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Fund Roots for Plant-Based Foods

INVESTMENT: Powerplant aims to harvest healthy revenue.

By **CAROLINE ANDERSON** Staff Reporter

When L.A. vegetarian restaurant chain **Veggie Grill** raised \$22 million in October, money it plans to use to double in size, it turned to some familiar faces who had formed a new venture capital fund.

Powerplant Ventures, which has raised \$42 million for its first fund, is devoted to plant-based food companies. Its principals include Veggie Grill co-founders **Kevin Boylan** and **T.K. Pillan**; **Mark Rampolla**, founder of **Zico Coconut Water**; and **Dan Beldy**, former managing director of **Walt Disney Co.**'s \$660 million **Steamboat Ventures** venture capital fund.

The goal of Powerplant, which closed its fund

in August, is to make money while doing good and taking care of the Earth, said Rampolla.

"Our mission is to make an impact on the food system but generate excellent returns," he said. "We believe the best way to make money is to make a positive impact, and we aim to prove it."

Powerplant has invested in **Hampton Creek**, a San Francisco producer of plant-based mayonnaise, and **Marina del Rey** online marketplace **Thrive Markets**, which is trying to make the type of products sold in **Whole Foods** available to neighborhoods where they otherwise are not.

Although other funds have some overlap with Powerplant, such as those dedicated to consumer



Rampolla

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Retailers Sold On Boulevard?

REAL ESTATE: Coffee store may stoke heat for Robertson.

By **DAINA BETH SOLOMON** Staff Reporter

Blue Bottle Coffee Co. is set to sign a 10-year lease on Robertson Boulevard, and the street's boosters feel bullish that the gourmet roaster will perk up the long-struggling retail strip between Beverly Boulevard and Third Street.

Two other restaurants, a bar, and gym could soon follow Blue Bottle's lead, said **Jay Luchs**, executive vice president at **Newmark Grubb**

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100 [Fastest Growing Private Companies 2016]

Out of the Box



Family Run: Eric, left, and Jeff Berkley at their eponymous company in Carson.

RINGO H.W. CHIU/LABJ

By **SUBRINA HUDSON** Staff Reporter

ERIC Berkley remembers sitting at home with his father, **Jeff**, cold calling companies for six months trying to land new business.

The pair launched their eponymous Carson manufacturing firm, **Berkley**, four years ago, but

they lacked warehouse space, and, perhaps most importantly, clients.

Starting the business from scratch was a brutal process, Eric Berkley recalled.

"Someone would say, 'Awesome, send me a marketing deck,'" he said. "And I hung up the phone and said, 'Dad, we don't have a marketing deck.' So, I spent the rest of the day creating a

marketing deck. It was learn as you go."

The firm's resourcefulness, coupled with its merchandising knowledge, has paid off handsomely as it snagged the top spot on the Business Journal's list of Fastest Growing Private Companies this year. Berkley's revenue has

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The only source of knowledge is experience.

— Albert Einstein

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Investment: Fund Sows Plant-Based Food Projects

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packaged goods or lifestyles of health and sustainability, it appears to be unique in its approach.

“It’s the first plant-based fund I’ve ever heard of,” said **Jim Andelman**, managing partner of **Rincon Venture Partners**, a venture capital firm specializing in business-to-business internet software in California who knows the co-founders. “It might hold that title for some time.”

Its narrow focus will most likely be a plus, but there are potential risks, said Andelman.

“It’s a great opportunity because not a lot of people are doing it,” he said. “It’s also a challenge because not a lot of people are doing it.”

Shared focus

After Zico was acquired by **Coca-Cola Co.** in 2013, Rampolla was looking for something to do.

“I began to do some angel investing in better-for-you food,” he said. “I thought it would be a place holder until I started my next business, but I realized I really liked the investing side of things.”

Rampolla knew Pillan and Boylan from his personal investment in Veggie Grill. Beldy, who left Steamboat in 2011, wanted to move beyond tech and so reached out to Pillan and Boylan.

The group started the fund last year. It has recruited about 20 other individual investors and family offices who are providing the bulk of the money while the co-founders are taking a management fee to cover the cost of operations, according to Rampolla. All future investments made by the co-founders in the space will be to the fund, although they are keeping personal investments that predated the fund.

Diversity

While some may see a narrow focus, Rampolla said the possibilities are endless.

“We have a \$7 trillion global food system,” he said. “More than half of the calories consumed by humans are plant-based. Guess what else consumes more than half its calories from plants? Animals.”

Powerplant’s investment in South San Francisco’s **TerraVia Holdings Inc.**, which makes food ingredients out of algae, sees potential in salmon feed.

“The opportunity to replace a huge amount of the food chain from algae-based food – that alone is a billion-dollar opportunity for TerraVia,” Rampolla said.

Peter Cowen, managing partner of boutique investment firm **Sutton Capital Partners** in Sherman Oaks and an adviser at **UCLA’s Anderson School of Management**,



RINGO H.W. CHIU/LABJ

Fed by Fund: Powerplant Ventures helped raise \$22 million in October for Veggie Grill, which has a location in Hollywood.

said the size of the food industry made the fund’s focus less of a problem.

“The reason I think diversifying is not an issue is that food is a staple in the world,” he said. “The likelihood that it goes out of favor is relatively low.”

Rampolla said that although Series A investments were their sweet spot, they were open to companies in other stages. And while the fund was established with a 10-year investment horizon, the partners are in it for the long haul.

“For the four of us, this is a life commitment,” he said. “We all believe we’ll spend the rest of our lives doing this.”

Cowen said given the stage at which they are investing, he expects Powerplant’s investments will last five to 10 years and probably range from \$250,000 to \$3 million a deal.

Rampolla said they plan to put no more than 10 percent of the fund in any one company and were looking for an annual return of more than 20 percent.

The firm’s tight focus, along with the experience of its co-founders in the space, could be a big strength.

“Because they’re really small they have the chance to stand out in the space and they have the credibility to do it,” said Cowen.

Small but mighty

The breadth of the co-founders’ backgrounds in business and plant-based foods is another benefit for the fund and for its companies, said Rincon’s Andelman.

“Veggie Grill and Zico are both plant-based operations, but they’re very different,” he said. “One is a branded product sold through a distributor. The other is a brick-and-mortar destination that is direct to consumer.”

Beldy has the experience managing a fund, which is different from raising capital for one, Andelman said.

“The fact that Dan has done it a long time complements the skill set of the other operators,” he said.

To vet a company, Powerplant looks at the people who started it, Rampolla said.

“As founders, we know that founder-led companies win and are more successful than takeovers,” said Rampolla.

Powerplant will have to stave off competition from large, legacy companies that are starting their own venture capital arms and investing in startups, said **Scott Lenet**, founder and president of venture capital managing firm **Touchdown Ventures** and an adjunct professor at **USC’s Marshall School of Business**.

“Large corporations are working with and alongside startups, as opposed to startups coming and taking their money away,” said Lenet, who is working with the **Kellogg Co.** on **Eighteen94 Capital**, a venture capital fund devoted to food-based startups that the company announced in June.

Besides the general riskiness of startups, the science behind some of Powerplant’s portfolio companies can be unpredictable, said Andelman.

They’ve already conquered the challenge of being a first-time fund. Two years ago, he said there were 140 such raises. This year, there have been 31.

“It’s no small feat that this team accomplished,” he said. “The fact that they did raise shows the merits of a tight focus.”

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