



**New Investment Model to Enable
Energy Technology Entrepreneurs**

INTRODUCING SURGE VENTURES

- Headquartered in the Energy Capital of the world (Houston, TX)
- Focused on revenue generating companies that emerge out of exclusively owned SURGE venture program
- Partners with leading energy companies that serve as Investors, Customers, and Mentors to our portfolio
- Recruits globally and invests locally into Houston based Energy Service focused entrepreneurs using technology as advantage
- Owns exclusive ecosystem of top industry experts and entrepreneurs in energy technology
- Develops loyal bench of talent through large alumni base and deep industry connections

“The premier destination for Energy Entrepreneurs”

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SURGE FUND V OFFERING

Executive Summary

\$50M FUND DEDICATED TO EARLY STAGE ENERGY TECHNOLOGY

INVESTMENT FOCUS AND MODEL

- Located in the Energy Capital (Houston); vertically focused on Energy technology.
- Leveraging SURGE, top energy investment program and proprietary global deal flow.
- Partnering w/ leading energy companies that serve as advisers and co-investors.
- Targeting revenue producing energy entrepreneurs using capital efficient technologies (software and 'smart' hardware) for market advantage.
- Becoming the first institutional investor (Pre-Seed, Seed, and Series A) with follow-on investments to maintain ownership position.

OVERVIEW OF FUND STRUCTURE

Fund Size	\$50M
First Close	\$15M (Fall 2015)
Fund Life	10 years
Commitment period	4 years
Management Fee	2.5% (life of fund avg.)
Carried Interest	20% to GP
GP Commitment	Minimum of 1%
Minimum LP Commitment	\$250,000 individual; \$1M institutional

SURGE FUND V ADDRESSES A GAP IN THE ENERGY TECH VC SPACE

GREAT MARKET

- **ENERGY DISRUPTION:** The Oil & Gas industry is experiencing dramatic changes driven by a broad shift to unconventional resources (e.g. shale, deepwater). Legacy utility businesses also appear poised for large changes, as demand stagnates and distributed generation gains ground.
- **SOFTWARE EATING THE WORLD:** VC investment is fueling rapid innovation in digital technologies, leading to dramatic cost improvements and changes in business models across industries. There has been limited disruption in energy to date until now.
- **CREW CHANGE AND COST PRESSURE:** Generational turnover, coupled with ongoing cost pressures, are driving faster adoption of low cost digital innovation

WITH A GAP

- **COASTAL VCS AREN'T IN THE GAME:** VC powerhouses on the coasts have never invested in traditional energy, and don't have the local presence or relationships needed to be successful
- **MATURATION OF LOCAL ENERGY VC FUNDS:** Successful energy VCs in Texas have moved to bigger check sizes, focusing primarily in Series B/B+ or growth capital investments
- **CORPORATE VC AND ANGELS ARE ONLY A PARTIAL SOLUTION:** Angels make very early stage investments, but lack the supporting ecosystem and process to support (not only finance) young companies. Corporate VC is active in energy, but only has capacity for later stage investments (Series B+)

SURGE IS A NATURAL OWNER

- **COMPETITIVE ADVANTAGE:** SURGE has created a hard to replicate network of corporate partners/sponsors/investors/ mentors to help its portfolio companies; CVCs actively look to us as a pipeline for later stage investments
- **TRACK RECORD:** SURGE has raised four funds in Houston with continued early success (even in low oil prices) of portfolio tracking to venture returns.
- **UNCAPTURED VALUE:** Fund V is a natural extension of previous funds as it monetizes the value created by the Accelerator. The fund will only co-invest to maintain the ecosystem with broader access to exit options within and outside the energy industry

IMPACT OF OIL PRICES

Investment Thesis

LOW OIL PRICES SPURS INVESTMENT INTO ENERGY TECHNOLOGY

Urgency to Reduce Costs

Through emerging technological solutions

- Engineered fracking
- Drilling automation
- Predictive maintenance

Increased Speed of Acquisitions

Large service companies that have access to cash will acquire technological capabilities at lower prices

Opportunistic Valuations

Early stage investors will be in a better position to negotiate valuations with companies

Acceleration of Crew Change

Forced retirements drives the on-boarding of tech-savvy leadership who will demand vs. resist technology adoption

Slow Buying Decisions

Customers who are cash constrained will procrastinate new technology implementation

Reduced Investment Capital

Non-O&G investors will become increasingly cautious to invest in industry startups during times of uncertainty



SURGE VALUE PROPOSITION

History

BRIDGING BOTH SIDES OF THE ENERGY TECHNOLOGY CHASM

PROPRIETARY & GLOBAL DEAL FLOW

1,000+ Companies Annually from Proprietary Sources:

- Industry Network (partnerships with top Super Majors, NOC's, Service Co's and Independents)
- SURGE Brand + Global Rankings
- SURGE Alumni Network
- SURGE Accelerator Applications Process
- Oil Country Partnerships (Canada, Norway, Brazil, Middle East)
- McKinsey Partnership
- University Energy Clubs
- Proprietary Search Methodologies

Right Ideas,
Right teams



Internal
Champions

DEEP INDUSTRY PARTNERSHIPS

Validation of SURGE Value Proposition: Major Industry players Serve as Advisers, Investors, and Customers



KEY LESSONS LEARNED

History

TRACKING TO VENTURE RETURNS, BELIEVE CAN SUBSTANTIALLY IMPROVE

KEY LESSONS

- Invest into what we know
- Engage industry partners earlier
- Focus on later staged entrepreneurs
- Retain pro-rata rights
- Focus has allowed us to see bigger patterns
- Develop long-term capital partners that know energy
- Early stage venture model is best entry point, but not the only way
- Be exclusive
- Build a great team

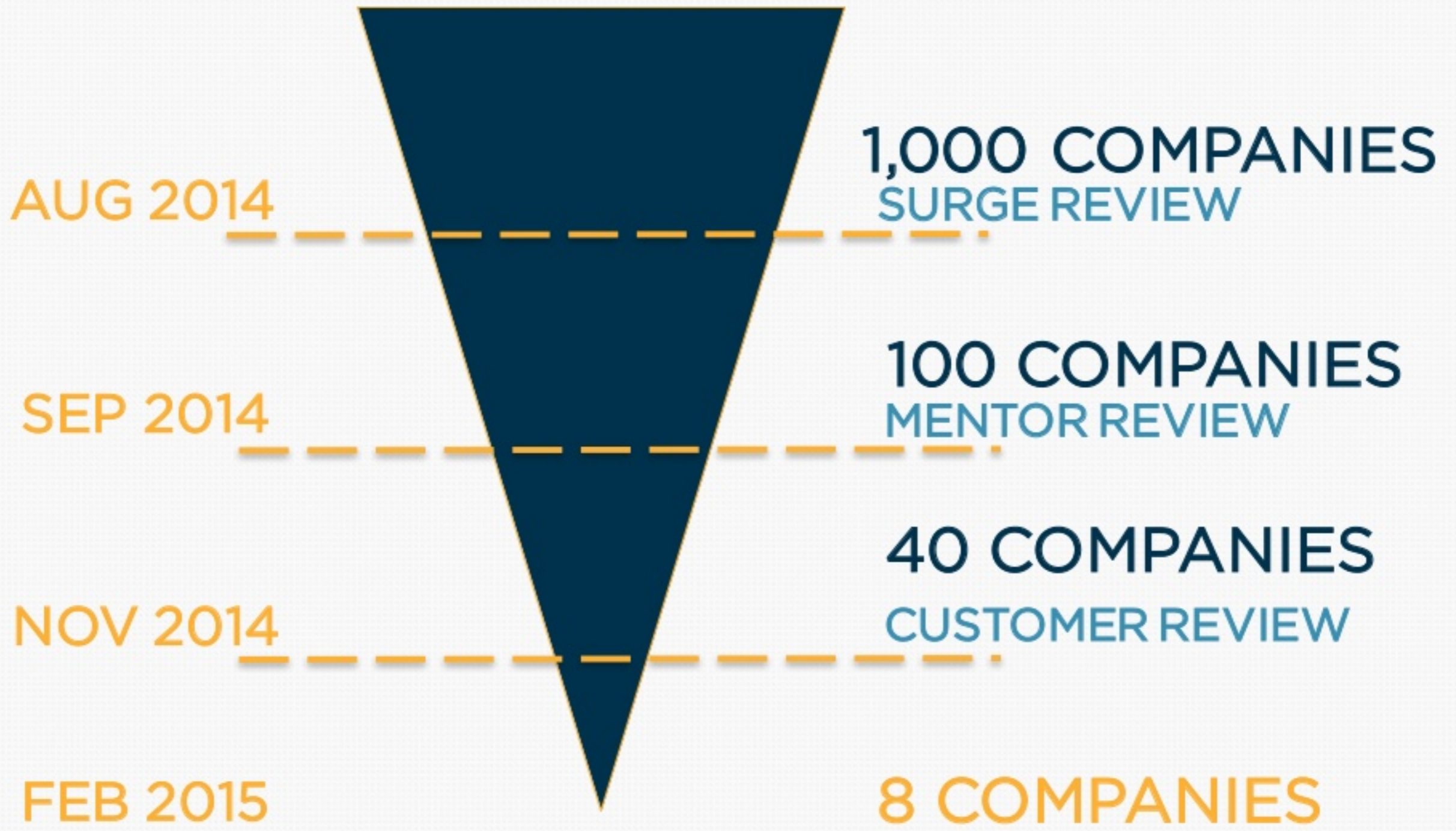
KEY ACTIONS

- S4 portfolio focused on key themes
- Send deals, screen, and sit on IAC
- S4 portfolio is revenue generating
- Investing S5 into portfolio winners
- Creating investment strategies that align for multiple roll-up / PE plays
- New fund and corporate partners help fill gap in funding landscape
- Working with capital partners not required to force early venture exits
- Exclusive McKinsey & Energy Industry corporate partnerships
- Team has deep industry expertise, experience in larger roles, & fit values

SURGE SELECTION PROCESS

RIGOROUS AND INDUSTRY-DRIVEN

Operating Model



THE SURGE BUSINESS MODEL

Operating Model

MODEL BUILT FROM INSIDE THE INDUSTRY

BUILD & MAINTAIN PROPRIETARY INDUSTRY ECOSYSTEM

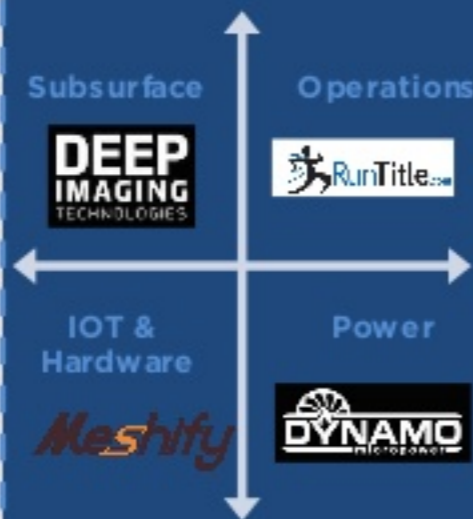
- Corporate Partners Serve as Experts, Customers, Investors
- 200 Exclusive Industry Experts



DEVELOP & FOCUS ON KEY THEMES

Driven by...

- Corporate Partners Use Cases
- Library of 3,000 companies reviewed since SURGE inception



FIND & ASSESS "A" PLAYER ENTREPRENEURS

- Review 1,000 companies annually from all over the world

Due Diligence Includes:

- Industry Partners
- 4 - 12 month intensive program
- 200 Industry Experts serve as Advisors



MAKE GREAT DEALS

- SURGE only co-invests in Venture Program graduates in order to ensure market discipline
- SURGE receives 4% - 8% equity into all companies participating into Venture Program (initial deal provides 10x return on invested capital from day 1).
- SURGE receives a right to invest into next round to keep pro-rata and/or \$1M, whichever is greater.
- SURGE has largest benchmark of priced deals in Energy Tech to know best terms

DEVELOP DEEP BENCH OF LOYAL ALUMNI

Alumni Provide...






- Feedback Loop on What Works and Lessons Learned
- Insight into the Customer
- Relationships and Connections



FUND V VALUE PROPOSITION

Market Overview

WHY THIS FUND WILL SUCCEED WHILE OTHERS FAILED

	BUILD & MAINTAIN PROPRIETARY INDUSTRY ECOSYSTEM	DEVELOP & FOCUS ON KEY THEMES	FIND & ASSESS "A" PLAYER ENTREPRENEURS	MAKE GREAT DEALS	DEVELOP DEEP BENCH OF LOYAL ALUMNI
O&G VCs		X	X	X	X
WEST COAST VC's		X	X		
SURGE					
TEXAS VC's			X	X	
SCF PARTNERS	X	X	X	X	X
GENERIC PE			X		

COMPETITIVE LANDSCAPE

Market Overview

HAVING 1ST POSITION GIVES SURGE FLEXIBILITY

FINANCIALS

SEED/SERIES A

ENERGY VCs



SERIES B/C

ENERGY VCs



GROWTH & LATER STAGE

TRADITIONAL PEs



STRATEGICS

CORPORATE R&D

CORPORATE VCs



OIL FIELD SERVICE AND SOFTWARE ACQUIRERS



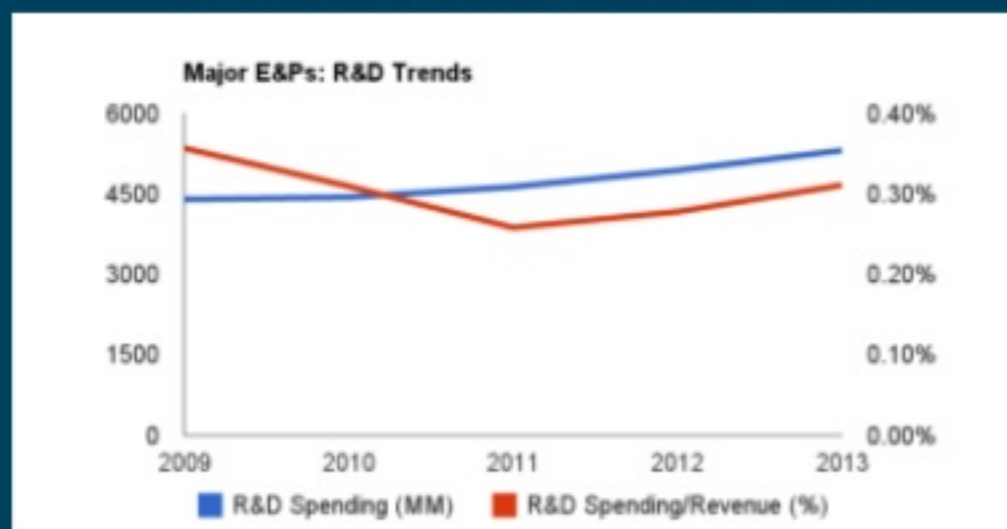
Some opportunistic investments in Seed/Series A by later stage investors

OUTSOURCING INNOVATION

COMPANIES ARE LOOKING OUTSIDE TO SOURCE INNOVATION

E&P MAJORS*

“Flat emphasis on R&D”



INDEPENDENTS

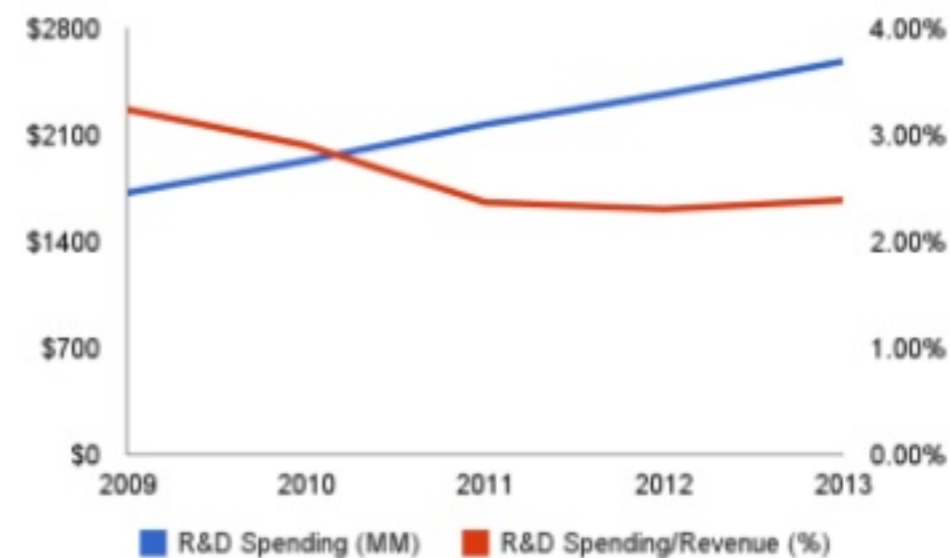
“Too small to have R&D”

OILFIELD SERVICE PROVIDERS

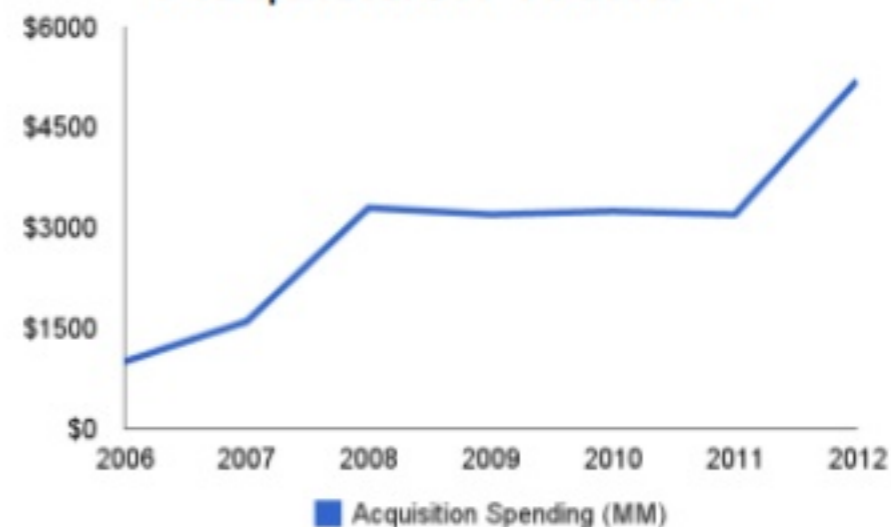
“Moving to buy vs. build”

*E&P Majors: BP, Chevron, Shell, Exxon, Total, Conoco Phillips

R&D Trends (1)



Acquisition Trend (2)



(1) Oilfield Service Providers: Schlumberger, Halliburton, Baker Hughes, Weatherford.

(2) Acquisition spending and R&D data collected from SEC filings of Schlumberger, Halliburton, Baker Hughes, National Oilwell Varco, FMC, Weatherford International, and Cameron. Acquisition spending data excludes individual acquisitions larger than \$1B in transaction value.

O&G LAGS IN TECHNOLOGY ADOPTION

A VIEW FROM 10 YEARS AGO

Average duration of each innovation phase by industry

Years

Consumer products
(US average)



Medicine



E&P industry
(15 techn. cases)



- Idea to prototype
- Prototype to field test
- Field test to commercial
- Commercial to 50% penetration

SOURCE: McKinsey analysis

INDUSTRY DEPENDENT ON TECHNOLOGY

Market Overview

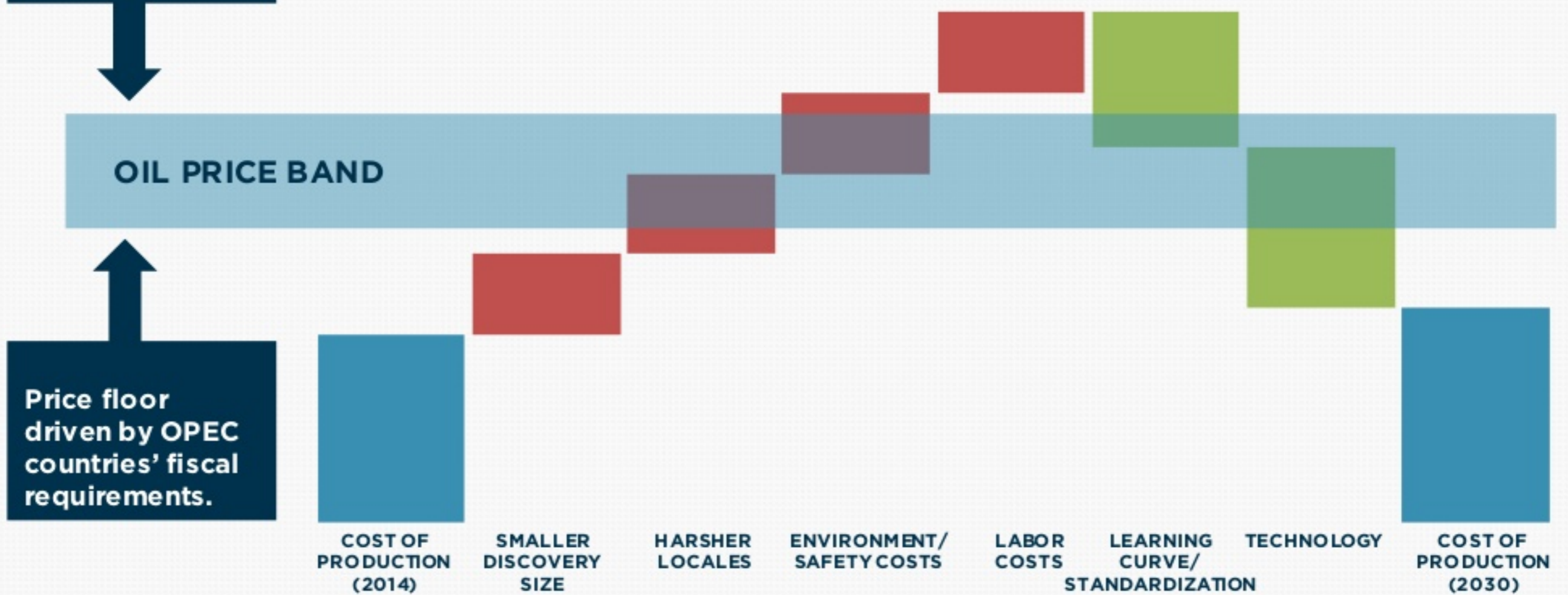
NEW INDUSTRY DYNAMICS REQUIRE COST CONTROL

Price ceiling driven by competition from natural gas, solar, etc.

"Return on capital for major oil companies has decreased by a third in the last decade even though the oil price has tripled in the same timeframe."

- Statoil's Helge Lund and AMEC's Samir Brikho*

CONCEPTUAL

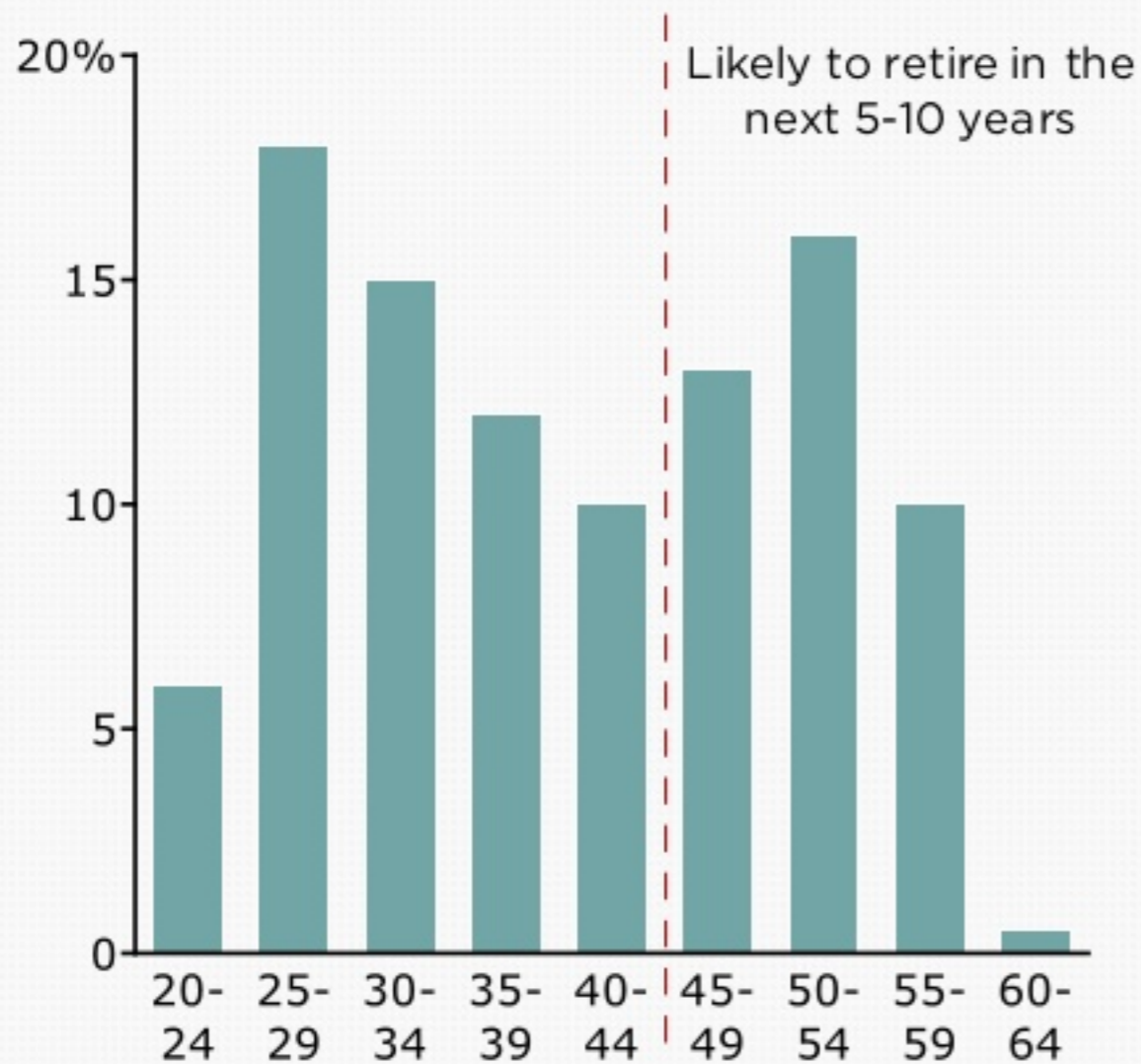


*Statoil's Helge Lund and Samir Brikho, head of UK-based services company AMEC, at the 21st World Petroleum Congress

RETIREMENT APPROACHING FOR LARGE COHORT OF MGMT

ROUGHLY 40% OF OIL & GAS EMPLOYEES WILL BE UP FOR RETIREMENT IN 5-10 YEARS

Share of Oil & Gas Workforce by age cohort



Sources: Schlumberger, McKinsey Insights, Industry press

WE EXPECT THIS TURNOVER ACCELERATE THE PACE OF INNOVATION

- A cohort of very traditional leaders will retire, putting decision making power in the hands of younger employees demanding technology solutions
- Current leadership will seek to mitigate talent and knowledge gaps through the transition with automation
- Higher prices for scarce talent will further drive cost efficient solutions

“SOFTWARE EATING THE WORLD”

OIL & GAS IS STARTING TO CLIMB THE DIGITAL INNOVATION LADDER

The oil and gas industry is predicted to spend over \$33 billion by 2022 on oilfield intelligence solutions to address key industry challenges such as managing labor shortages, maintaining license to operate, reducing capital expenditure, and increasing efficiency and production.

*Current oilfield intelligence solutions are expensive, dependent on communication technologies that can be antiquated and may soon be retired, and often include a software interface that can be difficult to use and are limited with regard to interoperability and scale.**

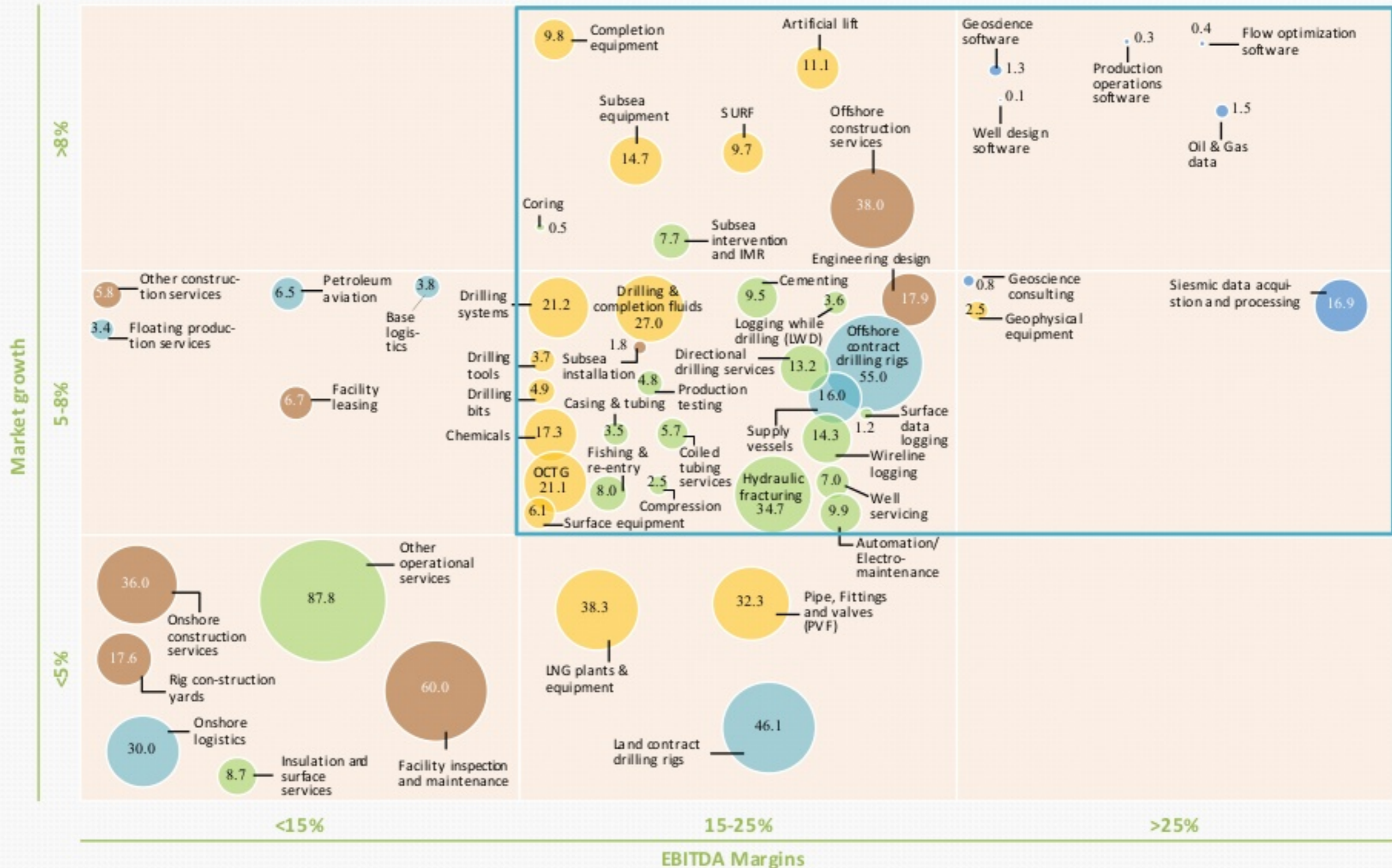
Example companies driving adoption of digital solutions in the energy space...



*SOURCE: WellAware Press Release 2014

DATA IS THE FASTEST GROWTH FOR O&G

INCLUDES IT, DATA, AND ANALYTICS

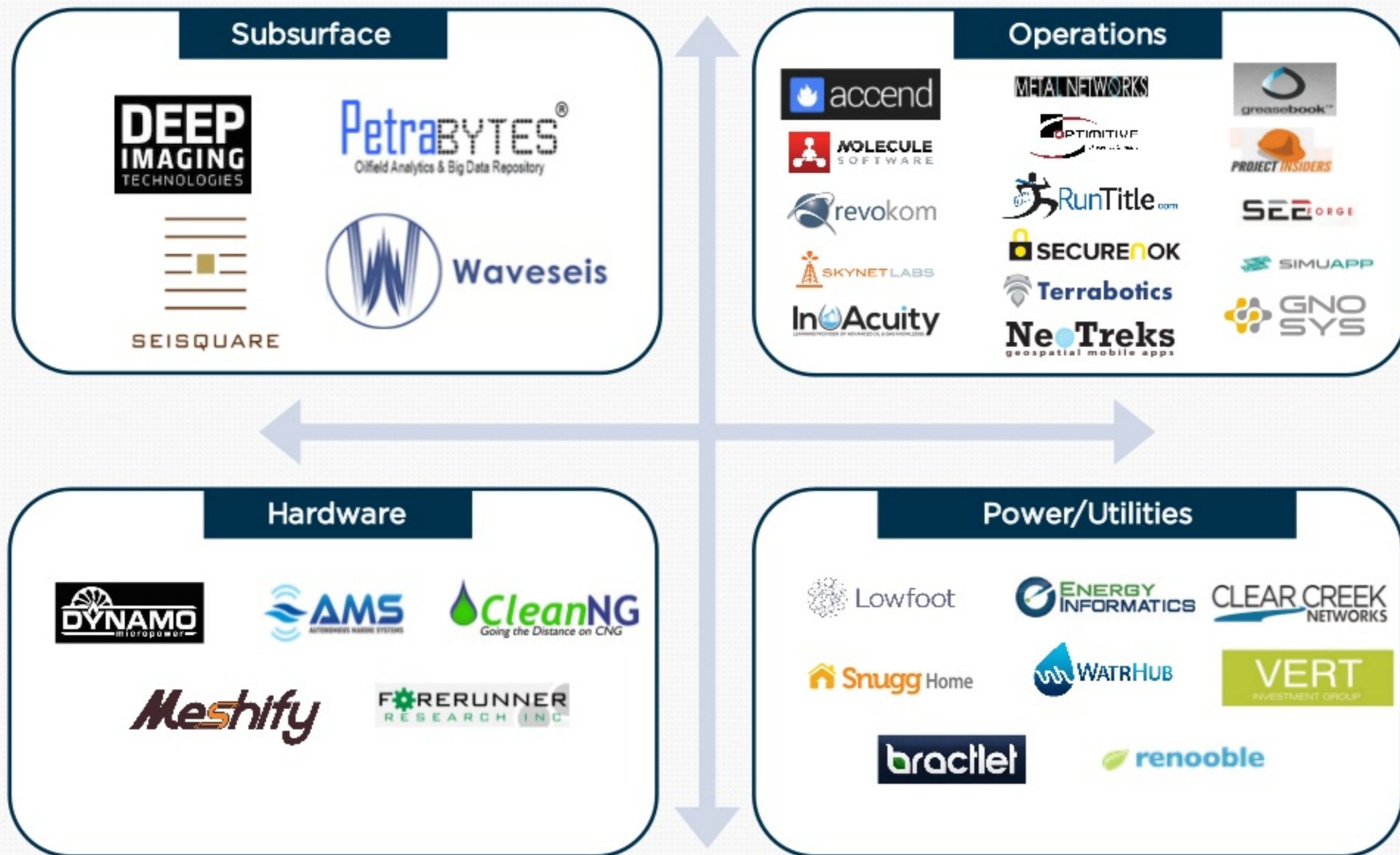


SOURCE: Rystad Energy; Spears & Associates; Barclays E&P; IHS Herold; McKinsey; Team analysis

ENERGY TECHNOLOGY INVESTMENTS

Investment Scope & Strategy

FOCUS ON SOFTWARE AND CAPITAL EFFICIENT HARDWARE



* Prospective SURGE IV companies included

KIRK COBURN



BACKGROUND:

- Founder of SURGE Accelerator
- Lead SURGE Investor
- 3X Successful Entrepreneur
- Led Pricing & Supply Chain at Dell
- MBA and BBA in finance and accounting from UT Austin.

RELEVANT EXPERIENCE:

- Houston native with entrepreneurship in his blood. Kirk's Grandfather ran West Texas oil fields during WWII, and Kirk's father founded/exited an Energy IT Services Firm sold to Carlyle Group
- Founded SURGE Accelerator and has led 34 investments during 2012-14
- Active Angel Investor in Energy Technology with 40+ investments
- Developed deep relationships with the technology investment community (Angels, VCs, Corporates)
- Founder and CEO of Chief Outsiders (acq. 2010), a Houston-based company with offices in Texas, Florida, Georgia, and New York
- Launched The PGA TOUR Network on Sirius XM (acq. by SIRI) with successful 12X Cash on Cash return in less than 4 years.

ROBERT REDFORD



BACKGROUND:

- Actor
- Entrepreneur
- Cool Dude
- Looks Similar to Partner on Left
- Other Cool Stuff

RELEVANT EXPERIENCE:

- Does it really matter?

LEADERSHIP ADVISORS

VIP

VIP
Director & Board
XXXXXXX

VIP

VIP
Board Member
XXXXXX

VIP

VIP
CEO
XXXXXX

TBA

TBA
Managing Director
Oil & Gas Private Equity

CORPORATE ADVISORS

VIP

VIP
Largest Company
in Energy

VIP

VIP
Largest Energy Operator

VIP

VIP
Large Customer

VIP

VIP
Large National Energy Co

VIP

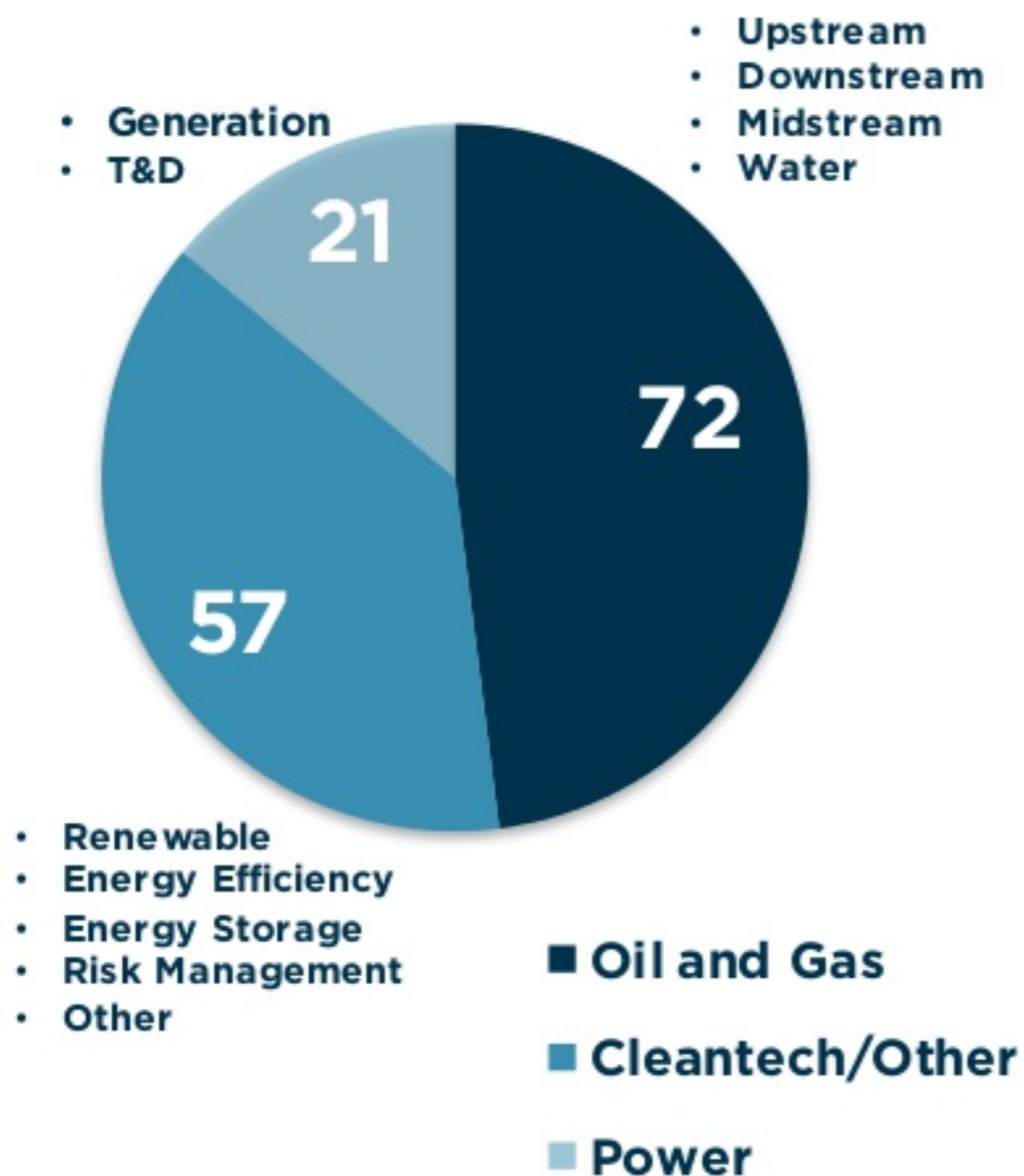
VIP
Large Oilfield Services

EXTENDED NETWORK OF MENTORS

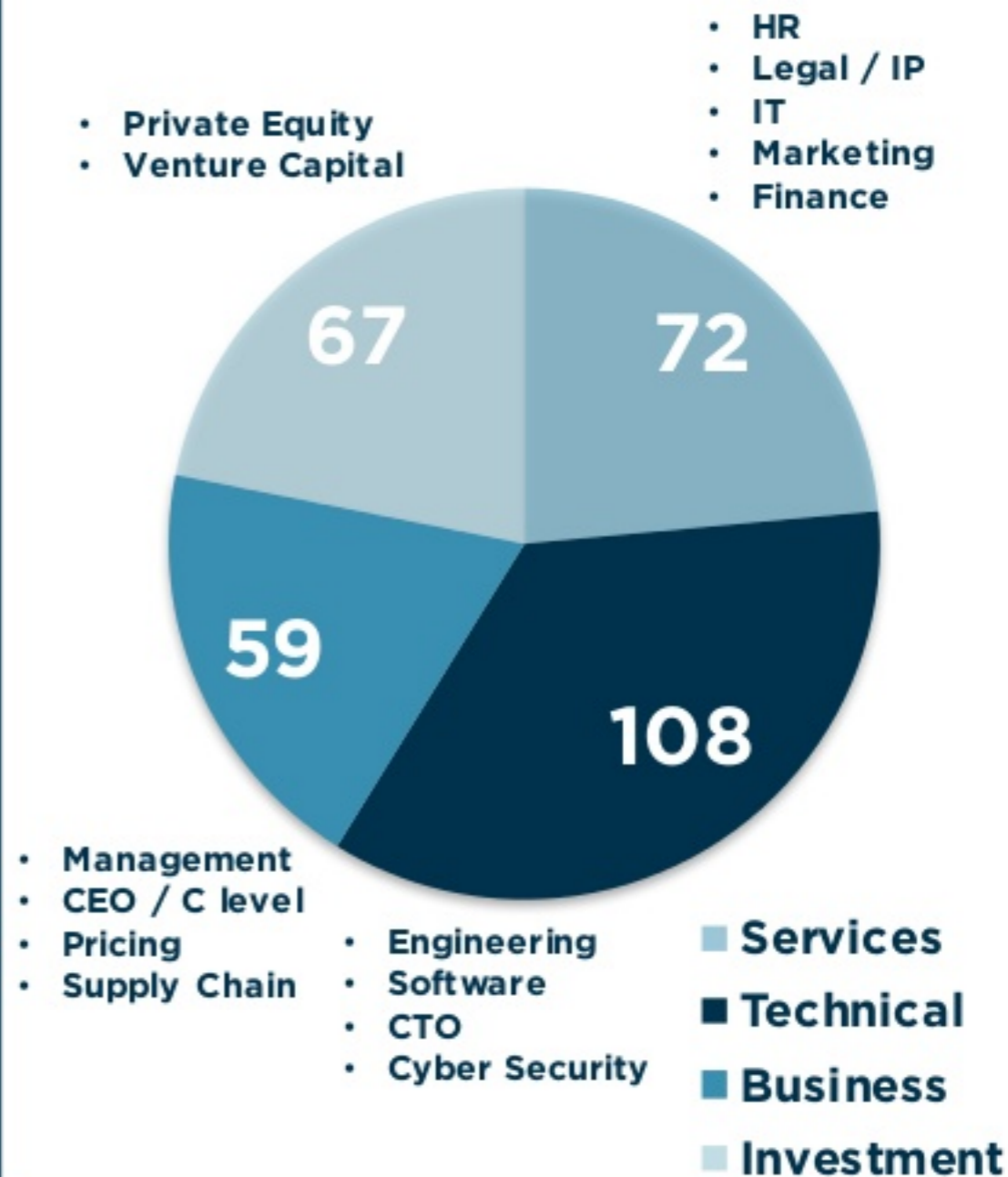
People & Partners

>200 EXPERTS VOLUNTEER FOR DUE DILIGENCE & BOARD ADVISORY

OF MENTORS BY SECTOR



OF MENTORS BY JOB FUNCTION



36 Entrepreneurs, 114 Executives

3 COMMITTEES PROVIDE STRATEGIC INPUT AND FUND GOVERNANCE

Provides strategic direction on portfolio, partnerships, and funding

CORPORATE ADVISORY BOARD



Provides critical input on individual investment decisions

INVESTMENT ADVISORY COMMITTEE

GENERAL PARTNERS
FAMILY OFFICES
PRIVATE EQUITY
OTHER ADVISORS
VENTURE CAPITAL
CORPORATE PARTNERS

Provides fund governance and resolves potential conflicts of interest

LP ADVISORY COMMITTEE

LIMITED PARTNERS
GENERAL PARTNERS

VC & PE / SYNDICATE RELATIONSHIPS

People & Partners


EXPANSIVE NETWORK OF FOLLOW-ON CAPITAL PARTNERS

SURGE continues to build out a vast network of capital providers and strategic partners suitable for Series A-B co-investments and later stage funding.

SERIES A



Firm	Per Round or Company Investment Size
 trailblazer capital	\$0.5 - \$5mm
 Mercury Fund	\$0.1 - \$4mm
 ROCKPORT CAPITAL	\$0.5 - \$25mm
 VIKING VENTURE	\$10 - \$20mm
 HOUSTON VENTURES	\$0.5 - \$10mm
 CHRYSALIX ENERGY VENTURE CAPITAL	\$2 - \$15mm





SERIES B

Firm	Per Round or Company Investment Size
 Altira	\$5 - \$30mm
 energy ventures	\$5 - \$50mm

Corporate VC's and Strategic Capital





PRIVATE EQUITY

Firm	Per Round or Company Investment Size
 LIME ROCK PARTNERS	\$50 - \$150mm
 GENERAL ATLANTIC	\$75 - \$400mm

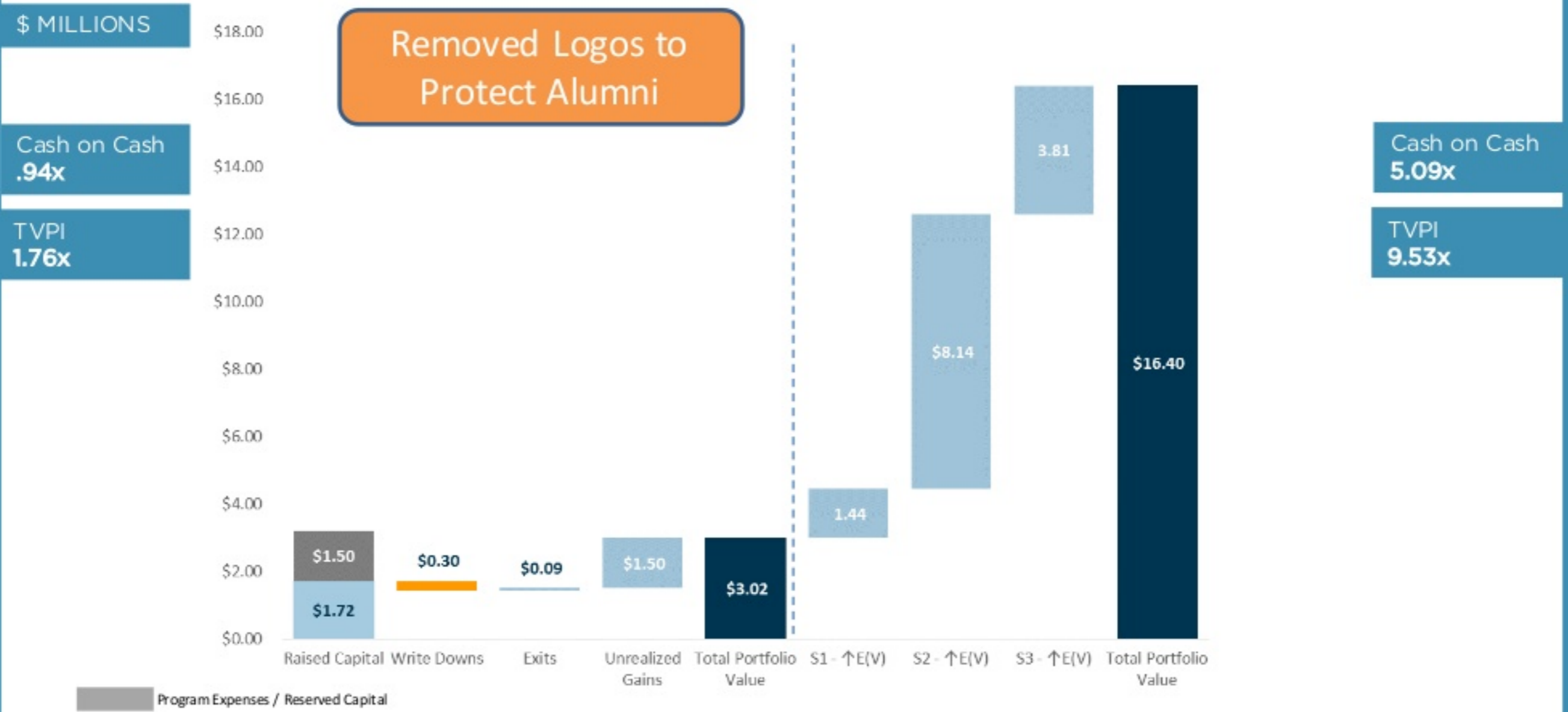
TRACK RECORD

Track Record

Vintage Years 2012, 2013, 2014

Actual Performance at 12/31/2014

On Track for 5x Return by 2020



CASE STUDY – Molecule Software (SURGE 1)



A SaaS Cloud based ETRM (Energy and Trading Risk Management) solution that replaces the existing inflexible legacy software with long and costly installation and integration costs

Molecule in 2011

Molecule founders had a simple “idea” that incumbent ETRM solutions are archaic.

A SURGE mentor referred Molecule to SURGE as a potential investment

SURGE was impressed by the depth of founders’ hands-on knowledge in this space compared to other startups in this space

ETRM industry is a \$1B market. 4 players own 2/3 of the market. None provide SaaS solutions

Dynamic acquisition market

- PE buys Triple point (\$900M)
- Brady buys Viz Risk (\$15M)
- Eka buys EnCompass (\$20M)
- OpenLink buys SolArc (\$150M)



Molecule + SURGE in 2015

Keeping this Data Private to Protect the Innocent

CASE STUDY – Meshify (SURGE 2)



The IOT for Oilfield Services. Integrated hardware and software company that connects distributed assets (oilfield equipment and other devices) to key distributed decision makers on any device in any location.

Meshify in 2012

Meshify provided home automation equipment focused on energy efficiency.

The SURGE team met the two founders at a Houston entrepreneurship networking event.

SURGE was impressed with the team's NOV background and technical knowledge of the hardware & software stack in IOT.

50 Billion devices are expected to come online over next 10 years. There was no clear player focused in Oil & Gas (largest asset base for IOT).

Acquisition Market very strong:

- Controls Company = 10x Revenue
- M2M Ecosystem = 15x Revenue
- Vertical Market = 8x Revenue
- Strategic Acquisition = 25x Revenue



Meshify + SURGE by 2018

Keeping this Data Private to Protect the Innocent

CASE STUDY - SEE Forge (SURGE 3)



Collect, automate and visualize field-based paperwork to improve profits. A complete mobile cloud-based solution to automate all field based paperwork by using a simple FatFinger™ app.

SEE Forge in 2013

SEE Forge was founded in 2012 in Perth, Australia.

Won 2nd place for best mobile technology in Australia judged by ZAPP Awards in February 2013.

Founder initially moved to California to meet investors, but customer inquiries were coming from Houston.

Company was referred to SURGE by investors and energy entrepreneurs and arrived with a beta product in place.

SEE Forge was the poster child for data capture and crew change solutions. Company secured \$1M financing round in the first week of the SURGE Venture program.

SEE Forge+ SURGE in 2015

Keeping this Data Private to Protect the Innocent

CASE STUDY – Guard 1 (SURGE 4)



Turning a security staffing company to a technology provider at the oilfield gate guard

Guard 1 in 2014

Guard 1 provides manned security services at the gate guards

#2 Player in the market

Recently developed an App that runs on Guard 1 iPads and enables digital data capture and remote and instantaneous access to the information

The value add from the data opens a few tangible applications:

- Reduction of billings when compared with actual delivery of services at the gate
- Reduction of waiting times/fees for the trucks at the gate
- Improved safety and security by recording who is in the field



Guard 1 + SURGE by 2018

Keeping this Data Private to Protect the Innocent

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