

“New” VC Common Share Term Sheets

Presentation begins at 8am

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STIRLING MERCANTILE
CORPORATION

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Agenda

About Stirling Mercantile
VC Activity
BC Seed Financings
Financings Can Be Smaller
The Funding Chasm
Terms Comparison
Similar Terms
Closing and Timing
Summary



About Stirling Mercantile

Sectors

- Mid market financings
- Early-stage VC financings
- Mergers and acquisitions
- Valuations
- Public market advisory services



About Stirling Mercantile

<p>June 2004</p> <p>AVATAR Petroleum Inc.</p> <p>Has amalgamated with</p> <p>Quest Investment Corporation, Vectors Resource Corporation and Anugaho Capital Corp.</p> <p>Stirling Mercantile Corporation provided financial advice and prepared a Consent Opinion to the Independent Committee of the Board of Directors</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>February 2005</p> <p>CELERIS</p> <p>Seed Financing of Common Equity plus Matching Warrants</p> <p>Provided by</p> <p>Advantage</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>June 2005</p> <p>BlueStar</p> <p>\$2,000,000 Subordinated Debt with Warrants</p> <p>Provided by</p> <p>Gibbitt Capital Corporation</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>August 2005</p> <p>BlueStar</p> <p>\$25,000,000 Revolving Line of Credit</p> <p>Provided by</p> <p>FINOVA</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>April 2007</p> <p>cryopal</p> <p>\$3,000,000 Common Equity</p> <p>Provided by</p> <p>Claridge SRI Investments</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing as part of a \$1.5 billion Private Placement</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>January 2008</p> <p>efigroup</p> <p>US\$2,960,000 Debt Restructuring</p> <p>The undersigned advised the transaction and supervised the restructuring</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>July 2008</p> <p>efigroup</p> <p>\$3,500,000 Common Equity</p> <p>The undersigned acted as financial advisor to the company</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>June 2008</p> <p>GALEFORCE</p> <p>\$2,800,000 Series A Equity Financing</p> <p>Provided by</p> <p>TALYGA VENTURES and WV VENTURES WEST</p> <p>The undersigned acted as exclusive advisor to the company</p> <p>STIRLING MERCANTILE CORPORATION</p>
<p>November 2004</p> <p>ISOTIS Orthobiologics</p> <p>raised through the acquisition by SciCo S.A. of</p> <p>gen.sci</p> <p>The undersigned acted as exclusive advisor to GenSci for the IPO offering</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>November 2004</p> <p>Channing-Dunnell's Ltd.</p> <p>\$10,750,000 Management Buy-Out</p> <p>Financing provided by the vendor and</p> <p>STIRLING MERCANTILE CORPORATION</p> <p>The undersigned acted as exclusive advisor to the management group and issued the financing</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>July 2005</p> <p>Redstone</p> <p>MidMarket Lender Company</p> <p>\$7,000,000 Asset Based Loan</p> <p>Provided by</p> <p>CONGRESS FINANCIAL</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>February 2005</p> <p>Matanza Holdings Inc.</p> <p>has purchased a 50% equity interest in</p> <p>Yenex Laboratories Inc.</p> <p>The undersigned acted as exclusive advisor to Matanza Holdings in advising and negotiating the purchase of the company in 2005</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>July 2005</p> <p>MEDICARD</p> <p>Medicaid Finance Inc.</p> <p>\$5,000,000 Secured Revolving Line of Credit</p> <p>Provided by</p> <p>Bank of Montreal</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>September 2005</p> <p>MEDICARD</p> <p>Medicaid Finance Inc.</p> <p>\$400,000 Senior Secured Term Notes</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>February 2006</p> <p>ELI-LILLY</p> <p>ELI International Master Safety Submitter Inc.</p> <p>\$2,000,000 Subordinated Debt and Equity</p> <p>Provided by</p> <p>MERCANTILE</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>February 2006</p> <p>PRIME PLAY</p> <p>\$1,300,000 Subordinated Debt with Warrants</p> <p>Provided by</p> <p>RBC Royal Bank</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>
<p>October 2001</p> <p>SHARP</p> <p>Sharp Electric Manufacturing Ltd.</p> <p>has been acquired by</p> <p>COMPTON</p> <p>Company International Ltd.</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>February 2003</p> <p>Tantus</p> <p>Common Equity Through a Group of Private Investors</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>November 2003</p> <p>ELI-LILLY</p> <p>The Eli Lilly Foundation Group, Inc.</p> <p>\$1,000,000 Senior Debt and Working Capital Facility</p> <p>Provided by</p> <p>RBC Royal Bank</p> <p>\$1,724,611 Equipment Financing</p> <p>Provided by</p> <p>Bank of Montreal</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>November 2003</p> <p>LATRYTECH</p> <p>Latex Solutions Inc.</p> <p>has sold to</p> <p>unity wireless</p> <p>in a share exchange transaction</p> <p>The undersigned acted as exclusive advisor to Latrytech, and supervised and issued the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>November 2004</p> <p>Uniserve</p> <p>Uniserve of Investment Corporation</p> <p>\$3,400,000 Term Notes and Common Equity</p> <p>Provided by</p> <p>A Group of Investors led by Merrill Lynch including</p> <p>Gibbitt Capital Corporation</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>	<p>December 2003</p> <p>unity wireless</p> <p>US\$926,537 Private Placement, Common Shares and Warrants</p> <p>The undersigned acted as exclusive advisor to the company and issued the financing from the transaction</p> <p>STIRLING MERCANTILE CORPORATION</p>		





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We hope you find this site resourceful.

Sectors

- Mid market financings
- Mergers and acquisitions
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- Valuations
- Public market advisory services

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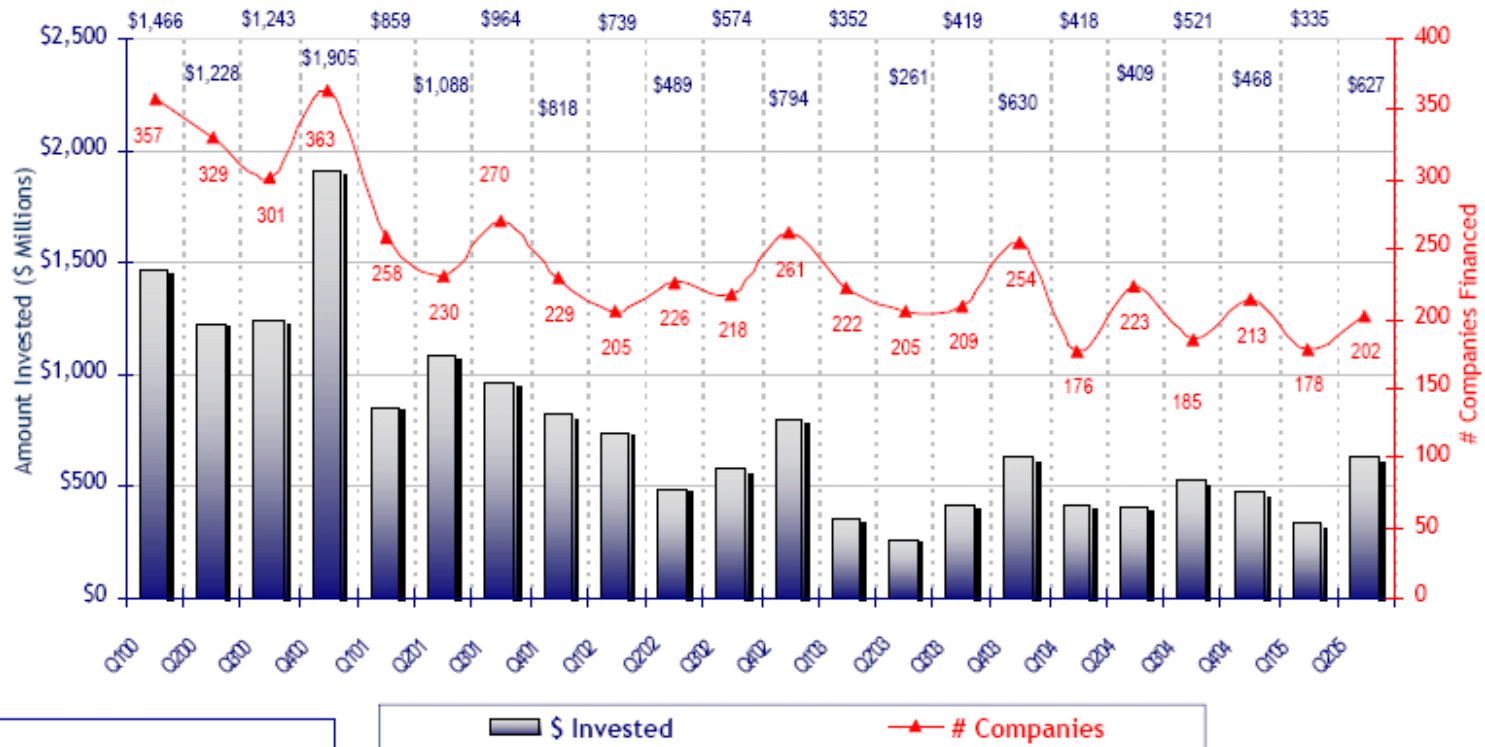
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VC Activity

Industry Disbursements Rise Sharply in Q2

Dollars Invested and Companies Financed



BC Seed Financings

- In 2003, Thomson Macdonald reported no seed financings in BC*
- In 2004, \$8m was invested into 5 companies plus \$10m into 1*
- Since early 2004 there have been at least 5 companies funded by common share seed deals

* Source: Thomson Macdonald and Associates <http://www.canadavc.com/info.aspx?page=stats>



Financings Can Be Smaller

- It generally takes less money to launch companies today than it did 5 years ago, so financings can be smaller to get companies to scale
- Easier for competitors to start up too, so the VCs and the companies must move faster



	<u>Web 1999/2000</u>	<u>Web 2005</u>
Business Models	Unproven	Proven
Tech platform	Sun, Oracle, EMC= Big \$\$\$	LAMP, open source, Intel, clusters, JBOD
Philosophy	Closed	Open, APIs and data sharing
GoTo Market Philosophy	If you build it, they will come	Release early and release often, get traction
Critical Mass	10m users	200m users
Customer acquisition	Spend \$\$\$, advertising	Channel partners and viral marketing
Milestone for VC Funding	No users, great idea	Lots of users and rich interaction
\$ used for	Building product, marketing \$ to acquire users	Scaling back end, adding more features/functionality
First Round Funding	VC - \$5 - 10m	Angels - \$0.1 - 2m
Second Round Funding	VC - \$10 - 20m	VC - \$5m or trade sale





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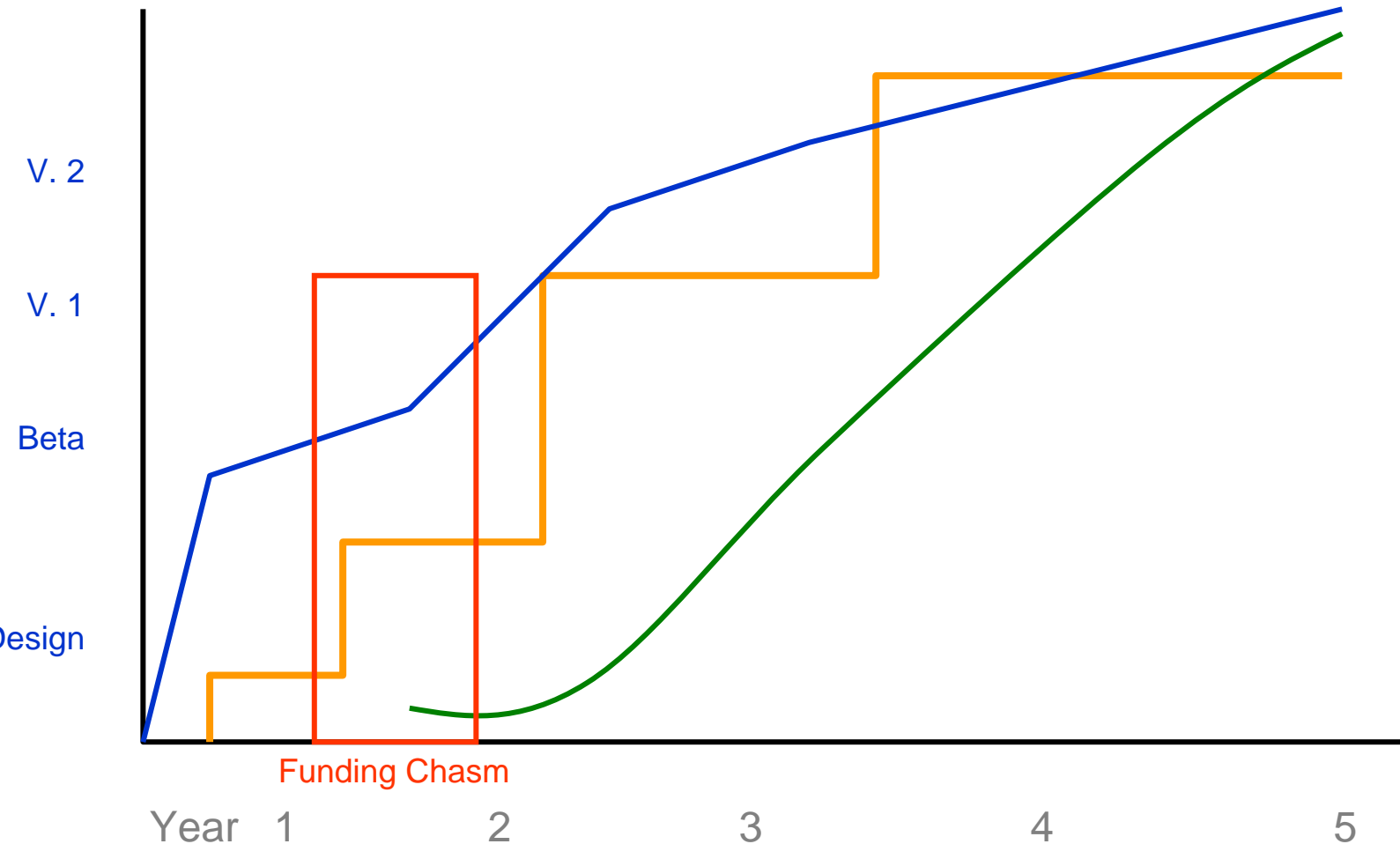
Agenda



The Funding Chasm

IP Roadmap

Funding Roadmap



Series B

Series A

Seed, Angel

F, F & E

Funding Chasm

Year 1

2

3

4

5

Agenda

Beta Customers

Early Adopters

Crossing the Chasm

Mainstream Growth



Terms Comparison

Typical Series A Terms	New Seed Terms
Preferred shares	Common shares
Liquidation preference	Usually none. Occasionally ROI minimum of 2x
Conversion to commons for sale or IPO	Conversion to same class as others (prefs) in future financings



Terms Comparison

Typical Series A Terms	New Seed Terms
Retraction and redemption	Usually none
Comprehensive shareholder agreement	Drag-along provision
Control of fundamental changes	Board representation



Similar Terms

Typical Series A Terms	New Seed Terms
Anti-dilution and price protection	Anti-dilution and price protection
Board representation	Usually board representation
ESOP and Vesting	ESOP and Vesting
Right to participate in future financings and RoFR	Right to participate in future financings and RoFR



Closing and Timing

Typical Series A Terms	New Seed Terms
\$40,000 legals	\$10,000 legals
Typically 6 months to close	Typically 2 months to close



Summary

- Momentum is shifting back to early stage activity
- The market has changed
- Deal terms are changing with the market
- Early stage deals are back, which provides a stimulus and supply for all stages of financings



Thank you

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