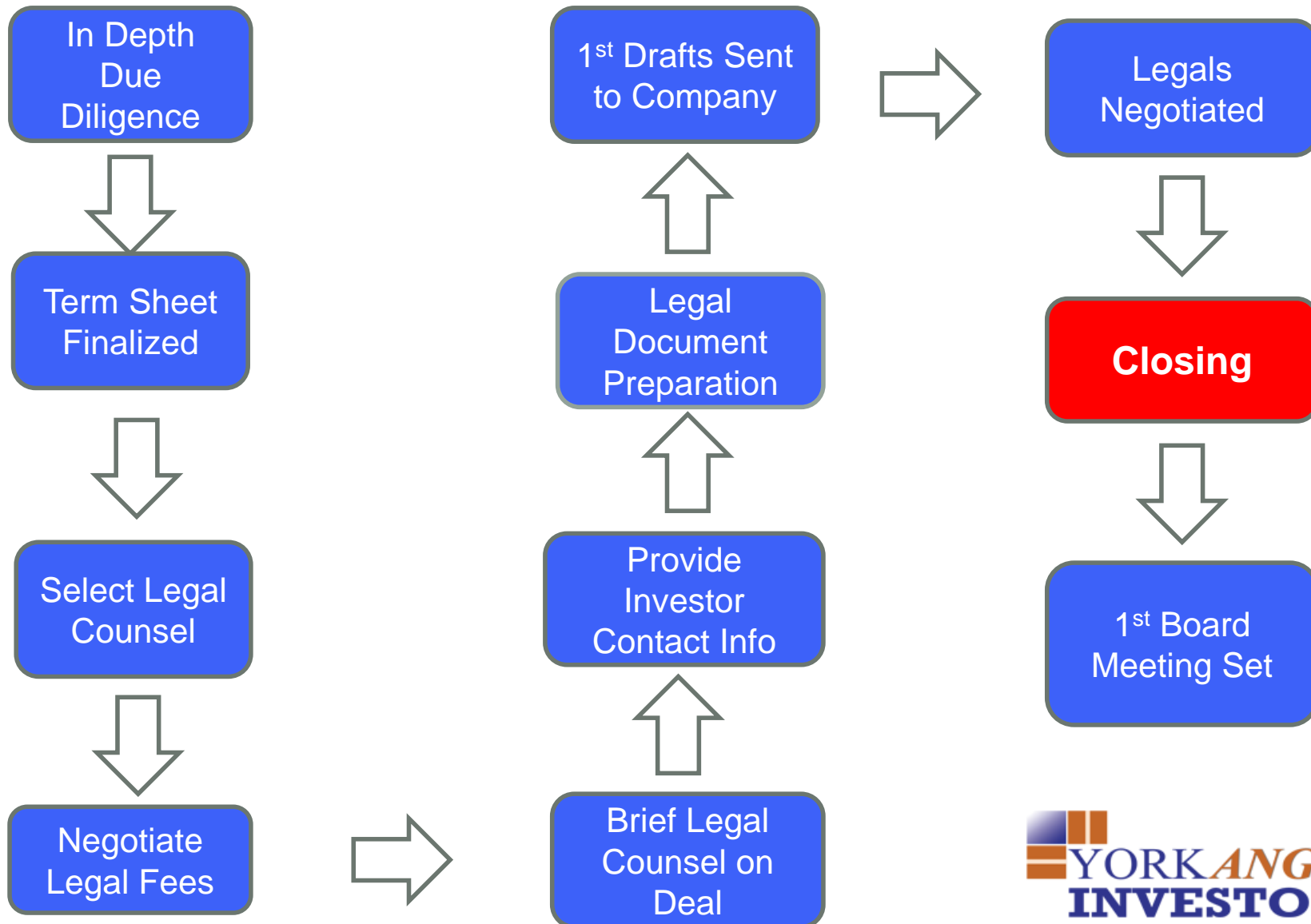




DEAL LEAD WORKSHOP – PART II

November 28, 2013

CLOSING PROCESS OVERVIEW



WEEK 8

In Depth
Due
Diligence



Term Sheet
Finalized

DUE DILIGENCE/TERM SHEET FINALIZED

- A formal DD binder will be submitted by Venture Lab and reviewed by all participating investors
- Investment commitments are gathered from YAI members and a final term sheet is to be issued
- If YAI is leading the deal then the deal lead must coordinate investment commitments from other Angel groups (if the deal is syndicated) such that one final term sheet is executed
- Bear in mind that the term sheet is signed by YAI on behalf of investors but is still a soft commitment pending legal review, DD and negotiation

Note: Sometimes Term Sheet execution may need to be accelerated to lock up the investment if there is competition for the deal. Final DD may have to occur after term sheet signing.

WEEK 9

Select Legal
Counsel

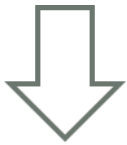


Negotiate
Legal Fees

LEGAL COUNSEL SELECTED

- Once the term sheet is signed, advise the company that closing should take approximately 3-5 weeks and that they will need to engage their own legal counsel
 - Timing on closing (and legal costs) are highly dependent on how responsive and experienced their counsel is
 - Venture deals are a specialty!
- If YAI is leading the deal, we will use our legal counsel (Alex Kilgour of Dentons). If another Angel group is leading the deal they will want to use their counsel and we would follow along
- Legal counsel is selected and a cap for legal fees is negotiated with counsel (generally in the \$10K - \$15K range)
 - If a deal falls apart, any outstanding legal costs are paid for pro-rata by the investors.

WEEK 9

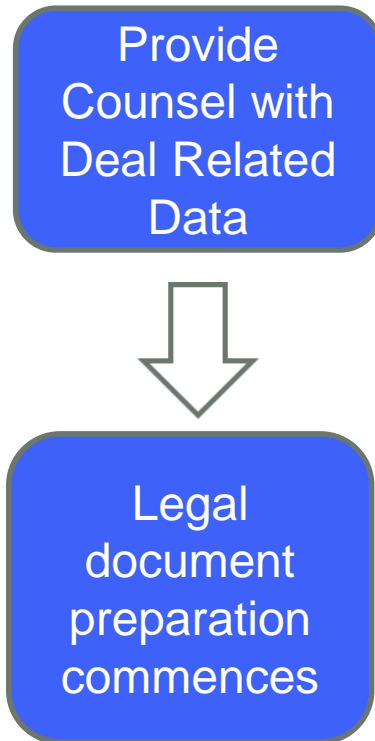


Brief Legal Counsel on Deal

BRIEF LEGAL COUNSEL

- Deal Lead provides counsel with signed term sheet and briefs him on the deal and any specific issues or concerns that need to be addressed such as:
 - Earn outs or reverse vesting for management
 - Specific employment agreement issues such as non-competes, time and attention clauses, compensation etc.
 - Cap table issues and possible capitalization restructuring
 - Conversion of debt to equity
 - Ensure that previous transactions have been papered properly (i.e. sales of assets or restructurings)
 - Board participation and restrictions on management
 - Anti-dilution & Liquidation Preference

WEEK 9



INVESTOR CONTACT INFO./LEGALS

- Deal lead must provide counsel with a detailed list of investors/investing entities, contact information and size of investment for preparation of closing documents
- Preparation of legal documents commences
- Counsel prepares trust account notice to be sent to all investors with wiring instructions

WEEK 9



Provide
Counsel with
Deal Related
Data

SAMPLE INVESTOR DATA

York Angels			Running Total \$470,000	Running Total \$155,000
Member Name	Phone	Email	Soft Commitment	Funds Received to date
Member 1	444-444-4444	xx.xx@xx.xx	\$25,000	\$25,000
Member 2	444-444-4444	xx.xx@xx.xx	\$25,000	Out
Member 3	444-444-4444	xx.xx@xx.xx	\$50,000	\$50,000
Member 4	444-444-4444	xx.xx@xx.xx	\$25,000	
Member 5	444-444-4444	xx.xx@xx.xx	\$125,000	
Angel One			\$170,000	\$80,000
Member 1	444-444-4444	xx.xx@xx.xx	\$25,000	
Member 2	444-444-4444	xx.xx@xx.xx	\$30,000	\$30,000
Member 3	444-444-4444	xx.xx@xx.xx	\$40,000	
Member 4	444-444-4444	xx.xx@xx.xx	\$25,000	Out
Member 5	444-444-4444	xx.xx@xx.xx	\$50,000	\$50,000
GTAN			\$300,000	\$75,000
Member 1	444-444-4444	xx.xx@xx.xx	\$25,000	\$25,000
Member 2	444-444-4444	xx.xx@xx.xx	\$25,000	\$25,000
Member 3	444-444-4444	xx.xx@xx.xx	\$50,000	
Member 4	444-444-4444	xx.xx@xx.xx	\$75,000	
Member 5	444-444-4444	xx.xx@xx.xx	\$25,000	\$25,000
Member 6	444-444-4444	xx.xx@xx.xx	\$100,000	
Contact List				
Investor Lawyer				
Company Lawyer				
Accountant				
Auditor				
IP Lawyer				

WEEKS
10-13

1ST Draft of
Legals sent to
Company



Legals
Negotiated

NEGOTIATION OF LEGALS

- Legal counsel prepares drafts of key legal documents including:
 - Subscription Agreement with Disclosure Schedules
 - Shareholders' Agreement
 - Employment/Non-competition Agreements
 - Warrants/Option Agreements
 - Articles of Amendment outlining Preferred Share terms and conditions
- Deal lead needs to stay involved as lawyers negotiate to keep investor group informed

WEEK 14

CLOSING



1ST BOARD
MEETING SET

CLOSING

- Once legals are finalized, a Closing Agenda is prepared by counsel and execution copies are prepared for circulation to all investors
- Closing date set
- Deal lead (along with YAI administrative support) chase down investors to ensure all funds are wired into lawyers' trust account
- Closing mechanics done electronically – no physical closing required
- Once all documents are signed, funds released to Company
- Deal lead should organize first Directors' meeting to set the agenda for investor/company interaction and to map out governance structure

Questions?