

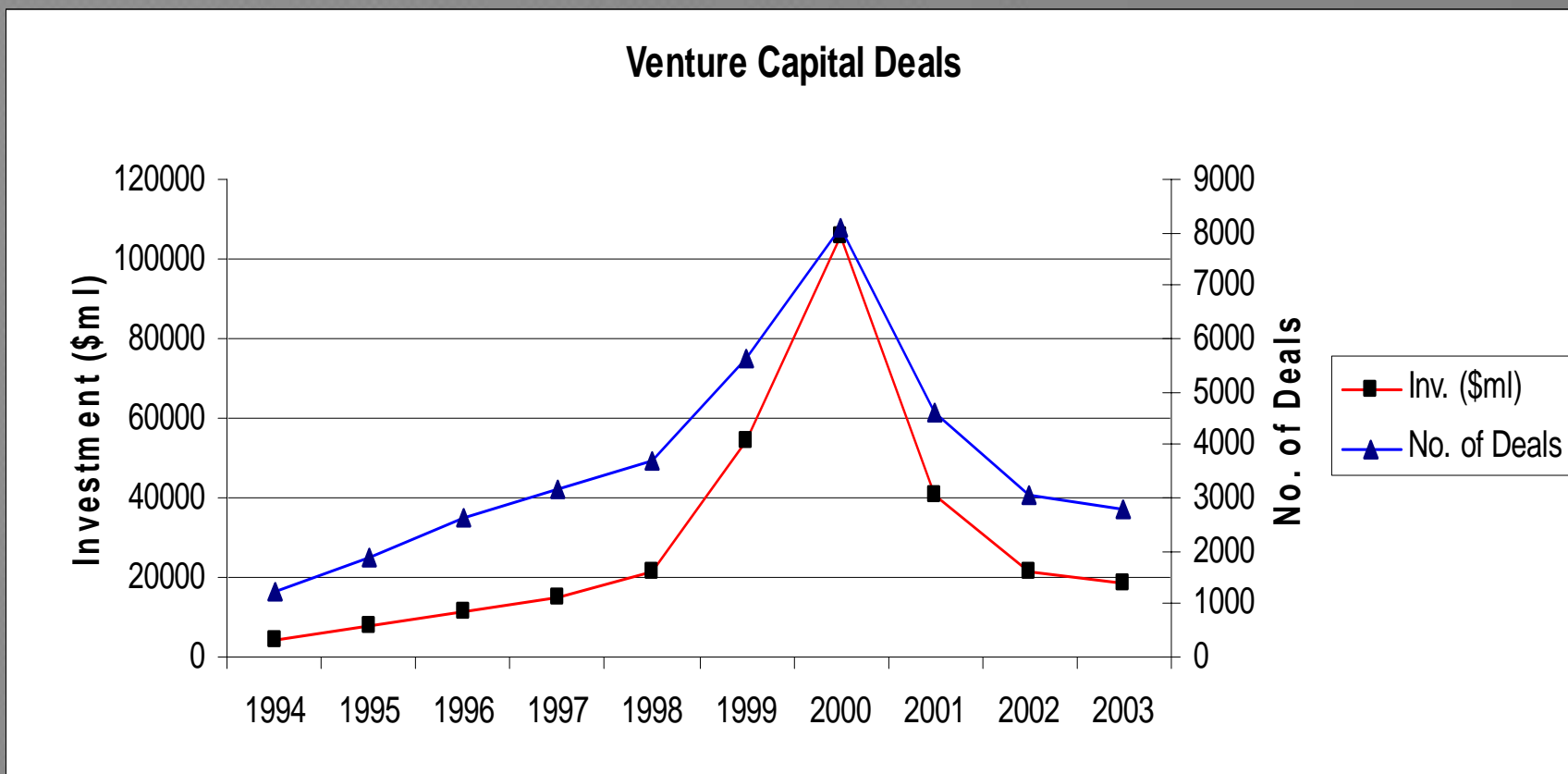


**VENTURE CAPITAL ISN'T WHAT IT
USED TO BE
DEAL TERMS THEN AND NOW**

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Chart 1 - Venture Capital Deals



Comparison of Salient Deal Terms

	<u>Travel, Inc.</u>	<u>Biotech, Inc.</u>	<u>Software, Inc.</u>
Revenue?	Yes	No	Yes
Size?	\$10 Million	\$4 Million	\$4.6 Million
Profit?	Barely	Are you kidding?	No
Date Closed	12/00	9/02	12/03
Securities	Convertible Preferred	Convertible Preferred	Convertible Preferred

Comparison of Salient Deal Terms

	<u>Travel, Inc.</u>	<u>Biotech, Inc.</u>	<u>Software, Inc.</u>
Voting?	Yes	Yes	Yes
Liq. Value	OIP + Dividends	OIP + Dividends	OIP + Dividends
Dividend	9%	8%	8%
Preferred Directors	2/7 (possibly 6/11)	Majority	3/6

Comparison of Salient Deal Terms

Travel, Inc. Biotech, Inc. Software, Inc.

Upon
Success Event

Liq. Value

Liq. Value +
Participation

Liq. Value +
Participation
at 110%

Chart 3

Example of Distribution of Merger Consideration

Assumed Purchase Price:		\$40,000,000
Available for Distribution to Stockholders:		40,000,000
Years of dividend accrual:	3.5	8.00%

I. Preference Payments

Class	Shares	Amount	Preference	W/Dividends
Series A	1000000	\$5.00	\$5,000,000	\$6,400,000

II. Balance Available After Preference (calculated on an as-converted basis) \$33,600,000

Class	Shares	Percent	Amount
Founders	1000000	25.00%	\$8,400,000
Angels	2000000	50.00%	\$16,800,000
Series A	1000000	25.00%	\$8,400,000
Total	4000000	100.00%	\$33,600,000

III. Summary Of Payments

Class	Shares	Price	Amount	Percent
Founders	1000000	\$8.40	\$8,400,000	21.00%
Angels	2000000	\$8.40	\$16,800,000	42.00%
Series A	1000000	\$14.80	\$14,800,000	37.00%
Total			\$40,000,000	100.00%

Comparison of Salient Deal Terms

Travel, Inc. Biotech, Inc. Software, Inc.

Antidilution

Broad-based
Weighted -
Average Full Ratchet

Full Ratchet

Chart 4 - Antidilution Formula

$$\text{No. Common Shares Received} = \frac{\text{OIP}}{\text{Conversion Price}}$$

Chart 4 - Antidilution Formula

$$\text{No. Common Shares Received} = \frac{\text{OIP}}{\text{Conversion Price}}$$

$$\begin{array}{l} \text{(New) Conversion Price} \\ \text{Price} \end{array} = \begin{array}{l} \text{(Old) Conversion Price} \\ \text{Price} \end{array} \times \frac{\begin{array}{l} \text{No. Common (Fully Diluted)} \\ \text{(Fully Diluted)} \end{array} + \frac{\text{New Consideration}}{\text{(Old) Conversion Price}}}{\begin{array}{l} \text{No. Common (Fully Diluted)} \\ \text{(Fully Diluted)} \end{array} + \text{New Shares}}$$

Chart 4 - Antidilution Formula

$$\begin{array}{r}
 \text{(New)} \\
 \text{Conversion} = \\
 \text{Price}
 \end{array}
 =
 \begin{array}{r}
 \text{(Old)} \\
 \text{Conversion} \\
 \text{Price}
 \end{array}
 \times
 \frac{
 \begin{array}{r}
 \text{No. Common} \\
 \text{(Fully Diluted)} + \\
 \text{New Consideration} \\
 \text{(Old) Conversion Price}
 \end{array}
 }{
 \begin{array}{r}
 \text{No. Common} + \\
 \text{(Fully Diluted)} \\
 \text{New Shares}
 \end{array}
 }$$

Example

New Issue: 100,000 shares @\$5.00

$$\begin{array}{r}
 \text{No. Common} \\
 \text{Shares} \\
 \text{Received}
 \end{array}
 = \frac{\$10.00}{\$10.00}$$

$$\begin{array}{r}
 \text{(New)} \\
 \text{Conversion} = \\
 \text{Price}
 \end{array}
 = \$10.00 \times \frac{1,000,000 + \frac{(100,000 \times \$5.00)}{\$10.00}}{1,000,000 + 100,000} = \$9.5454$$

$$\begin{array}{r}
 \text{No. Common} \\
 \text{Shares} \\
 \text{Received}
 \end{array}
 = \frac{\$10.00}{\$9.5454} = 1.0476$$

Comparison of Salient Deal Terms

Travel, Inc. Biotech, Inc. Software, Inc.

Put Right?

Yes, at
Liq. Value

No

No