

# ROYAL CARIDEA, LLC EXECUTIVE SUMMARY

July 15, 2019



93% of the shrimp consumed in the US each year is imported. Over 3.3MM pounds every day of the year. All of it frozen. Americans have little to no access to fresh, never-frozen or live shrimp. The same is true in Europe, China, Japan, and every other country with an expanding middle class.

Consumer needs today are met largely by farms in Thailand, Ecuador, India, China, and Vietnam. Together, these production regions account for 4.6B lbs. of shrimp, representing almost 42 percent of global production – all have high chances of supply chain disruption and significant sustainability concerns. The overall trend of shrimp farming is towards more efficient and cleaner production, but significant challenges remain in the dominant, small-scale portion of the sector. Most of the smaller, often family-run operations in Asia are continued sources of concern, principally due to wastewater discharge and antibiotics overuse that lead to increased risk of widespread disease outbreaks. **Cleaner and more efficient farming requires capital investments and technical training, which is not broadly accessible. Farms are subject to the vagaries of weather and plagued by disease, excessive land abuse and poor labor practices.**

Demand for shrimp continues to rise fueled by a growing population of consumers, seeking high quality protein. Year-over-year, shrimp consumption is growing by about 20%. Consumers “accept” frozen shrimp but are constantly in search of a locally grown fresh product because of illegal, unreported, and unregulated seafood from entering U.S. commerce that may or may not be contaminated with microbial pathogens. Wild fisheries cannot meet the demand and current farming practices cannot meet demand for fresh, never-frozen or live shrimp. **There is a clear opportunity for a market entrant that can produce locally grown, high quality shrimp in quantity through sustainable, responsible methods, available to the market daily. Royal Caridea (Royal) was formed to take advantage of that opportunity.**

Our patent-pending production method is innovative, sustainable and, most importantly, supports raising shrimp close to the consumer that is free of antibiotics and toxic chemicals and is harvested under sanitary conditions. Local farming enables the delivery of live and fresh, never-frozen shrimp, thereby meeting high-end underserved markets. Employing a proprietary enclosed raceway-based system is the key to this innovation. Shrimp “colonies” are raised in independent, enclosed environmentally controlled raceways or troughs, thus reducing water, land, and feed while eliminating disease. **Our system effectively converts shrimp farming from a batch-oriented process with periodic harvests to a continuous environmentally friendly process permitting daily harvests year-round. When the customer demands shrimp Royal will deliver.**

Initial taste tests have confirmed the quality and desirability of Royal-raised shrimp. Our proprietary production methods have been validated and refined in pilot plant operations and an industry-experienced team has been assembled. We are ready to embark on a six-year plan to build two US-based plants. Together, the two plus plants will annually produce over 2,700,000 pounds of US-grown shrimp close to local consumer markets, generating over \$40,000,000 of annual revenue with an estimated EBITDA approaching \$25,000,000. Today, we are raising \$5,000,000 to support the development and initial operation of our ponds and first plant.

**The following points further detail our goals, status, and plans.**

<b>OUR GOAL</b>	<ul style="list-style-type: none"> <li>• Develop and market a premium live and fresh never frozen brand of farm-raised shrimp</li> </ul>
<b>SUMMARY PLAN</b>	<ul style="list-style-type: none"> <li>• Launch a premium brand of shrimp grown in Company-owned plants built close to key markets</li> <li>• Initially focus on the US but eventually address the worldwide opportunity</li> <li>• Address existing, growing demand for tasty, healthy, responsibly grown shrimp as well as the unmet market for live and fresh/never-frozen shrimp</li> <li>• Begin with a small production-scale plant followed by five full-scale plants</li> <li>• Take advantage of existing retail and wholesale distribution channels</li> </ul>
<b>US MARKET</b>	<ul style="list-style-type: none"> <li>• The US imports over 605,000 metric tons of shrimp/year (2017)</li> <li>• Imports account for about 93% of shrimp consumed in the US</li> <li>• Monthly imports grew 20.5% from January 2016 to January 2017</li> <li>• Imports cannot meet market demands for live and fresh, never-frozen shrimp</li> </ul>
<b>WORLDWIDE MARKETS</b>	<ul style="list-style-type: none"> <li>• Other leading importing regions include: China – over 1,600,000 metric tons/year Japan – over 225,000 metric tons/year EU – over 600,000 metric tons/year</li> </ul>
<b>MARKET DRIVERS</b>	<ul style="list-style-type: none"> <li>• Consumer demand for healthy protein by shifting from other animal-based proteins</li> <li>• Perception of seafood, shrimp, as healthy</li> <li>• Increasing affluence and access to seafood</li> <li>• Growing populations</li> <li>• Cultural and cuisine-oriented demand, such as Asian demand for live shrimp</li> <li>• Consumer interest in how food is produced sustainable, environmentally friendly and traceable to its origins</li> </ul>
<b>EXISTING INDUSTRY ISSUES</b>	<ul style="list-style-type: none"> <li>• Current production methods are outdated. They facilitate disease (the #1 threat), and restrict best practices by being batch-orientated, and limited by weather, other environmental interruptions, high shrimp mortality with unpredictable yields and an inability to serve live and never-frozen markets</li> <li>• Cultural issues include pollution, poor land use, labor abuse, questionable business practices</li> </ul>

<p><b>OUR CONCEPT</b></p>	<ul style="list-style-type: none"> <li>• Our solution addresses all the industry issues and is commercially viable and sustainable</li> <li>• Leverages many of the same techniques used to convert vegetable farming from a land-intensive, unpredictable industry to one employing high-intensity, indoor-vertical farming techniques that led to reduced land and water needs, better disease management and year-round production</li> <li>• Shrimp grown indoors in a controlled environment designed to optimize shrimp growth and health</li> <li>• Shrimp are raised in a series of raceways, or troughs, housed in customized shipping containers</li> <li>• Raceways and containers promote rapid shrimp development (four months to market) while isolating the operation from weather, disease and other operational issues</li> <li>• Shrimp can be raised and harvested in a predictable manner year-round</li> </ul>
<p><b>THE FARMING PROCESS</b></p>	<ul style="list-style-type: none"> <li>• Royal Caridea's innovation is Generation 2 Raceway Farming</li> <li>• Raceway farming was first introduced by Texas A&amp;M University researchers in conjunction with Royal Caridea founders</li> <li>• Pre-larval shrimp are introduced into a nursery raceway for an initial phase</li> <li>• Water level and quality, as well as feed, are controlled in each raceway</li> <li>• After one-month shrimp are transferred to a grow-out raceway for a second month</li> <li>• The shrimp colony doubles in size in one month and is then subdivided between two additional raceways (biomass management)</li> <li>• After a third month, the subdividing process is repeated</li> <li>• At the end of the fourth month, 16 to 26-gram shrimp are ready for market</li> <li>• Each time a shrimp colony is transferred to a new set of raceways, the original raceway is "reloaded", enabling continuous production</li> </ul>
<p><b>PRODUCTION FACILITIES</b></p>	<ul style="list-style-type: none"> <li>• Raceways are built into standard 53' shipping containers, three per container</li> <li>• Containers are grouped into production units, two containers per unit</li> <li>• A production unit may be dedicated as a nursery or a grow-out unit</li> <li>• A plant will consist of multiple production units</li> <li>• 8 grow-out units, accompanied by one nursery unit, will produce 1.3 million pounds annually</li> <li>• Plants include water and waste processing, product packaging, office and locker room facilities</li> <li>• A plant can be easily located in a warehouse-like facility close to major markets</li> </ul>
<p><b>OUR INNOVATION</b></p>	<ul style="list-style-type: none"> <li>• Use of containers: Isolates each batch of shrimp from the elements and other batches, eliminating the impact of weather and reducing the chance for disease Enables rapid, repeatable, economical manufacturing and plant construction</li> <li>• Use of raceways: Reduces the amount of water and feed required Employs recirculating water enabling purity along with salinity and pH control Permits automated tracking of shrimp development</li> <li>• Subdividing the colony Management of biomass/raceway creates optimal shrimp development</li> </ul>
<p><b>OUR INTELLECTUAL PROPERTY</b></p>	<ul style="list-style-type: none"> <li>• Patents pending in the US and 19 other countries for "Multi-Phasic Super-Intensive Shrimp Production System"</li> <li>• Cover our "plug and play", modular approach to shrimp production</li> <li>• Patents assigned to Company</li> </ul>

<b>MARKET ACCESS / CHANNELS</b>	<ul style="list-style-type: none"> <li>• There are many established channels to market including: <ul style="list-style-type: none"> <li>▪ Company-owned retail</li> <li>▪ Online sales</li> <li>▪ Food wholesalers</li> <li>▪ Grocery chains</li> <li>▪ Restaurant and hospitality</li> <li>▪ Institutional food Services</li> </ul> </li> </ul>
<b>GO TO MARKET APPROACH</b>	<ul style="list-style-type: none"> <li>• Year One / Plant One Our initial retail channel will be a retail store near the first plant</li> <li>• Subsequent Years As additional plants come online, other distribution channels will be engaged as listed above</li> </ul>
<b>COMPETITION</b>	<ul style="list-style-type: none"> <li>• Indirectly, we will compete with alternative protein sources</li> <li>• Our primary direct competition will be foreign shrimp farmers exporting to the US</li> </ul>
<b>COMPETITIVE ADVANTAGES PRODUCT</b>	<ul style="list-style-type: none"> <li>• Compared to imported shrimp, our advantages include: <ul style="list-style-type: none"> <li>▪ Better taste, texture, and appearance</li> <li>▪ Healthy, disease-free</li> <li>▪ Ability to serve live and fresh, never-frozen markets</li> <li>▪ Year-round availability</li> <li>▪ Strong product margins</li> <li>▪ Consistent, predictable shrimp production in 16 and 26-gram sizes</li> </ul> </li> </ul>
<b>COMPETITIVE ADVANTAGES TECHNOLOGY</b>	<ul style="list-style-type: none"> <li>• Our product advantages stem directly from our superior technology: <ul style="list-style-type: none"> <li>▪ Minimum land and water use</li> <li>▪ Little or no use of antibiotics</li> <li>▪ Recirculating, conditioned water</li> <li>▪ Continuous production</li> <li>▪ Plug and play architecture</li> <li>▪ Built at market in warehouse space</li> </ul> </li> </ul>
<b>CURRENT STATUS</b>	<ul style="list-style-type: none"> <li>• Stage 1 completed, ready for commercialization <ul style="list-style-type: none"> <li>▪ Trial runs and taste test complete</li> <li>▪ Buyer interest tested</li> <li>▪ Plant designed</li> <li>▪ Key vendors identified</li> <li>▪ Patents filed in 20 countries</li> <li>▪ Team assembled</li> </ul> </li> </ul>
<b>ROADMAP AND KEY MILESTONES</b>	<ul style="list-style-type: none"> <li>• Stage 2 -- One year -- Build Plant ¼ plant 375,000 pounds/year Begin retail sales in fourth quarter full production year 2 Hire additional management</li> <li>• Stage 3 -- year -- Operate Plant 1 and Build Full Plant 1, 1.3 million pounds/year Begin sales from second plant Broaden distribution channels beyond retail</li> <li>• Stage 4 -- Ongoing operations -- Build one large plant per year for four years Reach 6.7 million pounds per year capacity Cash flow and net income positive in year three Broaden distribution including testing foreign markets</li> </ul>

<p><b>START-UP TEAM</b></p>	<ul style="list-style-type: none"> <li>• Maurice Kemp, PhD – CEO Co-inventor of Gen 2 raceway technology Participant in development and testing of Gen 1 technology</li> <li>• Michael Cunha – CFO Finance and company operations background including in manufacturing Experience leading investor-owned companies and working with boards of directors</li> <li>• Anthony Brand -- VP Engineering Co-inventor of Gen 2 raceway technology Hands-on aquaculture experience with systems design, controls and automation background</li> <li>• Craig Collins -- Operations Manager 30+ years of shrimp farming experience Launched and successfully ran retail shrimp business</li> </ul>
<p><b>KEY FINANCIAL AND PRODUCTION MILESTONES</b></p>	<ul style="list-style-type: none"> <li>• Year 1, Start-up year, investment year First production and sales in Q4</li> <li>• Year 2, First full year of production and sales, operating loss Start-up of first large-scale plant</li> <li>• Year 3, Reach self-sustaining mode Positive cash flow and EBITDA</li> <li>• Years 4-7, Continued profitable operations Reach 1.9 million lbs./per year capacity in year 5 and 3.2 million lbs./yr. six Exceed \$51million/year revenue level in year 5 with EBITDA ≥ 50% range</li> </ul>
<p><b>FUNDING NEEDS AND USE OF FUNDS</b></p>	<ul style="list-style-type: none"> <li>• Stage 2 -- Start-up – One-year duration Need \$5.0 million (Series A) Primary uses are Plant 1 construction (50%) and working capital (50%) Contingency included</li> <li>• Stage 3 -- Scale Up – One-year duration Need \$3 million in equity and \$2MM in debt (Series B) Primary use is construction of Full Plant 2 and ongoing working capital</li> <li>• Financially self-sustaining thereafter</li> </ul>
<p><b>SERIES A FUNDING</b></p>	<ul style="list-style-type: none"> <li>• Seeking \$5.0 million</li> <li>• \$1.111 / unit</li> <li>•</li> <li>• Offering Series A Preferred Units</li> <li>• 34.6% of Company</li> </ul>
<p><b>LIQUIDITY</b></p>	<ul style="list-style-type: none"> <li>• Anticipate returning 40% of annual free cash flow to unit holders</li> <li>• Exit strategy is a sale, probably to another seafood producer, in 3-7-year time frame</li> </ul>
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