



Evaluating Aquaculture Investment Opportunities

Presented by

Clifford R Morris — President
Industrial Blue Inc.

"IF IT'S NOT GOOD ENOUGH FOR MY FAMILY, IT'S NOT GOOD ENOUGH FOR YOURS."

- Clifford Morris, Founder & CEO



Florida Organic Aquaculture, LLC Overview

Currently the largest land-based recirculating aquaculture facility in the World

FOA intends to emerge as a leader to the currently fragmented aquaculture industry

Committed to guiding scientific industry advancements

Develop South Florida as the “silicone valley” of aquaculture



Why Aquaculture?

- **FOA is focused on global resource scarcity**
 - Growth in the global middle class will lead to an increase in demand for food
 - Aquaculture represents an efficient and necessary source of high quality protein
 - When properly implemented, aquaculture addresses key concerns over food safety, environmental responsibility, and facilitates traceability of the food supply chain
- **Aquaculture, as a newer and lesser understood industry is a relatively uncrowded sector for private & institutional capital**
 - New industry provides risks but also opportunities
 - Sub-sectors are often fragmented and provide opportunities for consolidation
 - Many sellers are unsophisticated and/or can benefit from partnering with institutional capital and/or capital that brings management expertise



Aquaculture Sector Targets

- **Aquaculture Production Platforms**

- Develop best-in-class shrimp facilities with sustainable practices
- Acquire distressed or poorly managed aquaculture facilities and convert them to sustainable and efficient farms via improved technologies and management
- Value creation through shared distribution, branding, and real estate

- **Aquaculture Technology**

- Acquire and develop innovative technologies providing solutions for key aquaculture, energy, and water challenges
- Immediate value-add to innovation
- Significant Opportunities to license aquaculture technologies globally or develop and commercialize as stand-alone products

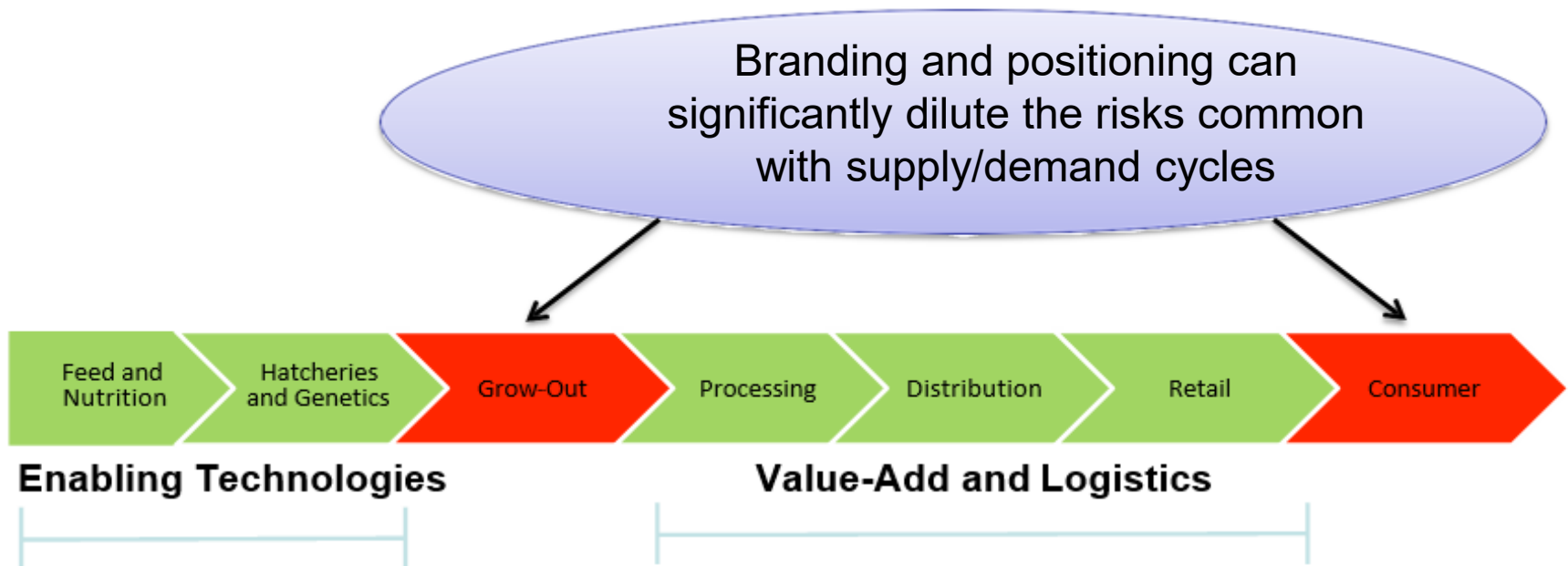
- **Opportunities Throughout the Value Chain**

- Acquire logistics, packaging, feed, food safety and traceability companies
- These companies stand to benefit from the rapid growth trends in aquaculture production
- These opportunities also provide immediate operating synergies with aquaculture production platforms



Value Chain Analysis

- FOA has evaluated opportunities in every segment of the value chain, and finds opportunities outside of the supply / demand cycles of commodity markets particularly attractive



Grow-Out

- **Production (farming) has real risks which cannot be overlooked**
 - Most industries have commodity driven supply / demand cyclicalities
 - Disease risk
 - Production / operational risk
- **But in some circumstances farms can provide a great upside by providing a differentiated product such as Florida Organic Aquaculture LLC**

BRANDING

Building a common brand around a sustainable product can achieve premium pricing

DISTRIBUTION

When paired with a strong distribution network, increased control over brand and increased reliability for retailers / wholesalers

REAL ESTATE

Potential synergies from growing multiple species at the same facility; Asset value of real estate also provides downside protection to investors



Processing / Distribution

- **Processing and Distribution stand to benefit from increased consumer demand and the resulting uplift in quantities of production**
- **While processing and distribution are typically low-margin businesses, opportunities to introduce innovation to improve logistics are significant**
 - Potential to generate significant cost savings
 - Improved logistics means greater flexibility in production facility geography, allowing farms to take advantage of optimal climates



Key Factors for Private Equity

- **Aquaculture is a new industry, constantly developing and maturing**
 - Presents great opportunity for new ideas and innovations, but also risk of being left behind
- **Supply / demand cycles cause fluctuations in market pricing**
 - Opportunity to develop products outside of typical commodity cycles through sustainability, quality, and branding
- **Less institutional capital than many industries**
 - Less competition from financial sponsors for attractive opportunities
 - Fragmented sectors ready for consolidation
 - Fewer operators with financial sophistication means fewer potential partners for a financial sponsor
- **Transparency**
 - Lack of transparency and tracking requires active management approach – not right for some private equity



Current Status of Aquaculture

- **Small industry**

- Aquaculture is a small industry with some hesitation toward non-industry operators, generally we've been well accepted and benefitted from a smart group of individuals who realize the bigger opportunity in aquaculture

- **Transactionally difficult**

- Because historically little institutional capital has been deployed in the sector, many sellers are not used to the typical rigors of the private equity due diligence process – it can help their business in the long-run, but also be seen as too invasive

- **Significant opportunity**

- Many operations would greatly benefit from an institutional partner
- The time is now to leverage capital and resources to preempt the significant growth yet to come in the industry



Florida Organic Aquaculture Strategy

- **Ability to layer innovations to generate upside**
 - Innovation through genetics, logistics, and biology can be transformative
 - Without ones own platform for operations, gaining customer adoption of innovation can be difficult – significant disincentive for third parties to be a “guinea pig” with new technologies
 - Aquaculture will have to innovate as it grows and we are at the beginning of a tremendous innovation cycle
- **Platforms are important**
 - Stable underlying businesses with opportunities for expansion through capital deployment or strategic relationships are attractive
- **Management is essential**
 - Financial sponsors are not industry experts – without a strong partnership with a capable management team value creation is impossible.



The Aquaculture Opportunity

- **Shift to sustainable aquaculture is inevitable**
 - Major shift by US retailers just beginning – commitment to sustainable food production will be a significant reality over the next five years
- **Aquaculture market is massive**
 - Depending on measurements, aquaculture represents ~\$80-100 billion market today and will continue to grow at 5-10% annually
- **Innovation will be essential, but the successful investors will not take binary risks related to technology**
 - Industry trends favor investors so technology should be used to leverage upside, not as the only driver of upside
- **Investors with patience and discipline will be rewarded**



The Company

Founders recognized need for sustainable seafood production within the U.S.; 2008

Acquired land & administrative facilities; Jan 2013

Groundbreaking & Initial Sales began in April of 2014



Sustainability – Our Core Value

Sustainable Construction & Design

Production Buildings constructed of renewable timber

Pole Barn structure means rapid construction to reduce CO2 emissions

Shell Rock floor utilizes natural materials, reduces human impact on land

Site Environment

1st phase of landscaping program includes 1400 trees planted on barren agricultural site.

Community Benefit

Provided clean, affordable natural gas pipeline for the 5000 residents and businesses of the local community.



Sustainability – Our Core Value

Land based aquaculture promotes healthy ecosystem instead of harmful environmental impact of traditional aquaculture

Recirculating Aquaculture System recycles water to eliminate discharge

Biofloc & algae reduce dependence on traditional feed

Efficient Systems lower electricity consumption

- Variable Speed Pumps

- Ultra High-Efficient LED lights

- Utilize “skylights” to retain light & heat

- Soy-based Insulation allows year-round production

Deep Well reducing water heating requirements



Triple Bottom Line Policy

Profits – People – Planet
Stakeholder Driven Value Creation

Economic Value

Capital Efficiency, Share Risk, Economic Development, Increased Innovation Capacity, Marketplace Primed for Innovation Diffusion

Community Value

Job Creation, Knowledge-Diffusion, Improved Infrastructure, Increased Collaboration Capacity, Long-Term Community Value Enhancement

Environmental Value

Resource Efficiency, New Solutions, Closed-Loop Collaborations, Optimized and Integrated System



Recirculating Aquaculture System

Extensive Water Quality Monitoring

Water Quality is monitored 24 hours a day, 7 days per week

New water in Raceways is circulated and monitored

Efficient Aeration systems ensure water quality remains pure

Biofloc is integral to the non-discharge, circulating water system

Convert excess nutrients to proteins – natural feed supplement

NO harmful impact to surrounding environment

Optimizes water use to reduce overall consumption

On-Site Biosecurity protects against outside contaminants

Strict protocols segregate technicians to designated growth areas

Risk is further mitigated by the creation of smaller raceways within the building

Highly efficient systems reduce overall electrical usage



Production Building Stats

Footprint – 150' x 1200' x 14' avg. Height

Internal volume – 2,500,000 cubic feet

Water in raceways – 4,500,000 gals

Internal sidewalks – 1 mile

Shrimp stocking – per raceway: 500,000 post larvae

– per barn: 10,000,000

– per barn per year: 30,000,000

Water pumps per building – 80

Oxygen nozzles per building – 1,040

Current production – 800,000 lbs anticipated in 2016 from 2 buildings

Projected production – 7,000,000 lbs anticipated in 2020 from 8 buildings



Shrimp Production Cycle

Certified Specific Pathogen Free (SPF) broodstock
Baby shrimp are produced on-site in our Hatchery facility
Grow in Larval Rearing Tanks (LRT's) for about 30 days
Feed Room grows supplemental algae and food sources on-site

Post-Larval Shrimp (PL's) are transitioned to adjacent Nursery

PL's remain in the Nursery for approximately 1 month
to maximize growth rate utilizing proprietary feed formulas
Ensures healthy, well-fed shrimp transition to larger raceways

At 1 gram, shrimp are transitioned to Full-Size Raceways
in a Production Building. Stocking of raceways are staggered to provide
a consistent year round supply.



Harvesting

After 120 days in our full size raceways, our shrimp are ready to be harvested. Count of 16 – 25 HL/SO per lb

Smooth, stress-free process utilizes pumps & de-watering equipment

Water from Raceways is recycled within the system

Solids are continuously removed & repurposed as fertilizer

Future plans include:

Salt-tolerant Crop Fields

Full Water Recycling Center – crop saltwater filtered & sterilized for reuse in raceways



Processing & Packaging

After harvesting, shrimp are immediately submerged in an ice-slush mixture to establish food-safe temperatures as quickly as possible

Immediately transported in ice-slush the short distance to Processing

Processed & cleaned using Ozonated Water

Simple Vitamin-C wash results in exceptional visual quality & shelf life of approximately 1 week

FOA's shrimp are packaged & available for delivery within 48 hours of Harvesting

Packaged shrimp are held just above flesh freezing point to ensure they remain fresh & flavorful



Feed Sources

Feed Sourced from trusted domestic suppliers:

Zeigler Brothers

Cargill Feed

Strive to maintain one of the best Food Conversion Ratios in the industry

Biofloc and algae grown on-site act as additional food supplements

Committed to sourcing sustainable feed

Follow industry developments as new protein sources become available

**Currently completing on-site feed trial between leading brands
to determine most effective food source for growth rate and taste**



Product Highlights

Pacific White Shrimp – “Penaeus vannamei”



- ✓ Delicious light, nutty, slightly buttery flavor
- ✓ NO harmful chemicals or pharmaceuticals
- ✓ Available FRESH or frozen



Fresh From Florida

- ✓ *Best Aquaculture Practices* Certified by FL Dept. of Ag.
- ✓ “Fresh from Florida” & “Made in the USA” designations



“Best Choice Rated” by:

- ✓ Seafood Watch, Ocean Wise, Sea Choice



Heart Healthy

- ✓ Meet AMA “Heart Check Mark” certification requirements



FOA Completed to Date

Fellsmere Site

Production Facilities #1 & #2 – ¼ mile long building covers 4.2 acres

Deep Well – Provides pristine warm, saline water

On-site Infrastructure – Roads, Electrical, Storm Water & Flood, Freshwater, Sewage

On-Site Support Buildings – Labs, Offices, Workshops



FOA Completed to Date Fellsmere Site

On-Site Hatchery, Nursery & Feed Building to support multiple additional Production Facilities



Operational Fresh Packing & Processing Plant



Expansion & Future Production Fellsmere Site

2nd Production Building was completed in Q1 2016.



Facilities to be built on site include:
6 Additional Production Buildings
Full-Size Processing Facility
Florida Aquaculture Academy Campus
Water Recycling Center



Salicornia (Sea Asparagus)

Faint salty taste and crunchy texture, quickly becoming a featured flavor in dishes around the world.

Also goes by sea bean, sea asparagus, samphire, sea pickle, and glasswort.

Stalks are rich in Vitamins A, C, B2, and B15. Very low in calorie content and contains virtually no fat or cholesterol.

FOA plans to use excess, nutrient rich raceway water to grow Salicornia.



Executive Management Team



Clifford Morris, CEO: A lifelong entrepreneur, Mr. Morris has over 30 years of experience in private wealth management. He has spearheaded numerous business ventures throughout America, Europe, and his homeland, South Africa. Mr. Morris' unique entrepreneurial success, vast financial planning experience, and family-oriented principals have served as the foundation for FOA.



Les Knoesen, Executive VP: Originally from Durban, South Africa, Mr. Knoesen is a civil engineer by trade with a vast amount of experience in the construction world. Mr. Knoesen has owned his own construction/engineering company in South Africa as well as being a former Director of Grinaker Construction group, one of the largest construction companies in Africa.



Distinguished Advisory Team

Tzachi M. Samocha, PhD: Former Professor at the Texas Agricultural Experiment Station and Texas A&M University. Conducted shrimp culture experiments to develop new concepts in intensive nursery and grow out techniques under bio secure and limited discharge conditions. He is a leader in aquaculture technology transfer from academia to commercial producers.

Megan Davis, Ph.D. - Center Director, Harbor Branch, Florida Atlantic University: Megan Davis has been working in aquaculture and marine science for 30 years. Her interests are to develop aquaculture species for food, stock enhancement and to ease fishing pressure on wild stocks.

Paul Wills, Ph.D. - Associate Research Professor, Harbor Branch: Dr. Wills' research interests include Aquaculture of finfish for food and stock enhancement. Development of new fish species for aquaculture.

Susan Laramore, Ph.D. - Assistant Research Professor, Harbor Branch: Dr. Laramore's primary research area is aquatic diseases of aquacultured species, with an emphasis on viral diseases of crustaceans and parasitic diseases of bivalves.



Thank You

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