



# myCatch

*Local, sustainably-sourced seafood for the global middle class*

April 4, 2014

# Meet Larry – a small Bay Area crab and sole fisherman



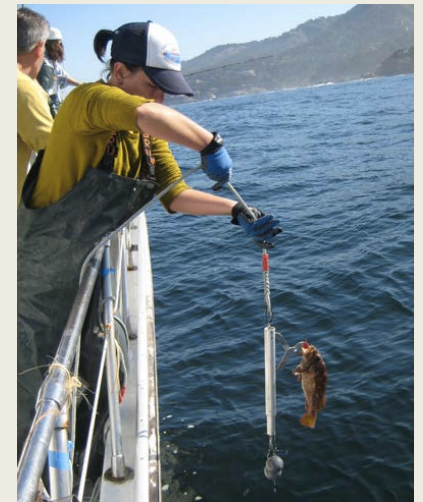
*Crab Catch*



*Larry Collins*



*Sole Catch*



*Hook-and-Line Fishing*

**Average Salary  
US Fisherman  
\$33,430  
(2012)**

# Environmentally Unsustainable = Economically Unproductive

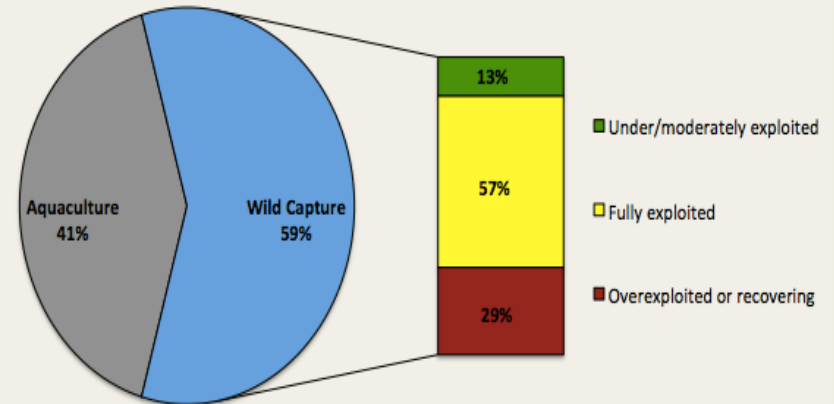


*Super Trawler*



*Bycatch Waste*

## Sustainability Status Global Wild Fisheries



- 87%** World's assessed fish stocks that are over/fully exploited
- \$50bn** Annual global economic output lost due to overfishing
- 100m** Sharks unnecessarily killed each year (estimated)

# Rights-based solutions have left Larry behind

Rights-based solutions  
(catch shares/TURFs) rock 😊



19% Increase in subsequent allowable fish volume

68% Fleet-wide revenue over 10 years

300% Fisherman safety

68% Wasted fish (bycatch) over 10 years

But local, small fishermen often  
cannot access them 😞

### *Size and Methods*

- No trawlers = too little annual catch to be eligible for initial allocations

### *Access to Capital*

- Low incomes = limited access to capital to purchase allotments (~50% value of fish) or invest in fishery improvement projects (FIPs) and supply chain efficiencies

***In 10 defined US fishing areas that have operated under catch shares since before 2010:***

18,000 Fishermen jobs

3,700 Active vessels

# Why should investors care about Larry?

## Existing Market



## Market Drivers

*Rising demand for seafood protein from a growing global middle class*

**78%** Increase in animal protein demand by 2050

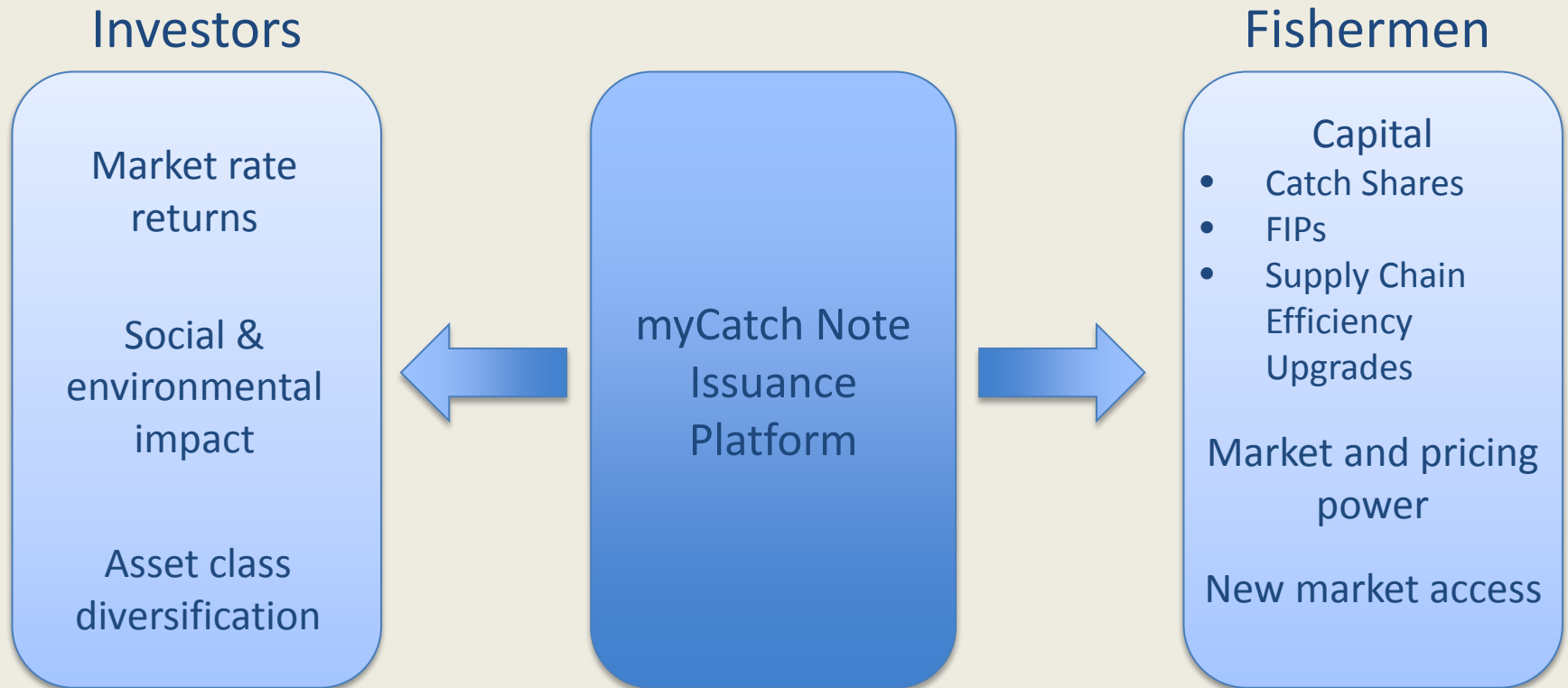
*Rising retailer demand for sustainable seafood*

**72%** Seafood processors who reported increased requests for sustainably sourced products (from 2010 to 2011)

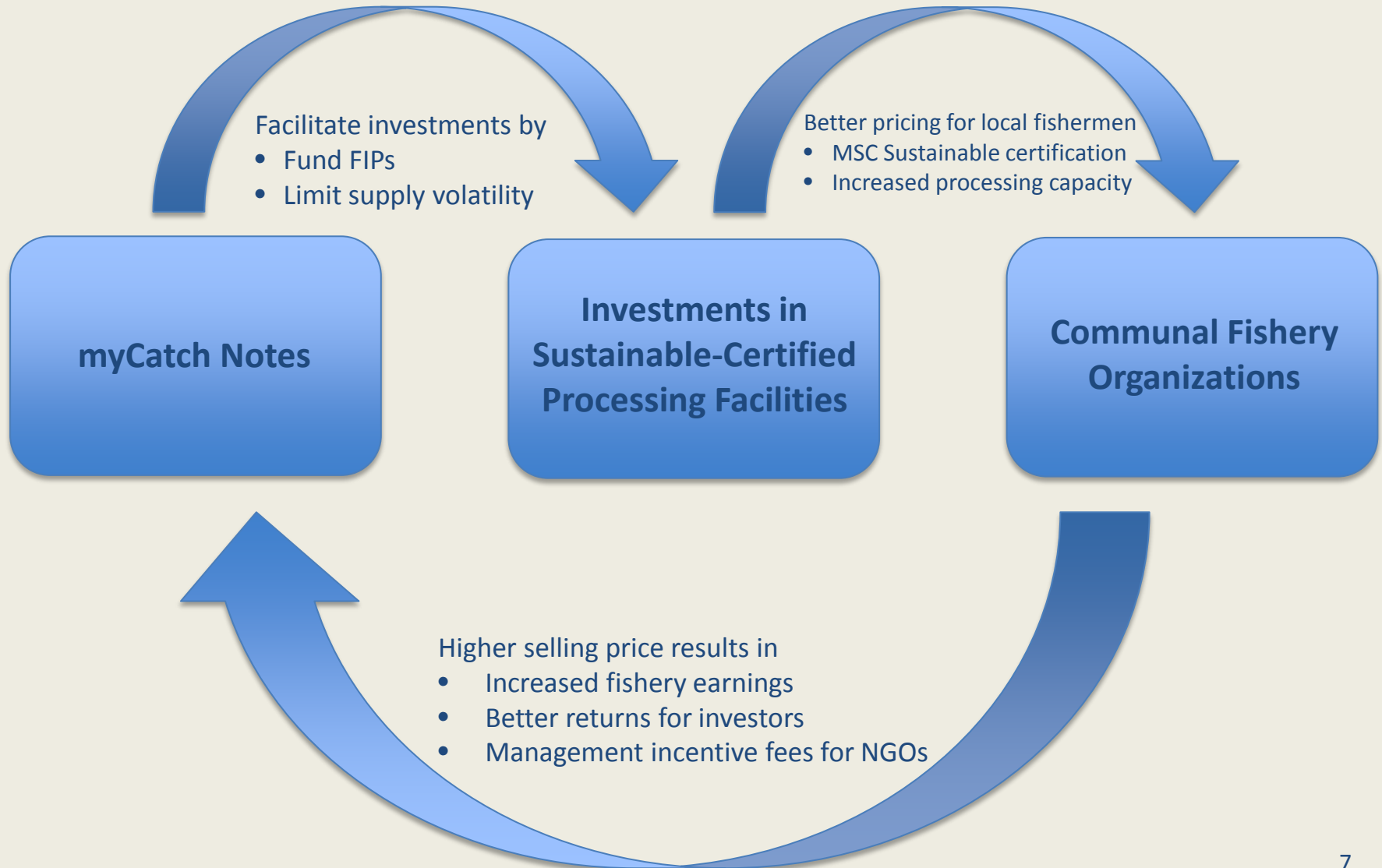
*Rising seafood prices – given supply/demand mismatch*

**5%** Compounded annual growth rate for landed fish catch prices (2006 to 2011)

# The Solution: myCatch Notes



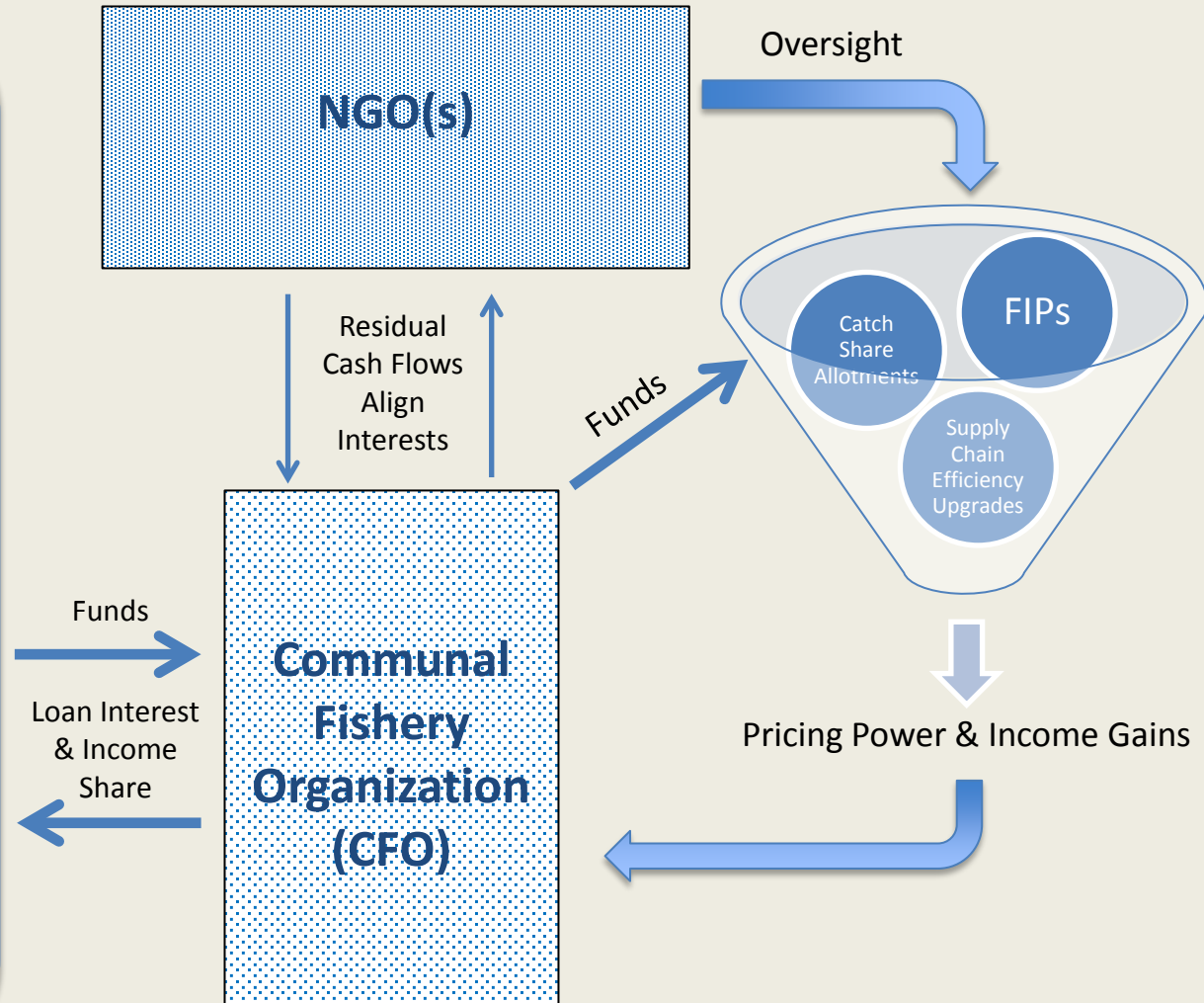
# A Catalytic Investment



# Loan Portfolio Overview

## Loan Portfolio

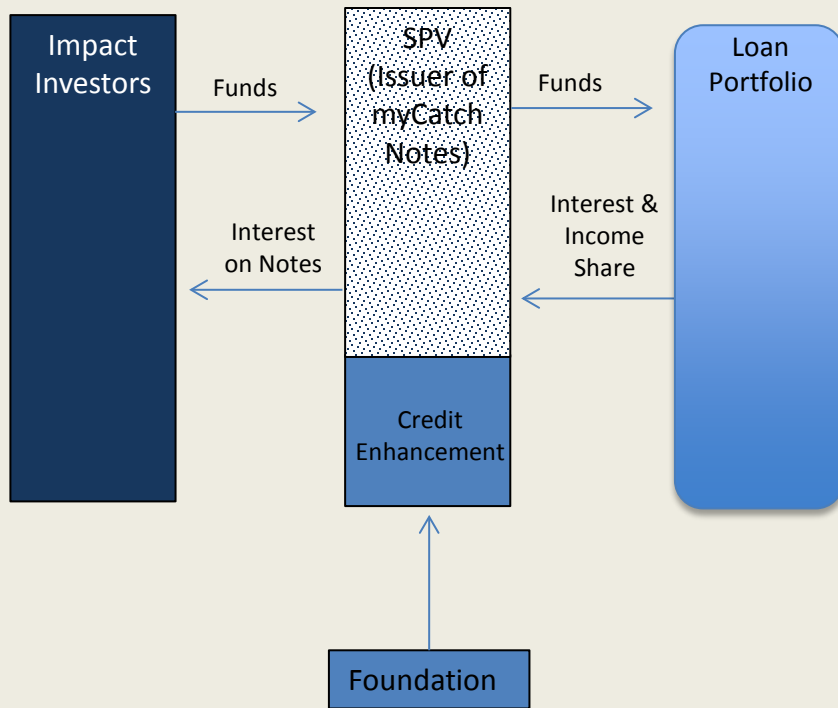
- Target of 10 CFO loans per deal, ranging from \$1mm to \$10mm
- Interest rates of 5-8%
- 25-50mm initial deal size (subject to availability of credit enhancement PRI grant)
- Initially focused on US west coast fisheries
- Geographic US expansion to achieve diversification in subsequent deals





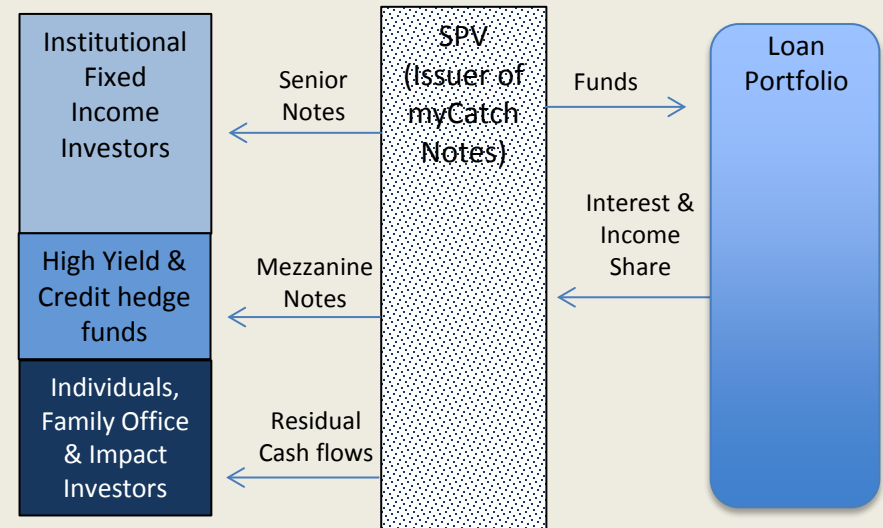
# Evolution of the Investment Vehicle

## Initial Securitization



- Notes purchased by Impact Investors
- Target Foundation for credit enhancement as a PRI
- Residual cash flows provide incentive for NGOs and participating fisheries

## Mature Securitization



- All three groups purchase notes to fund structure
- Senior notes attract institutional fixed income investors, drive tighter pricing due to increased credit enhancement and lending history
- Mezzanine notes attract high yield and credit focused hedge funds
- Equity tranche will align incentives of investors with participating NGOs and fisheries

# myCatch Execution

1

Select NGOs to initiate implementation

## Potential Partners



## Partner Actions

- Identify fishermen and fisheries in need
- Develop best practices to meet sustainability criteria

## myCatch Team Actions

- Initiate due diligence process
- Engage potential PRI directors, investors and underwriters

2

Select, manage, and advise PRI investors



- Structure PRI
- Commit to providing Credit Enhancement

- Manage credit enhancement structuring process
- Engage potential non-investor board members



3

Select underwriter(s) and consult impact investment advisors



- Engage impact focused and institutional clients
- Create warehouse facility
- Vehicle Interest Rate Hedging

- Engage underwriters
- Manage warehouse process
- Targeted Roadshow for investment advisors



4

Form and chair independent board of directors to manage NGO performance



- Assist in creating independent board to manage NGOs
- On going assessment of NGO

- Tap independent research thought leaders to serve as board members
- Launch vehicle



# Identification and Mitigation of Primary Risks

## Risk

## Mitigation Strategy

Lack of borrower collateral & default risk



- Create social contract by lending to Communal Fishery Organizations (CFOs), not individuals
- Operate in strong rule of law countries initially
- Credit enhancement grant from foundation for initial securitization, OC/IC tests for mature securitizations

Fisherman buy-in & alignment of interests with NGOs



- Provide financial incentives that benefit the CFO, not individual fishermen
- Splitting residual cash flows with NGOs creates performance based incentives across both stakeholder groups

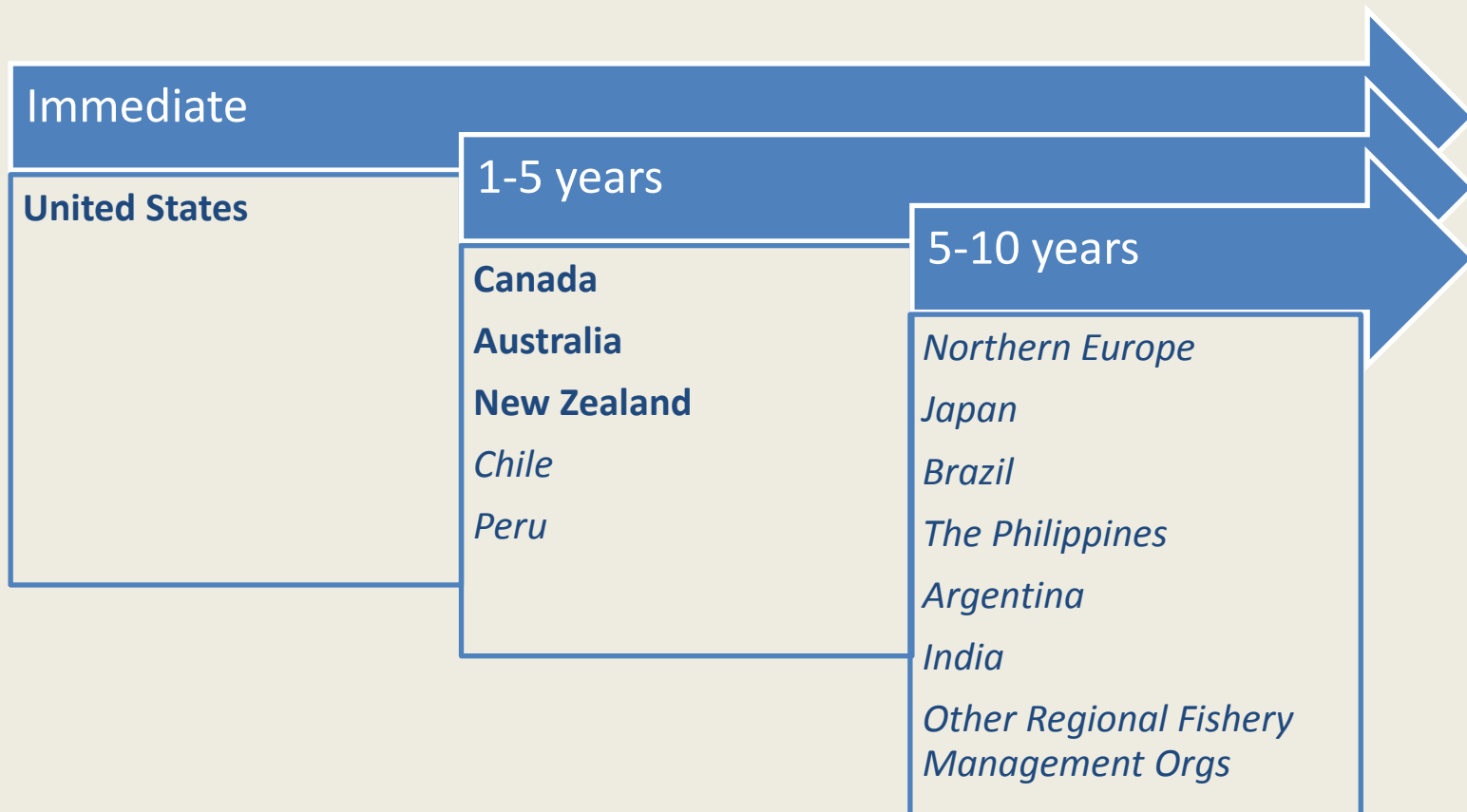
NGO management capacity



- Selection of and performance-based compensation to mission-driven, credible organizations (e.g., EDF/CFF & TNC)
- Create and chair independent oversight board to assess performance

# myCatch: Created to Scale Globally

## Mandatory Rebuilding Targets and Rights-Based Management Schemes



# myCatch generates powerful, multifaceted impacts

## Economic

*Capture GDP Losses  
(industry-driven GDP)*

↑ ≤ \$37-67 billion global  
GDP increase

*Reduce Demand for  
Fisherman Subsidies  
(public expenditures)*

↓ ≤ \$35 billion decrease

*Foster development of new  
securities market*

Attract new equity investors to  
sustainable fisheries space

## Social

*Economically Resilient  
Communities*

↑ **Wages** (average salaries)  
**Safety** (number of work-related  
accidents)  
**Product diversification** (number  
of fish species caught)  
**Ability to withstand price and  
supply volatility** (average  
annual volume fluctuations)

*Food Security*

↑ **16%** Share of seafood in human  
protein consumption intake

## Environmental

*Biodiversity Preservation  
(pounds of avoided bycatch)*

↓ **68%** Bycatch over 10 years

*Climate Change Mitigation  
(avoided CO<sub>2</sub><sup>e</sup> emissions)*

↓ Efficiencies => Lower  
industry emissions

↑ Sustainable practices =>  
Augmented carbon  
sequestration capabilities of  
marine ecosystems



# Appendix

# Sample Portfolio Metrics

## Sample Portfolio & Fee Structure

Portfolio Size	25-50mm
Weighted Average Coupon/Spread	6.5%, 3mL+600
Issuers	10 CFOs
Term	10 years, 5 year reinvestment period
Target IRR to impact investor	Capped @ 10-12%, residuals cash flow to CFOs & NGOs
Credit Enhancement	25-30%, a PRI grant from a foundation
Senior Trustee Fees	30-50bps, running
Senior myCatch Fees	50bps, running
Senior NGO Management Fees	100-150bps, running + residual cash flow incentive
Underwriting Fee	On time fee of 3%, paid on closing

# myCatch's Capable Team

## Zach Knight



### *Structured Finance Expert, Avid Deep Sea Fisherman*

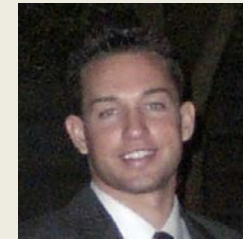
#### *Seven years of finance experience*

- **Merrill Lynch and Bank of America Merrill Lynch** –CDO structuring & sales, Structured Credit desk and Correlation Trading desk (Analyst & Associate, 2006-2009)
- **Chapdelaine Credit Partners** – High Yield & Distressed Credit Trading (Vice President, 2009-2011)
- **Global Hunter Securities** –High Yield Energy Trading (Vice President, 2011-2013)
- Strong personal network in sustainability and impact investing space

#### *Education*

- MBA, Finance & Impact Investing, expected 2015
- BA, Economics, Cornell University, 2006

## Chad Reed



### *Resource Efficient Infrastructure Specialist, Seafood Lover*

#### *Unique blend of sustainability finance and consulting experience*

- **Regenerate Power** – Finance and Business Development Associate (2013)
- **Accelerating Resilient Infrastructure Investment for Sustainable Economies, Rockefeller Foundation** – Lead Consultant (2012-2013)
- **Ingersoll Rand Center for Energy Efficiency and Sustainability** – **Environmental Defense Fund Climate Corps** Consultant (2011)
- **DOD, SAIC** – Intelligence Officer (2006-2011)

#### *Education*

- MBA, Sustainability Finance and Strategy, expected 2015
- MA, Energy and Environmental Policy and Finance, Johns Hopkins SAIS
- BA, International Affairs, The George Washington University