



Seed Capital:

How far upstream do these specialized early financing tools go in the harsh 2009 context?

September 24, 2009

2:00pm - 4:00pm

Dave Smardon, Biography

- Founder of 3 businesses, sold off 2
- Currently invested in 7 businesses
- Chairman of 3, Board Advisor in all
- President and CEO of BioEnterprise Corp.
- Founder, Managing Partner and Chairman of \$40 million VC fund; Canada
- **Manage a data base of over 2500 global investors**



[Due Diligence Services]

- Comprehensive Due Diligence
- Custom Due Diligence
- Technology / IP Evaluations
- Our "Quick Visit" Service
- Portfolio Assessments



[Venture Capital Investing]

- Unique Investment Model
- Venture Capital
- Angel Syndication
- Venture Partnerships
- Consolidation Capital



[Corporate Finance and M & A]

- Raising Capital
- Syndications
- Buyouts
- Restructuring & Turnarounds
- Mergers & Acquisitions



- *Business Accelerator building and growing Ag-Bio businesses !*
- *Focused on Innovation and Commercialization of early stage technologies*
- *Largest Ag-Bio deal flow in Canada*
- *Over 300 investment opportunities this year*



Before we look forward to the future, it is important to understand where we have just been!

Remember the Good Times !

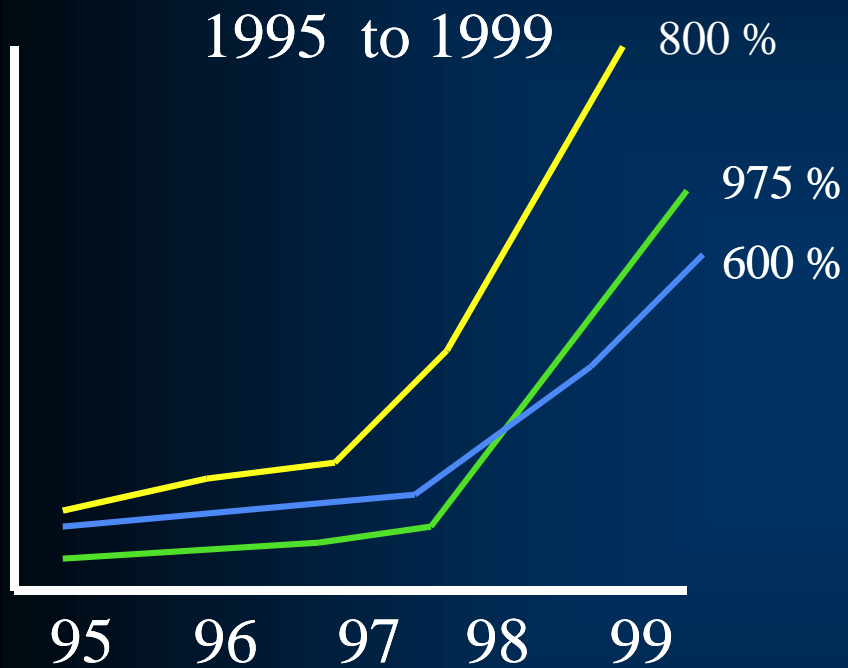
- 1997 - 2000 greatest number of new business creations on record
- Entrepreneurialism at its peak, spin offs and university graduates
- High Tech, Bio-Tech, Telecommunications, Wireless, Internet
- Greatest number of IPO s and RTO s in North America
- NASDAQ breaks all records

Lower Investor Confidence 2001 to present

- The Millennium Scare
- Dot com & Telecomm meltdowns 2000 - 2004
- Terrorist attack - closed for business
- Securities Commission Uncovers Illegal Activities
 - Xerox, World Com, Arthur Anderson, Enron, Adelphi, Global Crossing, HP
- Bio-tech, healthcare markets get hammered 2002 / 2003
- War in Iraq, Sars, H1N1, Credit Crunch, Recession

Start-up Activity

1995 to 1999



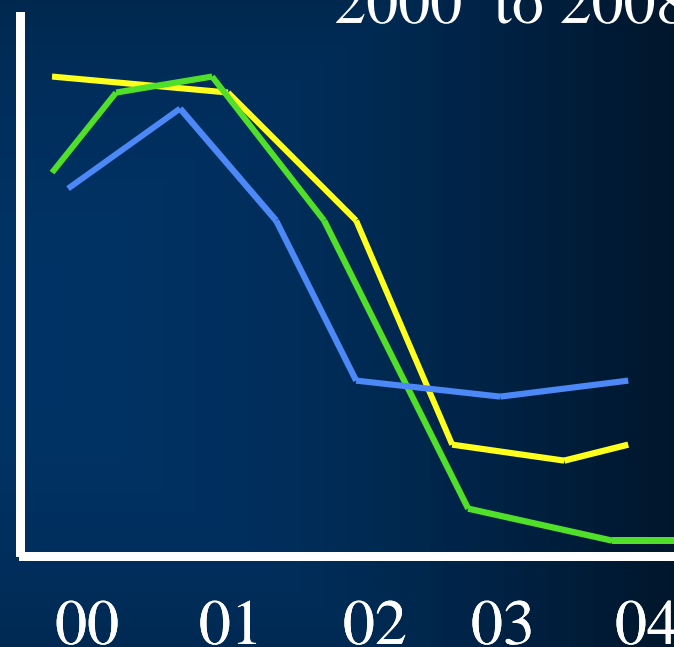
Start-up Activity

Angel Activity

VC activity

Start-up Activity

2000 to 2008



Start-up Activity

Angel activity

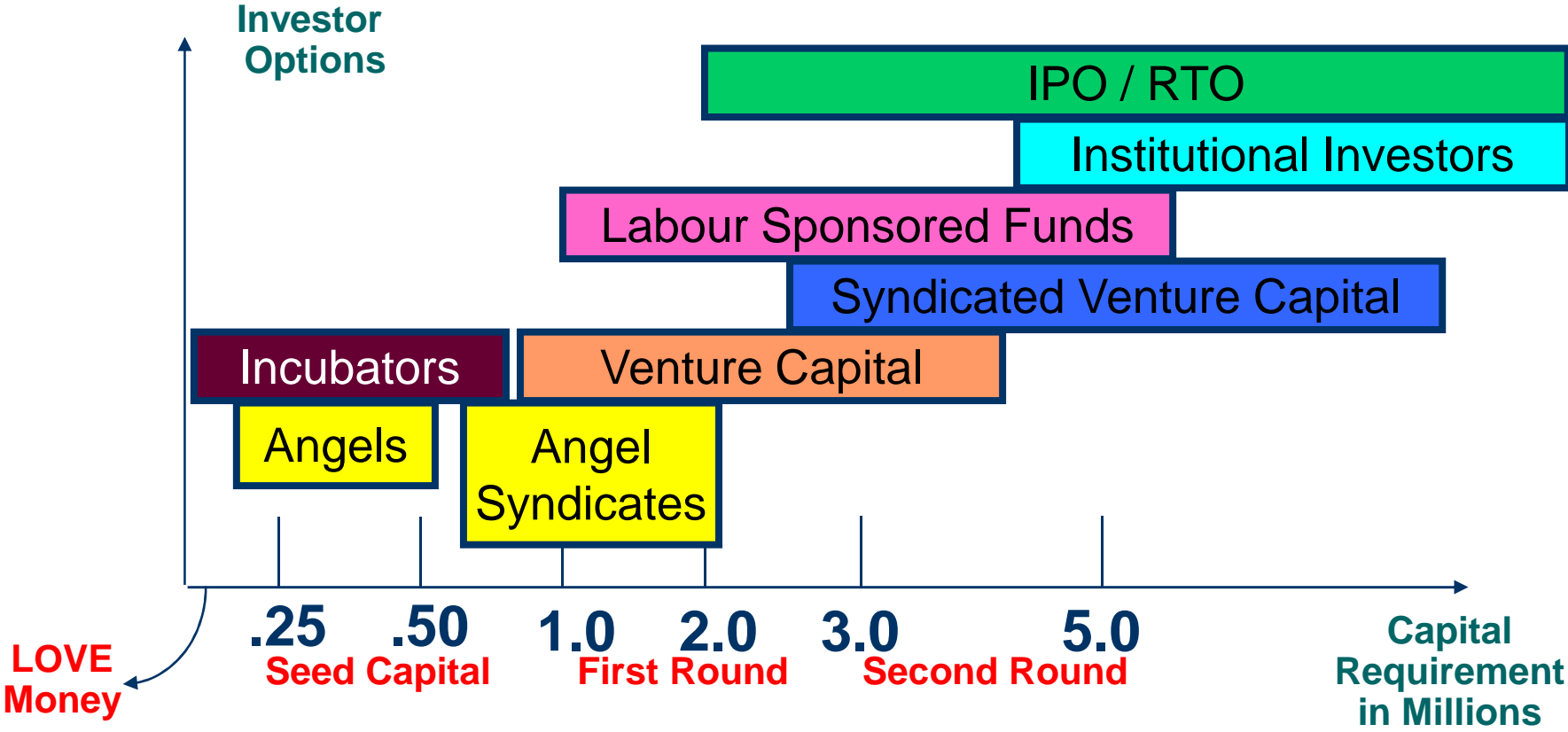
VC activity

What are we seeing now ?

- Market experiences a 60% drop in the number of venture capital firms, 80% drop in early stage investing (2002 to 2009)
- Venture capital firms lose 2.4% annually over a five year period ending Dec 2007
- Virtually all VC s gravitate towards investing in later stage companies
- Start-up investing returns to pre-1995 levels
- Venture Capital investment model is considered broken

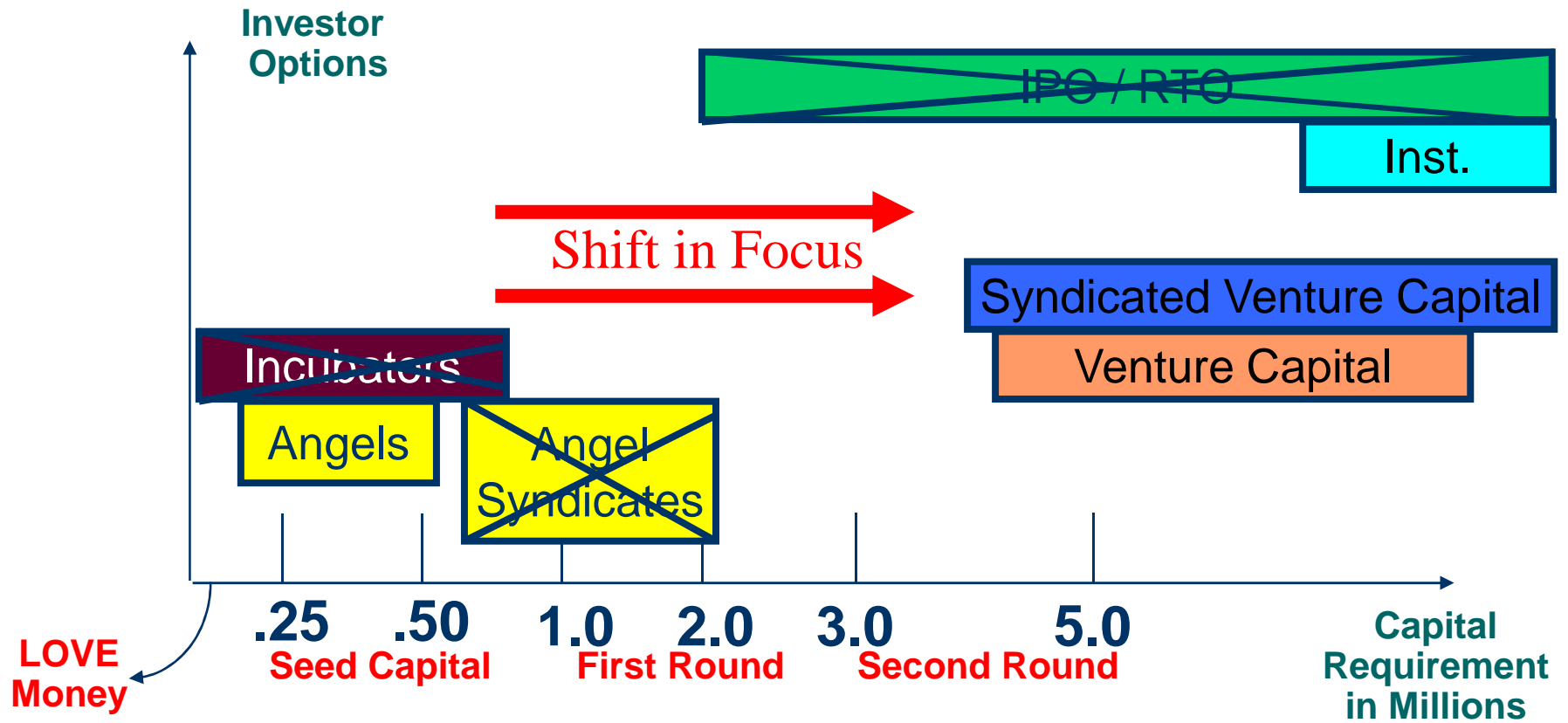
VC Snapshot 2001

- Over 150 venture capital firms in Canada



Today's Situation

- Less than 30 active venture capital firms in Canada



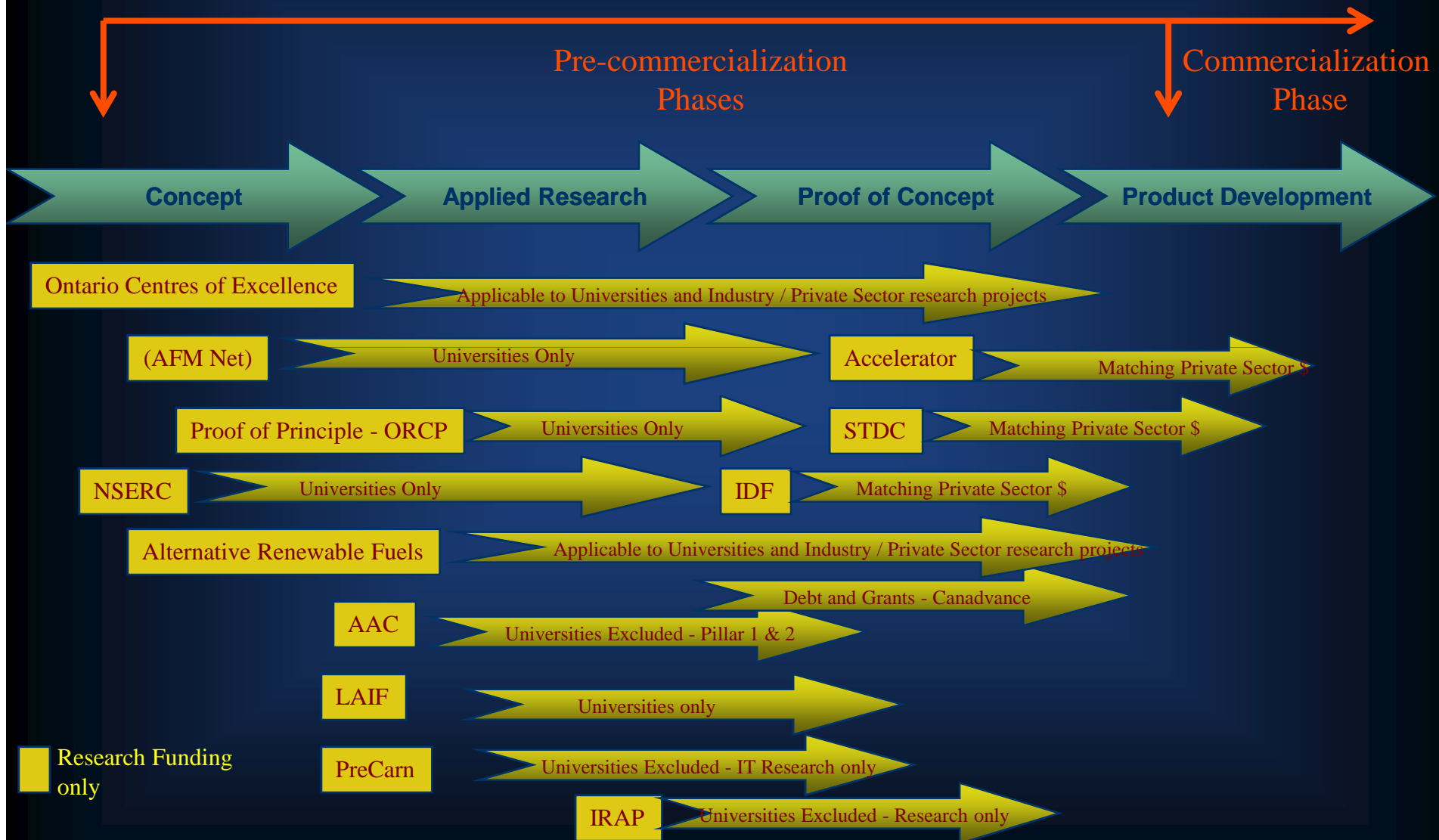
Today's Situation

- Dismantling of angel syndicates due to investment losses
- Many angels and high-net-worth investors leave for good !
- No market for no IPOs, RTOs and no foreseeable exits
- Most VC's have no capital to invest, broken investment model

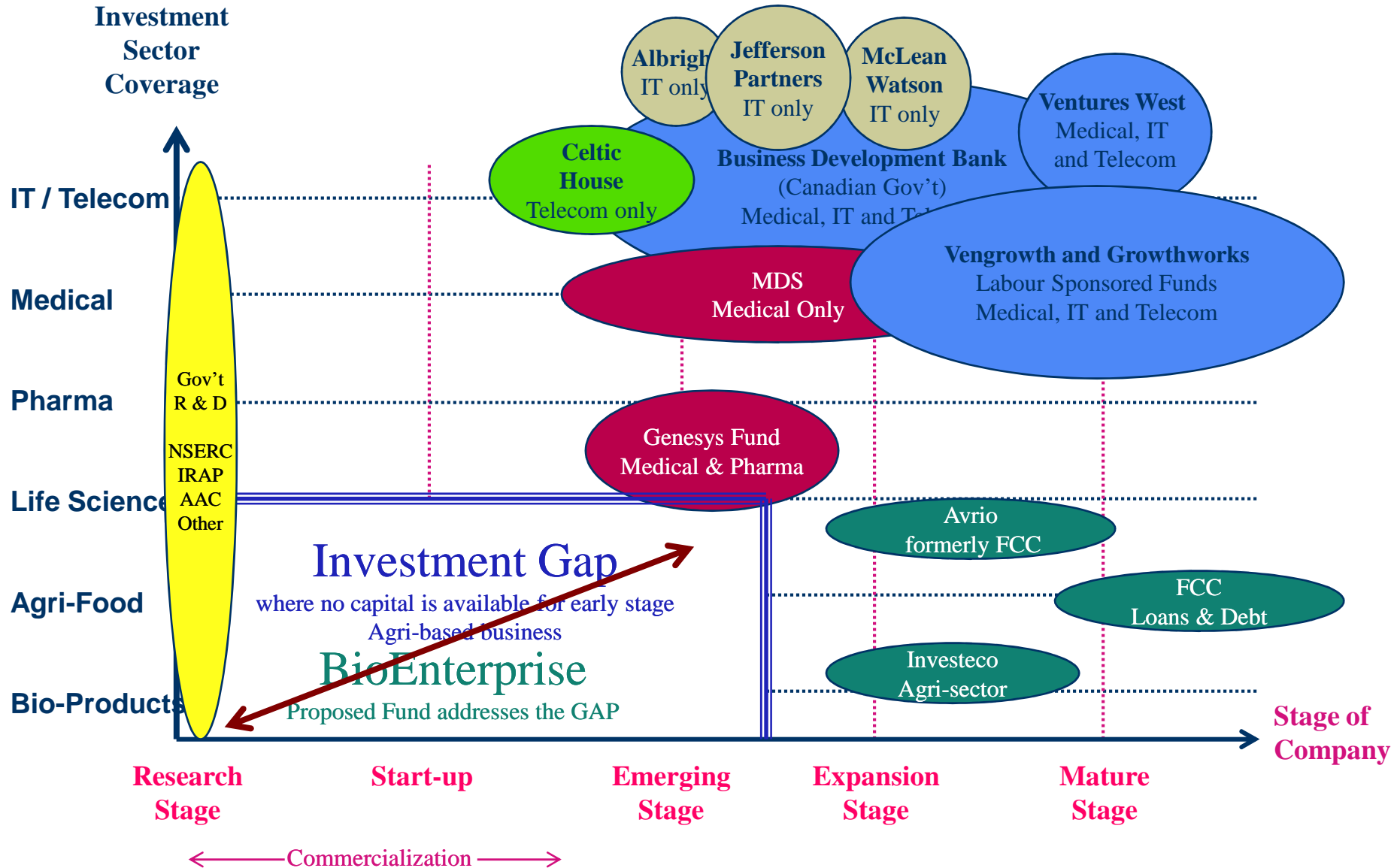
- Research funding is way up! (Supported by gov't funding)
- Strategic partnering opportunities continue
- Capital is PARKED, awaiting new investment vehicles

Research Funding Programs = 60% of funding

There is no lack of R & D monies. But what happens when R & D is completed?



Funding Landscape



The Next Twelve months

- New VC players will enter the market
- Fund raising activities increasing
- Emphasis on low volume, hands-on investments
- New Government-based commercialization funds springing up
- **Businesses must get creative in their capital strategies**
- **Creation of Bioenterprise Capital, a \$120 million venture fund**



Successes - Vinifera For Life

- Food Ingredient made from Grape-pomace
- Made from refuse of wine the making process
- Colour and flavour additive in bakery and food industry
- Chardonnay, cabernet, ice-wine flour

Benefits:

- New co-product development for wine industry
- Complimentary ingredient as a grape varietal
- Lower costs - less pomace disposal costs
- New source of revenue for wineries
- Uses unused capacity of the tobacco driers for drying

Creative Financing

Government programs	\$ 650k
Lease Financing	\$ 85k
Debt	\$ 92k
Equity (angels)	\$ 550k
Tax Credits	\$ 120k
Total	\$1,497k

Traditional venture capital wouldn't touch this deal



Investment Fundamentals Apply

What the investors will look for:

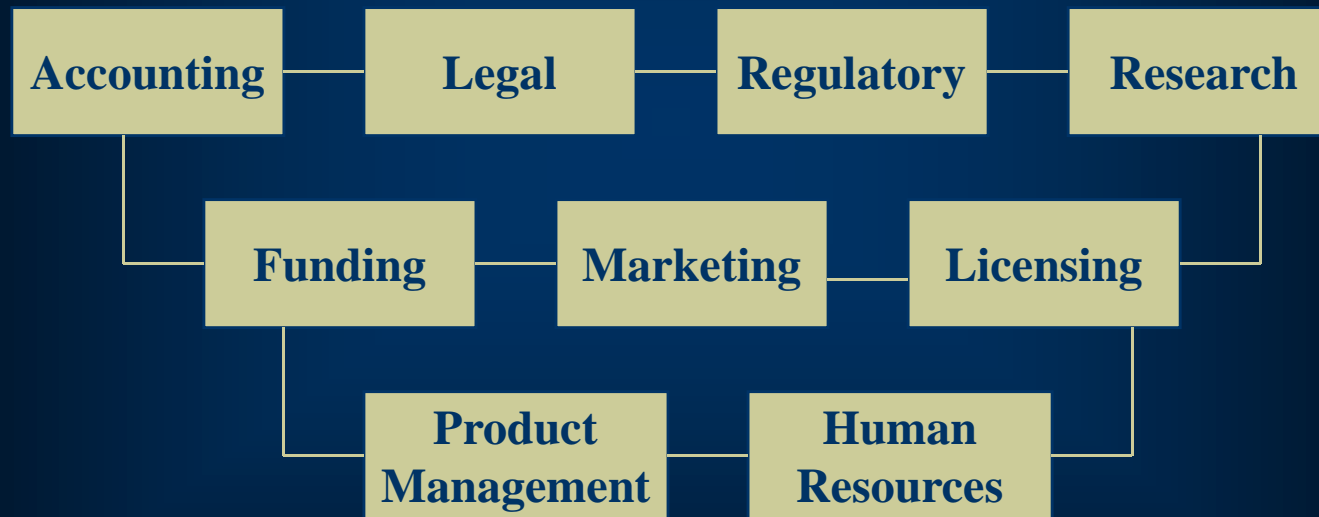
- ✓ Global business opportunity - huge markets
- ✓ Unique technology or barriers to entry for others
- ✓ Sustainable and defensible business model
- ✓ Management Team
- ✓ Focus and discipline

Investment as an Extreme Sport

- Extreme “hands-on” investment model
- Businesses need much more than \$\$
- It is not just about managing risk
- **We are not picking winners, we are building winners**
- Resource intensive model requires new financial measurements
- The old ratio of 1:10 is gone: unacceptable to pension funds and private equity players

Agri-Technology Commercialization Centre

Bioenterprise Commercialization Team

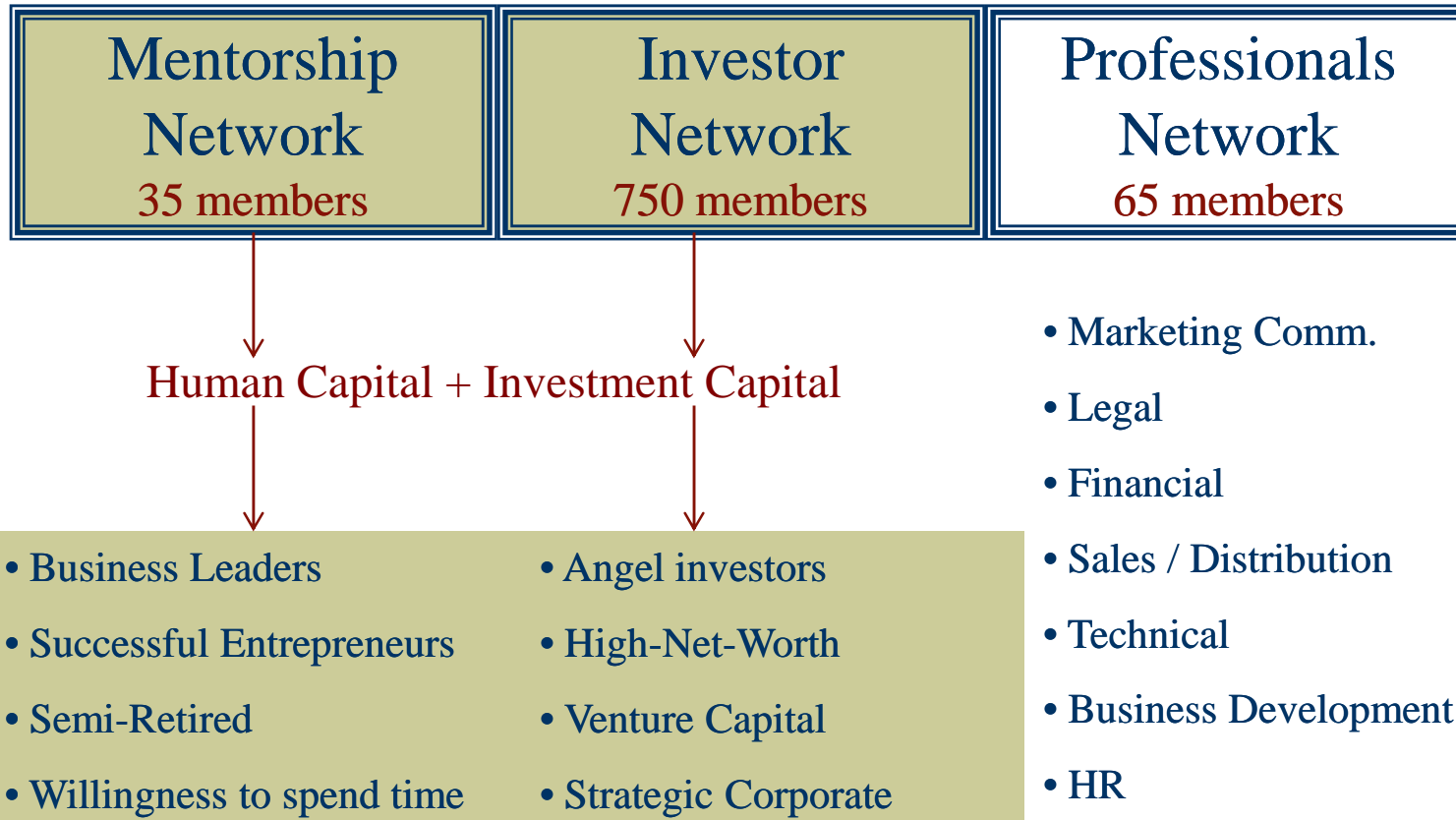


Experienced team that brings both Human and Investment Capital in a “Hands-on model.



BioEnterprise Global Network

Providing Human Capital to commercialization opportunities!



Commercialization Agent

Management / Advisors

- Scientific Advisors
- Augmenting / support of management
- Establishment of Board

Financial Expertise

- Cost Management
- Product Margins
- Path to Profit / ROI
- Revenue streams
- Delivered via BioEnterprise staff Consultants, the BioEnterprise Global Networks

Business Plans and Strategy

- BP Development
- Critique / Modification
- Reality Check Program
- Delivered via BioEnterprise staff or via Consultants, Mentors, Angels and Professionals

BioEnterprise
Commercialization
Agent

Technology Assessment

- Uniqueness / “Disruptivity”
- Manufacturability
- Competitive Barriers
- IP Protection
- Delivered via BioEnterprise staff or via Consultants, Mentors, Angels And Technology Professionals

Mentorship Coaching

- Via BioEnterprise staff or by Business Leaders, Semi retirees, Successful Entrepreneurs, Angels

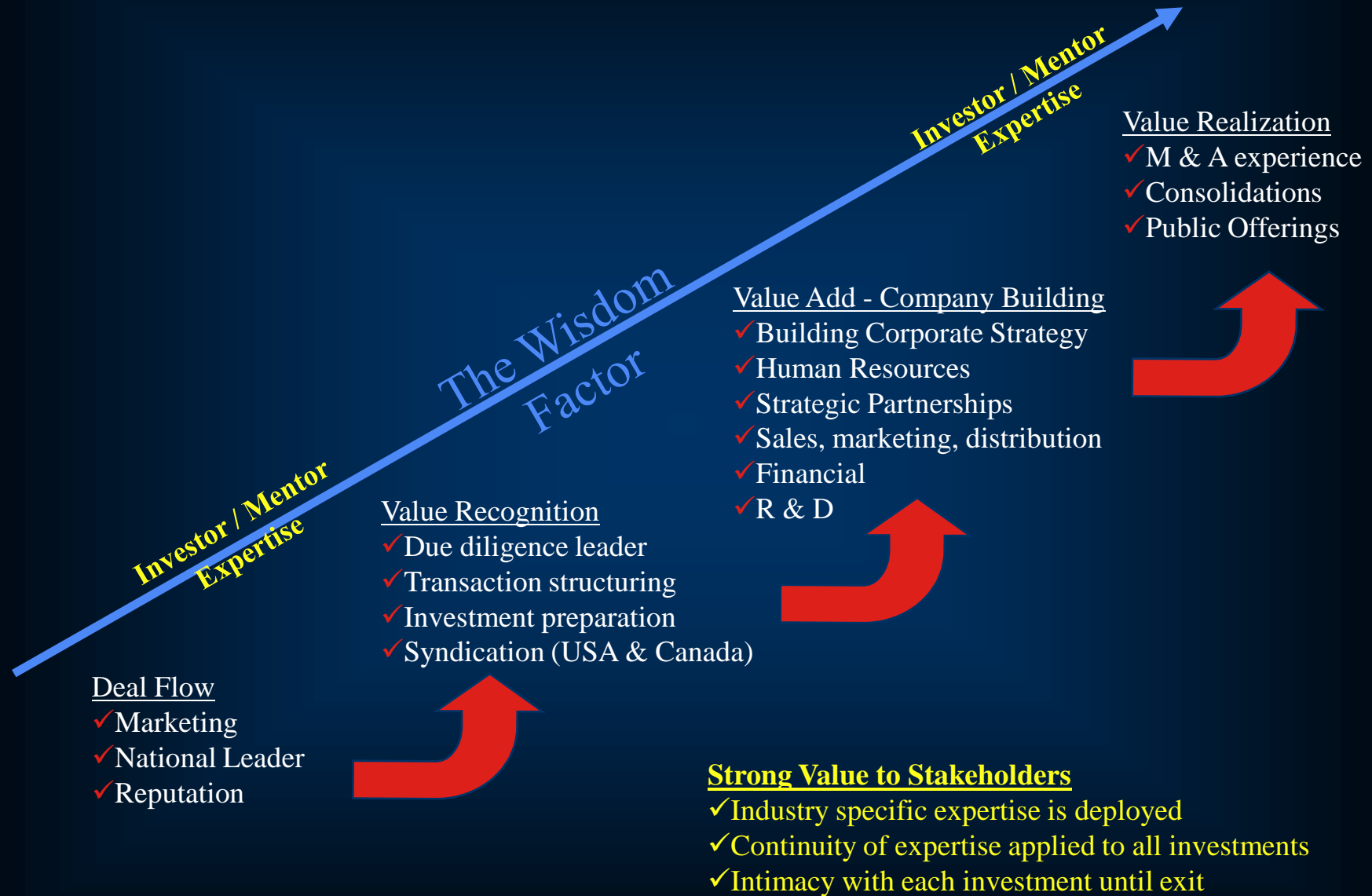
Investment \$

- Angels / Angel Groups
- Strategic Partners
- Venture Capital
- Government Programs

Bioenterprise Capital

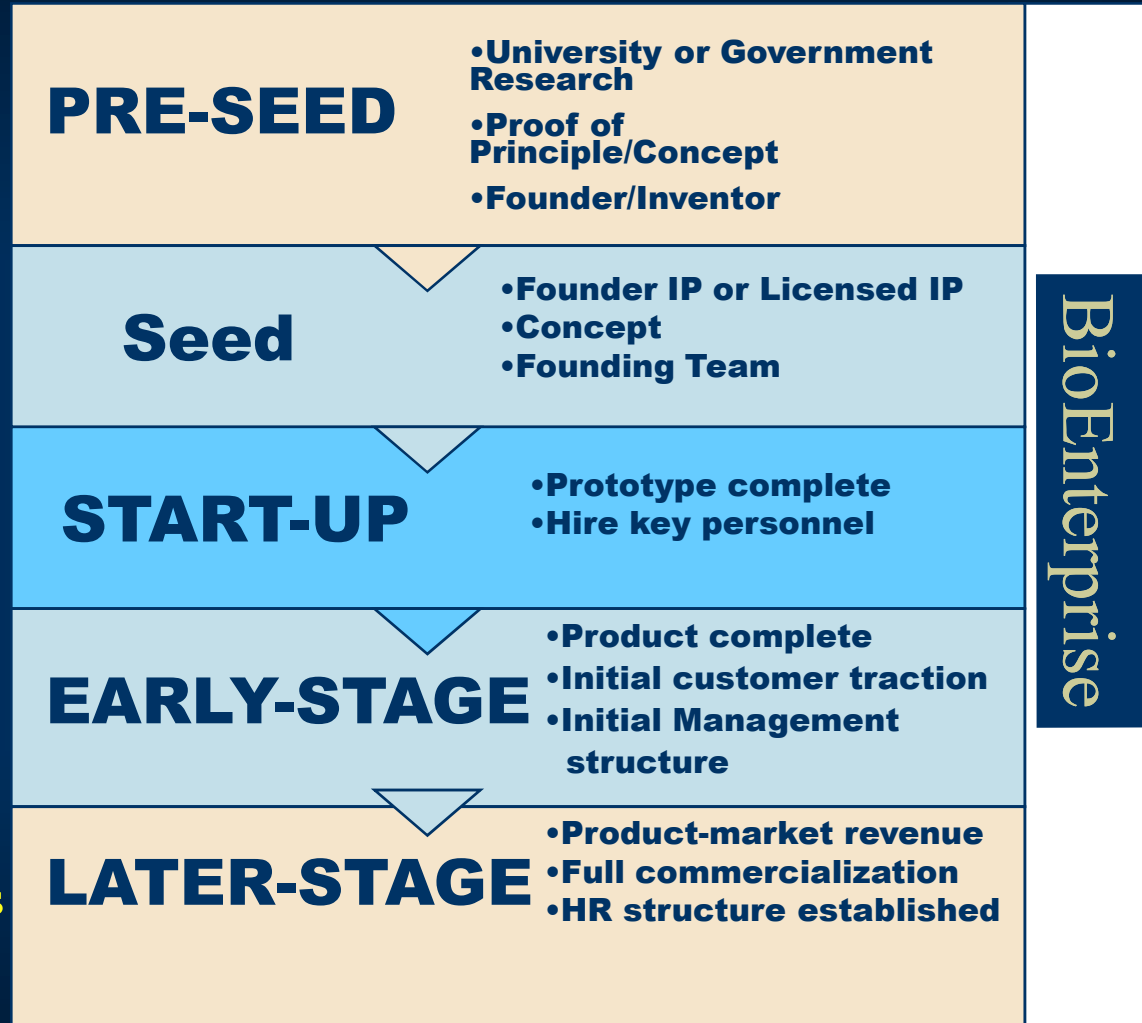
- Extreme “hands-on” investment model
- Focusing on Ag-Bio opportunities
- Commercialization stage through emerging stage
- International Science Advisory
- **Luminary Investment Committee**
- **Creation of Bioenterprise Capital, a \$120 million venture fund, September 2010**

Human Capital - Company Builders



The Fund Criteria

Agri-Food Technology
Industrial Bio-products
Forestry Bio-products
Commercial bio-products
Nutraceuticals
Alternative Energy
Agri-Health
Agri-waste Management
Agricultural Management Tools



Commercialization Agent and Fund

- ✓ Capital wealth parked for too long
- ✓ VC market has been cleansed...too few players
- ✓ Institutions are seeking unique and new opportunities for their capital (higher returns)
- ✓ High degree of receptivity and is increasing
- ✓ Global awareness of and interest in the bio-economy
- ✓ Perceived by many investors as a New Wave of investment activity
- ✓ Gov't funding is at an all-time high



Thank You

Dave Smardon

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