



45 Rockefeller Plaza, 20th Floor 🌐 212.757.1007 🌐 New York, NY 10111
Ann Partlow apartlow@earthrisecapital.com Jim LoGerfo jlogerfo@earthrisecapital.com

newnet investor profile

Ann Partlow, Earthrise Capital

March 20, 2009



Ann Partlow discusses the growing commercial opportunities in resource efficiency, the U.S. East Coast venture capital scene and the challenges facing a newly-launched fund focusing on clean energy.

Earthrise Capital Fund is a venture fund for sustainable energy, power and water technologies. The Fund was launched recently, and the first portfolio investment, in an electronic materials company, was completed in September.

Ann Partlow is the co-founder of Earthrise Capital, along with James LoGerfo. Previously, she served as a financial advisor to the Rockefeller family for over 25 years, where she created and managed one of the earliest “mission-related” funds for emerging businesses addressing key social and environmental issues. In addition, she served for many years as a trustee and treasurer of Women’s World Banking and continues to be a trustee of Energy Visions. She is also a member of the Investment Committee of Commons Capital.

What areas do you focus on?

‘Our focus is broadly on energy and resource efficiency. That includes a range of sustainable energy technologies, such as solar, wind power, geothermal; power electronics, power storage, and energy efficiency; water treatment, green chemistry and new materials for these sectors. We’re also interested in technologies for cleaner use of conventional fuels.’

Why did you choose this area to invest in?

‘It is as a result of my background. I began investing in sustainable industrial, energy and environmental technologies for the Rockefeller family in the late 1970s. At that time, there was not a great

deal to invest in regarding alternative energy, although geothermal and biomass- to-energy projects were available, along with early solar thin-film technology companies.

‘In recent years, however, a variety of new energy and environmental technologies have become commercial. My primary interest has always been in emerging industries. In the 1980s, healthcare was an especially attractive sector for early stage investors as the services were privatizing and technologies were undergoing rapid change. Today a similar revolution is occurring in energy and industrial efficiency. The space is really buzzing, and it certainly is an exciting place to be at the moment.’

What type of investments do you make?

‘Our aim is to build a range of technologies in our portfolio companies, from early to later stage. Early stage will predominate, partly because it is an area in which we’re experienced, but also because it is the area in which venture investors have historically earned the highest rates of return.

‘At present though, later stage ventures—some on the brink of profitability-- are also available at reasonable valuations. Often, the current investor base is unable to provide new funding, and a small raise is needed for various reasons.

‘The size of our investment will range from a few hundred thousand to a million dollars or more, depending on the ultimate size of our fund at the time of our final close.’

Where do you see the best opportunities going forward?

‘We are primarily North American focused. Since we’re New York City-based, we prefer to invest in companies on the East Coast, and also the Midwest. Most venture firms are West Coast-based, and it’s good to find a niche that provides a differentiated deal flow. Unlike in the traditional Silicon Valley IT businesses, expertise in energy and environmental technologies is widely scattered across the country.

‘As for sectors, energy efficiency, energy storage, and new materials for electronics and solar photovoltaics look especially attractive to Earthrise Capital now.’

What are the challenges you face?

‘It is always challenging to be a pioneer. We look for technologies and sectors in

the market where there is a real need for a different solution today. We do not want to be so far ahead of the adoption curve that the companies have to struggle to create a new market. Highly innovative technologies are always a special challenge; you need to think of creative ways to introduce them to the market.

‘In the past, it has been hard to find experienced managers for new energy companies. We are starting to see people with more experience entering this market, from both technical and industrial backgrounds.

‘Certain areas of energy are especially capital-intensive and do not generally make good business models for venture capital. Other sectors, such as ethanol, depend heavily on government regulation. I witnessed in the early 90’s how quickly regulation can change when economic realities cause the political winds to shift. We prefer companies with primarily economic drivers.’

What are the advantages to investing in this sector?

‘Energy and industrial technologies are enormous markets that are innovating rapidly. We are well placed to take advantage of the demand for lower costs, cleaner, reliable energy, and improved environmental impact in manufacturing and process industries. For many years, the supply of effective and efficient alternative technologies was limited, but that is changing. It’s an emerging niche, but eventually it could rival the size of the traditional venture universe.’

Are you seeing more investment opportunities?

‘The majority of our deals come to us through people we know, and the inflow

is definitely increasing. Due to our long-term relationships in industry and the scientific community, we have a large universe of companies we follow. Some companies we've followed and advised for several years are now becoming attractive investment opportunities for Earthrise Capital Fund.

'In venture fund management, there is a present lack of energy and environmental domain expertise. Most venture capitalists became interested in these areas only recently. At Earthrise Capital, we have a decades-long background in this space, and our perspective has been sharpened by that experience. We think it helps us to avoid certain over-hyped areas and see opportunities elsewhere.

'The economic downturn is presenting some special opportunities. Valuations and valuation expectations are coming down even for later stage ventures, so in that way, the downturn is actually a benefit for a newly-launched fund such as Earthrise Capital.'

What makes you want to invest?

'Of course the management is key; sometimes we need to add business management to the technical team. Our goals and the management goals need to be aligned. We want to invest with the finest people, operationally and ethically, in a given field.

'The business model is most important. We like to work closely with our portfolio companies on defining strategy. Business models sometimes need to change, of course, but the goal at each juncture needs to be clear.

'Valuation is critical. With our backgrounds in public company as well as private company investing and advising, the general partners of

Earthrise Capital are highly sensitive to the issues surrounding valuation.'

Do you believe there is a bubble surrounding clean energy?

'Most certainly there was over the past year or two. We warned of the overvaluation in the solar industry and biofuels in our periodic updates. I've been through four energy pricing bubbles in my career, and I doubt that I've seen the last one. In the current climate, valuations are more realistic.

'In addition to our willingness to wait for bubbles to correct, we deliberately sized our investment universe to cover a broad range of sectors. Power electronics, green chemistry, water treatment, and ancillary sectors including new materials provide other choices when certain industries are inflated in value.'

What is the biggest issue facing the industry today?

'Broadly speaking, the issue for the industry is to enable the necessary power, fuels and industrial processes for long term growth. We cannot afford to constrain economic development due to unreasonable prices, or environmentally unsustainable technologies. That is the big challenge facing us: how do we develop new energy and environmental technologies that are economically friendly as well?

'The economic downturn could have an impact if it's prolonged. So far it has not affected the very early stage companies we follow because they don't rely on significant borrowing and they are not ready for exit. Earthrise Capital is fortunate to be a newly launched fund in which exits are not currently an issue.'

How will Obama affect the green economy?

'It is a hard to tell at this point what will come out of Congress. We would expect to see greater focus on energy and environmental issues, especially the smart grid. The economic issues we are facing now might cause a delay or minimize the impact but it is very likely that we will see developments that are favourable for our industries in the next few years.'

How can you see things evolving?

'Our crystal ball suggests that energy and resource efficiency will continue to experience rapid strides. In our view, energy efficiency should be embedded, invisible and seamless for the user. Asking industry and consumers to agree to reduce their energy consumption at peak demand periods is not likely to be a sustainable answer over the longer term. More progress will be made in efficient

motors and engines, software for predictive building maintenance and energy use, smart meters and efficient appliances. These developments benefit rather than inconvenience the user, if the upfront costs are reasonable.

'Alternative fuels and power sources will continue to experience above average growth, in the search for cleaner, domestic supplies. We expect greater demand for natural gas especially for fleet vehicles. Globally, clean coal initiatives are likely to be a winning area as that resource is widely available. Technologies related to growing electricity consumption, such as power electronics, new electronic materials, and power storage are all favored. Earthrise Capital focuses primarily on the technologies closest to commercialization and those most attractive for a venture capital model.'

Copyright © 2009 newnet

Earthrise Capital Fund is a venture capital fund which invests in resource efficient technologies, including energy efficiency, clean energy, power conversion, energy storage, alternative fuels, and green chemistry.