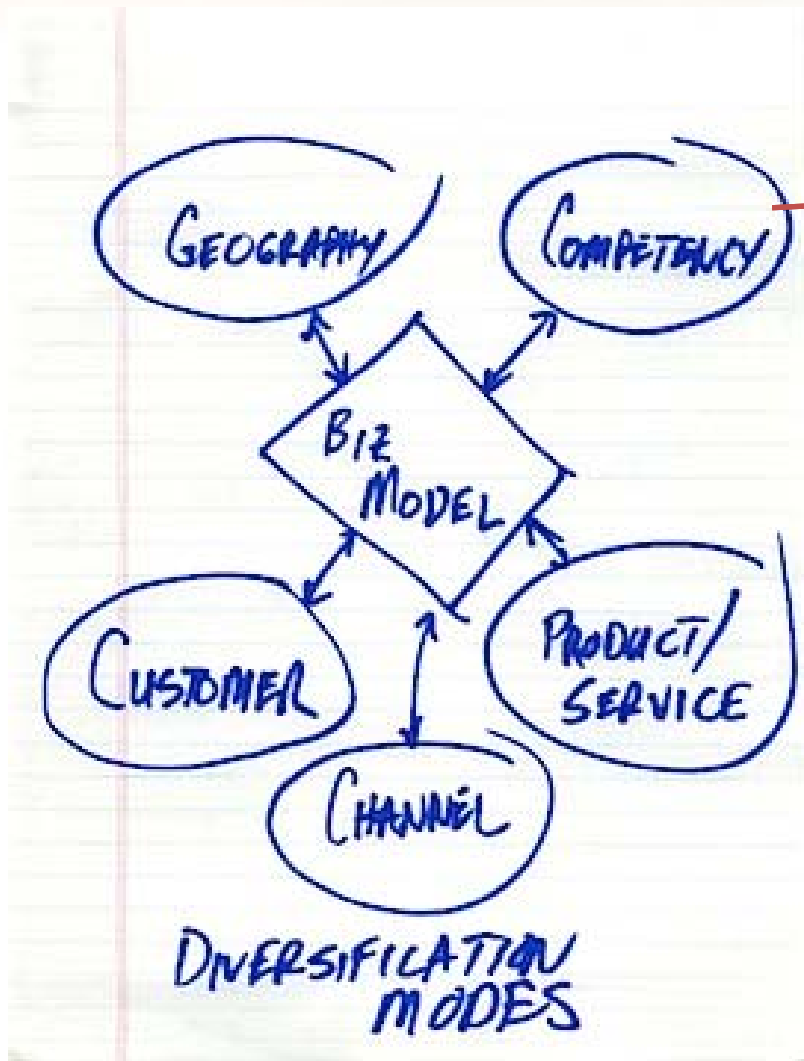
Croatia Tech, Customer Ready?



Ready-for-Market



Business Model: SME Formation

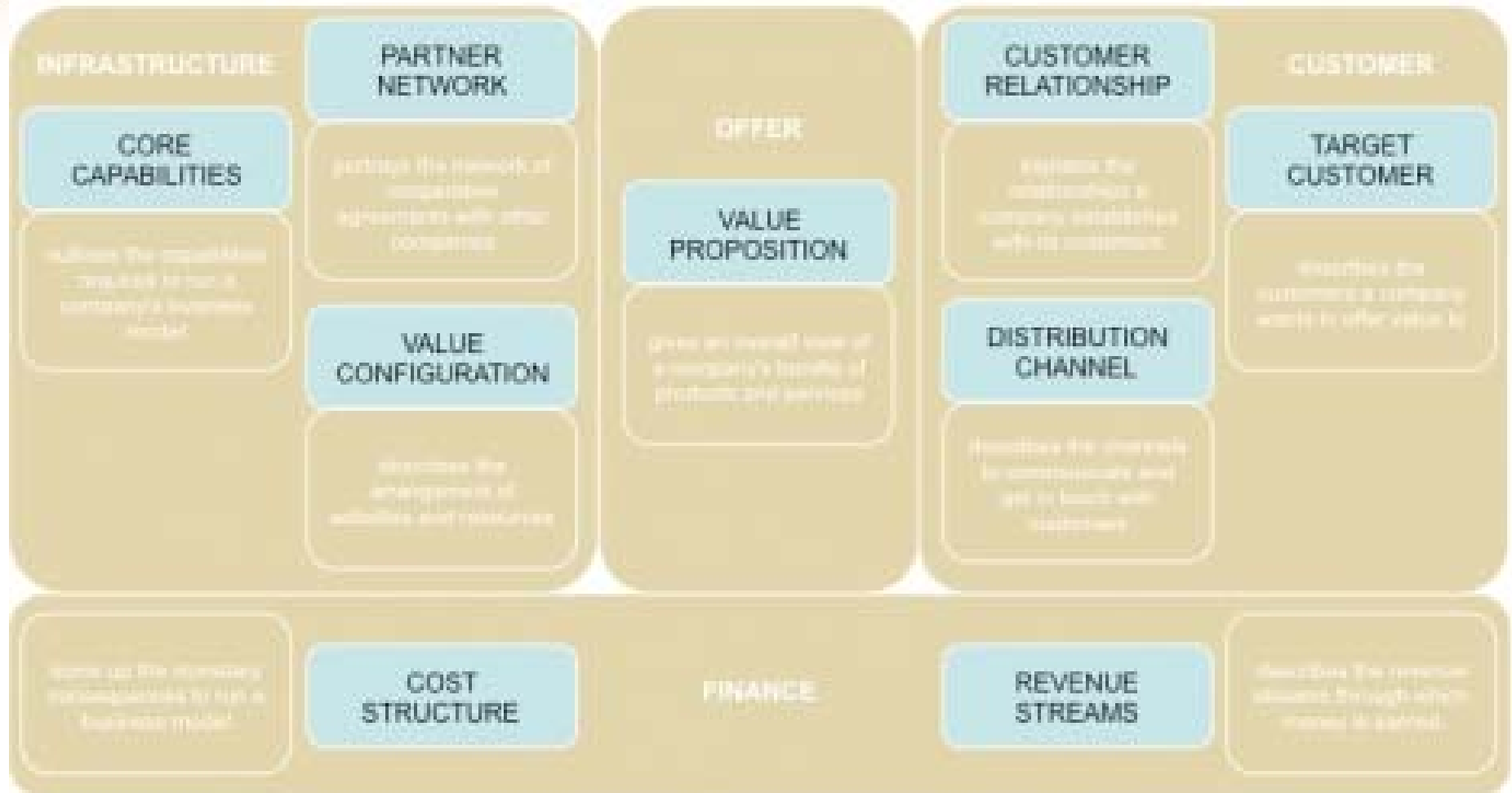


The Team

Develop Tech to:

- Meet Customer Requirements, Cost/Price
- Introduce & Execute
- Build the Business

Business Model: SME Formation



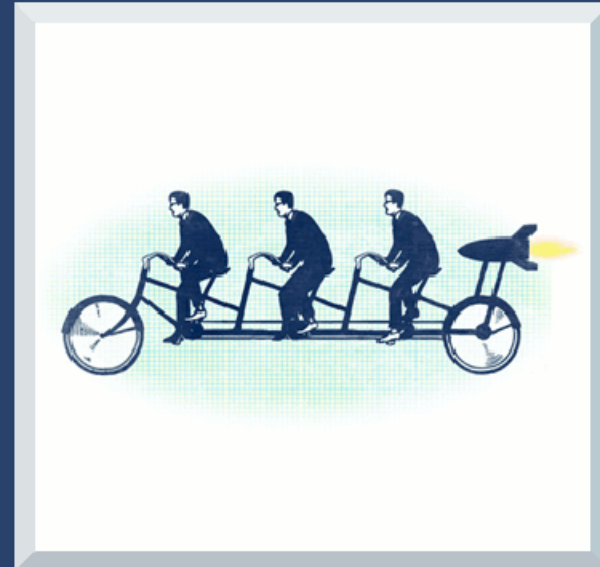
Team & Funding Issues

COLLABORATION

SACRIFICE

VISION

MOMENTUM



1. What Finance? Education or Final Dev.?
2. How Develop the Market= The Customer Journey & Experiences

The Customer Experience



Social Networking



twitter

LinkedIn.

salesforce.com
Success On Demand.™

GILT
GROUPE

You Tube

Glam Media

workday.

Early Social Networkers in the 1950s

Tupperware®



The Solution



HUDSON'S



Build Experience-Idea #3



Multi-Level Marketing



In 1955, sales hit \$30MM
(\$243MM in \$2010) &
Wise's Network = 20,000

MARY KAY® \$2B+

AVON \$10B+

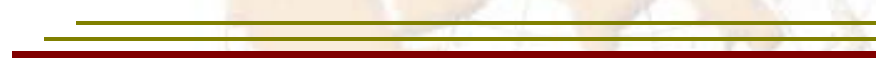
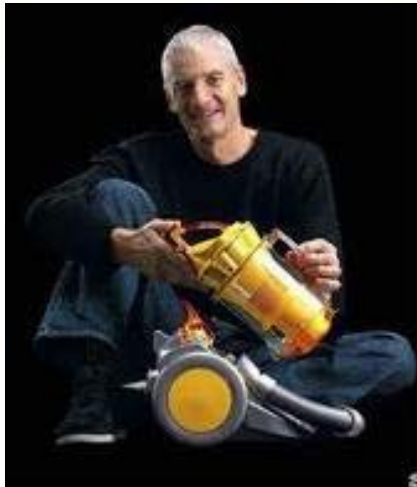
Amway \$8.3B+



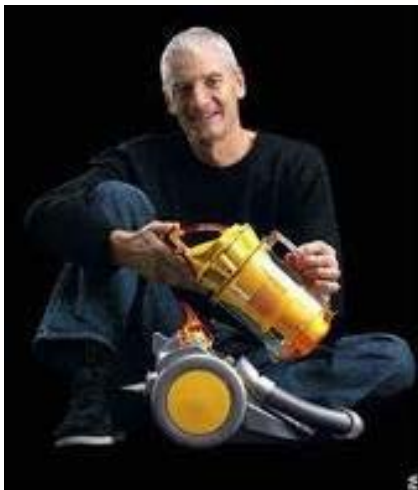
Build Experience-Idea #3



What's Common Here?



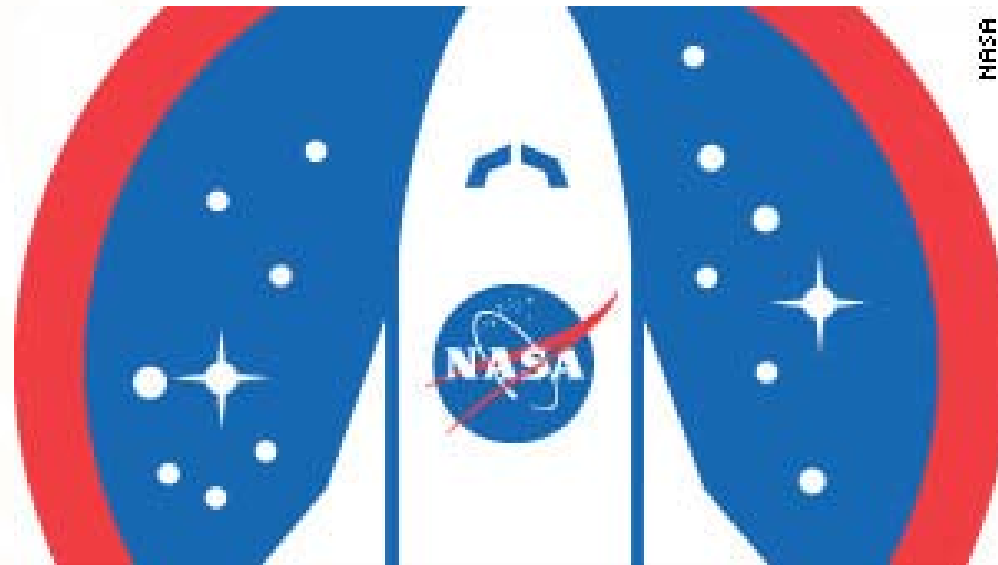
£920MM



Five years & 5000 prototypes to achieve goal: vacuum cleaner that did not lose suction.

“By the time my 3rd child Sam was born, I made my 15th prototype. Creative success requires approaching the design process with curiosity, unhindered by mistakes. In college I wanted to make things not yet being made yet, like getting plastic to curve, a phenomenally tough thing to accomplish in the 1960’s.”

The Badge of Courage



NASA

20 November 2009



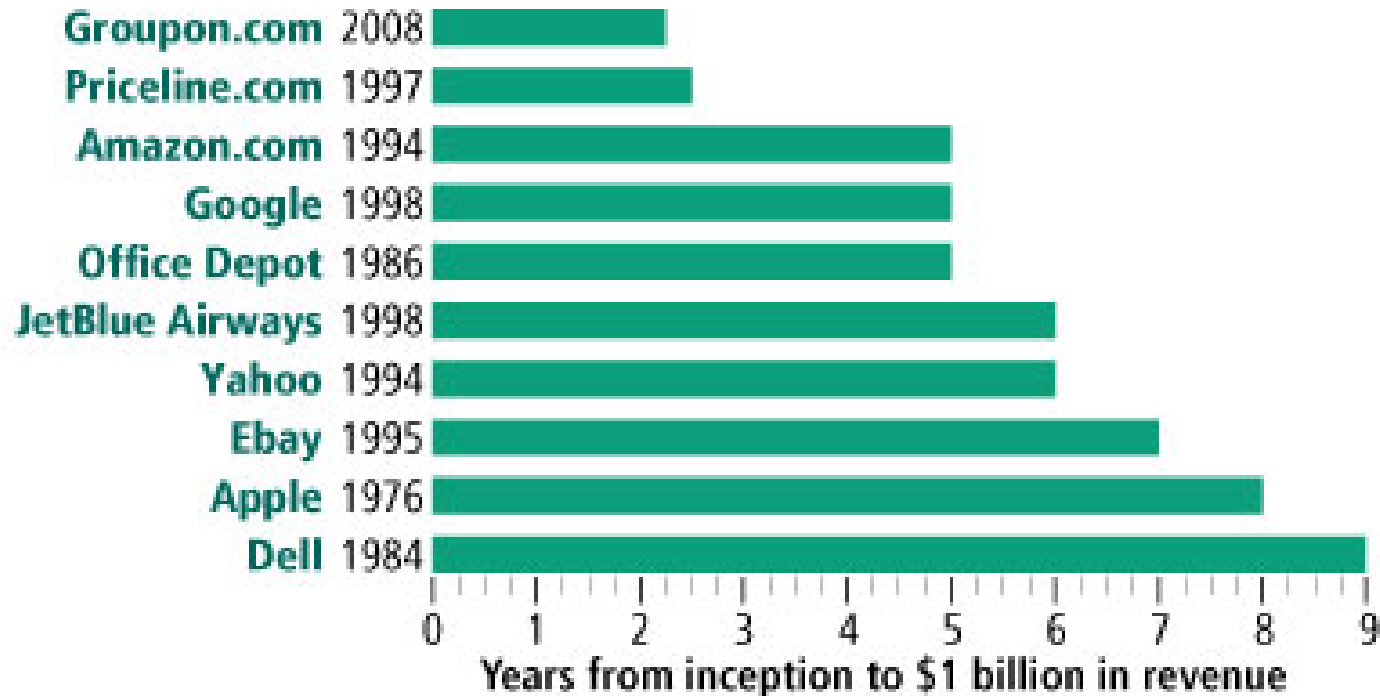
the point
make something happen

Easy and Effective Group Action.
Whether you're raising money, organizing people, or trying to influence change: if you can't do it alone, you can do it on The Point, online platform to crowdsource support for all sorts of causes like health care & Iraq war

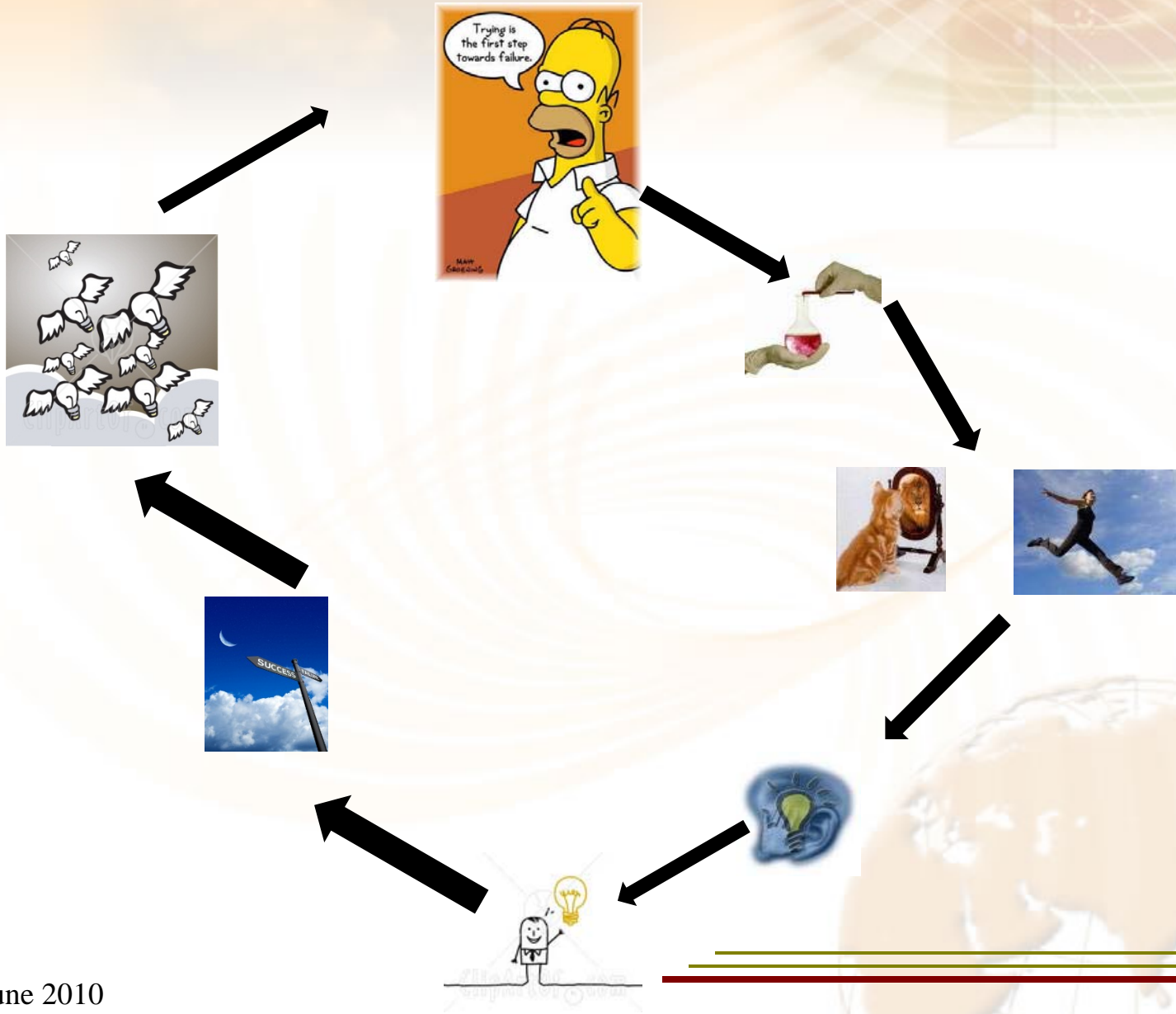
Raised \$1MM, angel,
caught national attention,
then \$4.8MM VC



Years to Hit Sales of \$1 Billion



Sources: Capital IQ, a Standard & Poor's business; Morgan Stanley; Thomson Reuters Fundamentals via FactSet Research Systems; Forbes.



23 June 2010

Entrepreneur's Work Philosophy



Don't Give Up



- Oldest VC Firm, USA, investing since 1911
- Deal Rejected:



eBay

"Stamps? Coins? Comic books? You've GOT to be kidding,"
thought Managing Director Cowan. "No-brainer-pass."

Don't Give Up



- Oldest VC Firm, USA, investing since 1911
- Deal Rejected:

FedEx®

Federal Express

Incredibly, 7x Bessemer declined to invest in Federal Express.

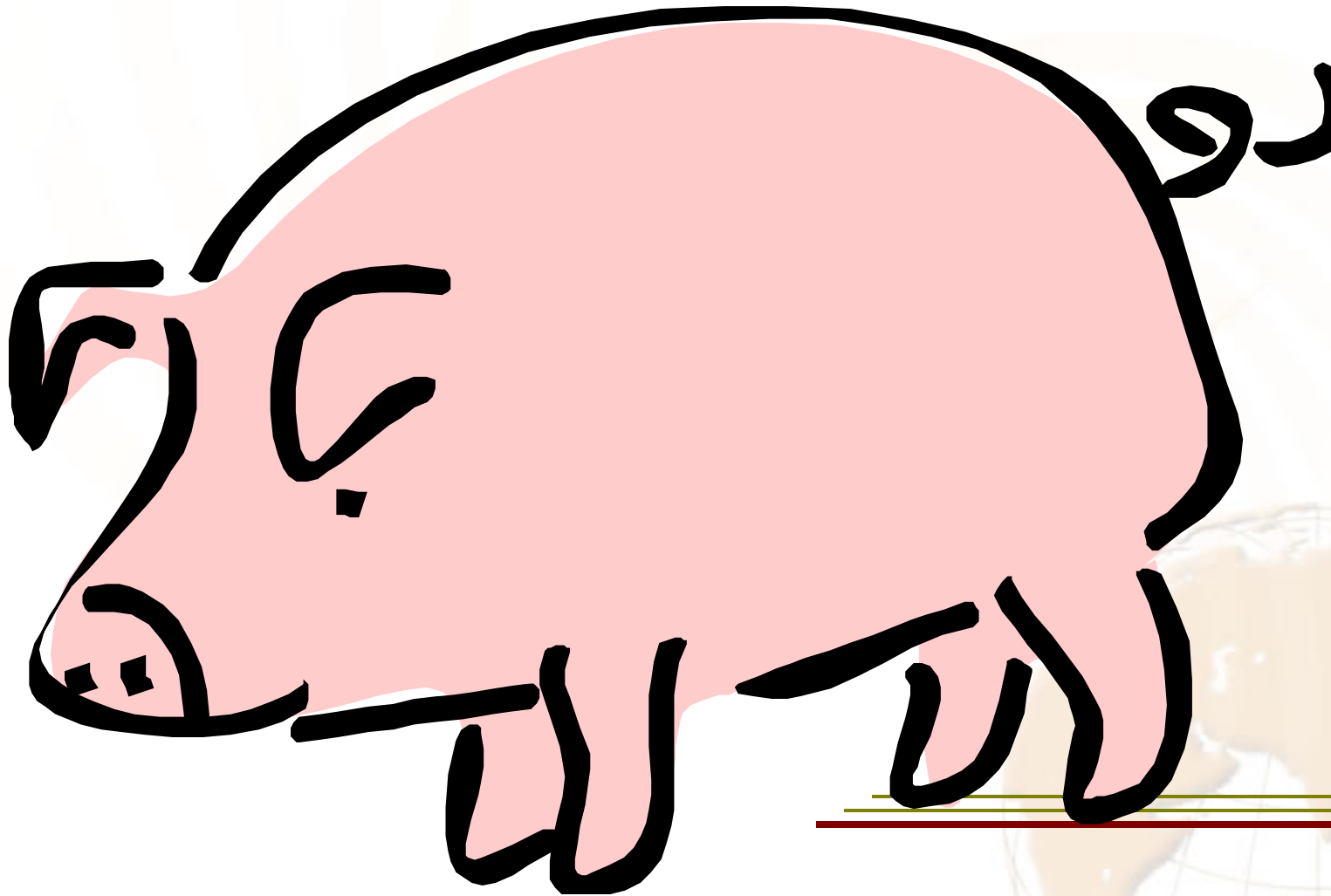
Don't Give Up



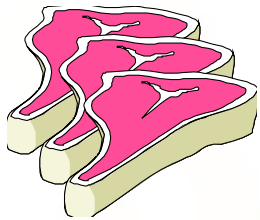
➤ Deal Rejected:

Cowan's college friend rented her garage to Sergey & Larry their 1st year. In 1999 and 2000 she introduced Cowan to "these two really smart Stanford students writing a search engine." Students? A new search engine? In the most important moment ever for a Bessemer rejection, Cowan asked her, "How can I get out of this house without going near the garage?"

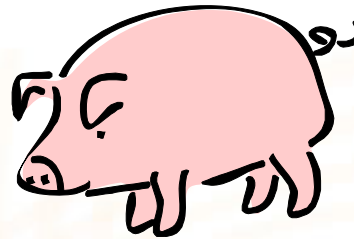
Where is the Technology?



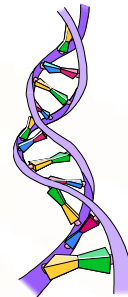
Technology In Many Places! Just Look & Define



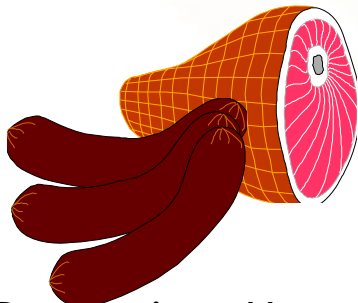
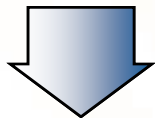
Slaughter



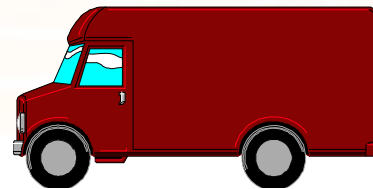
Raising



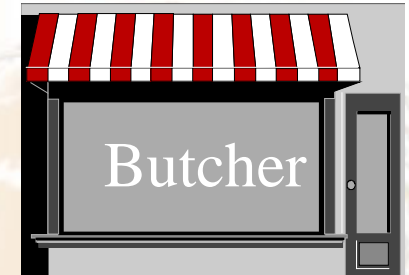
Genetic Engineering
& Breeding



Processing- Ham, Kielbasa



Distribution, Storage &
Delivery



Retail Locations

16-19 November 2009

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