

# Learning the Ropes

Venture Capital

November 23, 2007

- iMagicTV
  - \$3.2M - Newbridge, Aliant
  - \$9M - Whitecastle Investments
  - \$37M - Cisco Systems, AOL, Alcatel
  - \$85M - IPO on NASDAQ and TSE
- Bridgeport Group
  - \$250K (ACOA) for Marketing for various clients
- AnyWare Group
  - \$600K - NRC IRAP
  - \$1M - ACOA
  - \$1.2M - BNB Loan Guarantee
  - \$500K - NBIF
  - \$4.2M - Growthworks Atlantic, BDC, Growthworks Cdn Fund
  - \$5.7M - Existing investors plus Export Development Canada
- ***Total \$147.65 M***

- 1 on 1 meetings with referrals are better than VC shows
- My observations
  - VC firms are full of bright people (MBAs, former entrepreneurs)
  - So...**Do your homework!**
  - They have extremely short attention spans!
  - Think like them...they win big if you win big, but they lose 7 out of 10 times so they can be very skeptical
  - Herd mentality...create a buzz by getting a number of players involved
  - Helpful to establish a relationship long before you go pitching them
  - Know their process – size of fund, what their sweet spot is, when they have investment committee meetings, what it takes to get approved
- **Passion** – Whenever I have felt and displayed passion, the chances for success have been higher

- Term sheet
- All of the major terms of the deal are agreed to, subject to due diligence
- Be prepared for the lingo
  - Piggy Back
  - Right of first refusal
  - Puts, Calls
  - All of these items will normally be included in a “Shareholders Agreement”

- An art not a science
- Largely market driven
- Compute your value at least 2 different ways
  - Comparables
  - NPV analysis
- Don't be on your last few weeks of cash and try to negotiate the deal...

- Most commonly seen
  - Equity
    - Common shares
    - Preferred shares
    - Shareholder agreement will be drawn up
    - Be careful of redemption rights (Put)
  - Quasi Equity
    - Convertible debentures
    - Conversion price determines the valuation
    - Having their cake and eating it too
    - Redemption after a term (eg, 5 years)
    - “Management Agreement” versus “Shareholder Agreement”

- Board representation
- Corporate Governance
  - Committees, HR, Audit
- Reporting
  - Financials
  - Business Updates
- Get ready for the next round...!

# Thank You!

## Learning the Ropes

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