



VENTURE DEAL TYPES

http://www.growco.com/gcg_entries/venturecapitaldealstructures1.htm

Common stock

... is what most people think of when they think of owning part of a company. It is the security most frequently issued by companies and represents an ownership interest in a company. In most cases, common stock carries the right to vote for directors and to vote on other matters affecting the company. It also entitles holders to receive notice of shareholder meetings and to attend them. Rights to review corporate records or receive financial reports also customarily accompany common stock ownership. Certificates are usually issued to holders of common stock (and other company securities) to evidence the stock's existence.

Common stock

Common stock can pay cash dividends based on company earnings but only after preferred stockholders receive their dividends. Dividends are usually paid at the discretion of the company's board of directors but are the exception, not the rule, with most growing, privately held companies. Holders of common stock participate last in company liquidations. Company creditors, debenture holders, and preferred stockholders get paid in that order, before holders of common stock.

Common stock

Common stock can be issued in one or more classes. One frequently used company structure authorizes the issuance of two classes of common stock, which differ only in the number of directors each class is entitled to elect. This arrangement can be used to insure an investor a seat on a company's board of directors while, at the same time, insuring that control of the board will remain with management. For example, Class A stock might be issued to management and give its holders the right to elect three directors. Class B stock, which entitles its holder to elect only one

Convertible debentures

... are debt instruments that entitle the lender to exchange the right to receive principal and interest payments into stock of the borrowing company. Subordinated convertible debentures are sometimes used in lieu of convertible preferred stock to fund a portion or all of a company's funding needs. These convertible debentures are usually less attractive to growing companies because they accrue interest and require scheduled repayments unless and until they are converted.

Convertible preferred stock

... is a type of stock used frequently by venture capital investors. The stock's preferred status gives the investor a preference in the event of a company liquidation or sale. In growing companies, this preference usually entitles the investor to receive back its investment, and an agreed upon return, before other investors receive any proceeds from a liquidation or qualifying sale.

Convertible preferred stock

A typical convertible preferred stock used by venture capitalist investors also entitles the investor to convert his shares into common stock at a predetermined formula and to vote the preferred stock on issues presented for shareholder vote. The voting rights conferred on the convertible preferred stock often include the right to elect one or more directors to the company's board of directors and to approve certain defined major decisions. Common "major decisions" include the issuance of additional shares of stock to others, the sale or merger of the business, the creation of new stock with preferential rights and the change of the company's core business activity.

Convertible preferred stock

The formula used to convert the convertible preferred stock into shares of common stock typically includes an adjustment mechanism, called an antidilution provision, that protects the investor against dilution in his percentage ownership caused by sales of cheaper stock to later investors. The nature and extent of the protection afforded can be very important to the holders of the company's common stock. The more protected the holder of convertible preferred stock is from dilution the more dilution the common stockholders are likely to suffer.

Convertible preferred stock

Some convertible preferred stocks also permit the investor to require the company to redeem the preferred stock after a predetermined time for an amount that gives the investor a modest profit.

Some entitle the company to force to redemption or conversion to common stock after a period of years.

Convertible securities

... are equity or debt investments that can be exchanged for something else of value upon the happening of some future event. The most common convertible securities are debentures and preferred stock that are convertible into common stock. The election of the holder is usually all that is required to convert.

Convertible securities

Convertible securities are a nice way for investors to hedge. They allow them to acquire a debt instrument, for example, with its rights to interest and principal payments, without sacrificing the chance to participate in the company's capital appreciation. When a company does well, the investor can convert his debenture into stock that is more valuable. When a company is less successful, he can retain his debenture and receive his interest and principal payments.

Convertible securities

Most venture capitalists like convertible securities because they help preserve their capital and give them the potential of profiting from increases in the value of the company's stock. By giving their holders an option for removing money from a modestly successful company, convertible securities help investors preserve their capital even when their portfolio companies are not successful enough to allow them to liquidate their investments through public offerings.

Bridge loans

...are short-term financing agreements that fund a company's operations until it can arrange a more comprehensive longer-term financing. The need for a bridge loan arises when a company runs out of cash before it can obtain more capital investment through long-term debt or equity.

Bridge loans

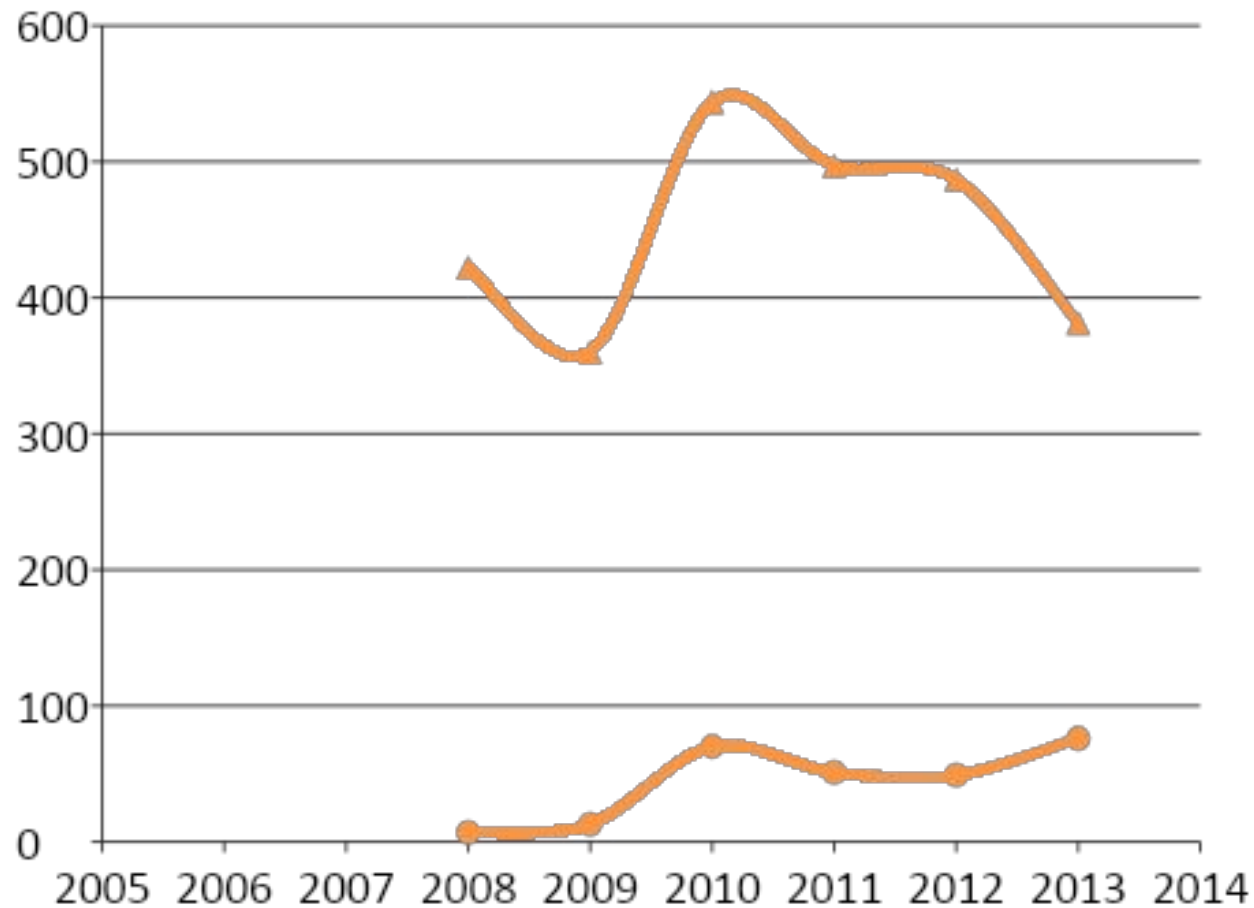
Bridge loans are risky. Whether a company's original investors or an outside lender provides the bridge loan, its short-term nature creates pressure to complete the long-term financing package quickly. A default under a bridge loan usually gives the lender substantial rights to company assets or personal assets of management. Management's eagerness to liquidate a bridge loan can cause it to make concessions it would not otherwise make when negotiating the longer-term financing that will "take out" the bridge loan.

Bridge loans

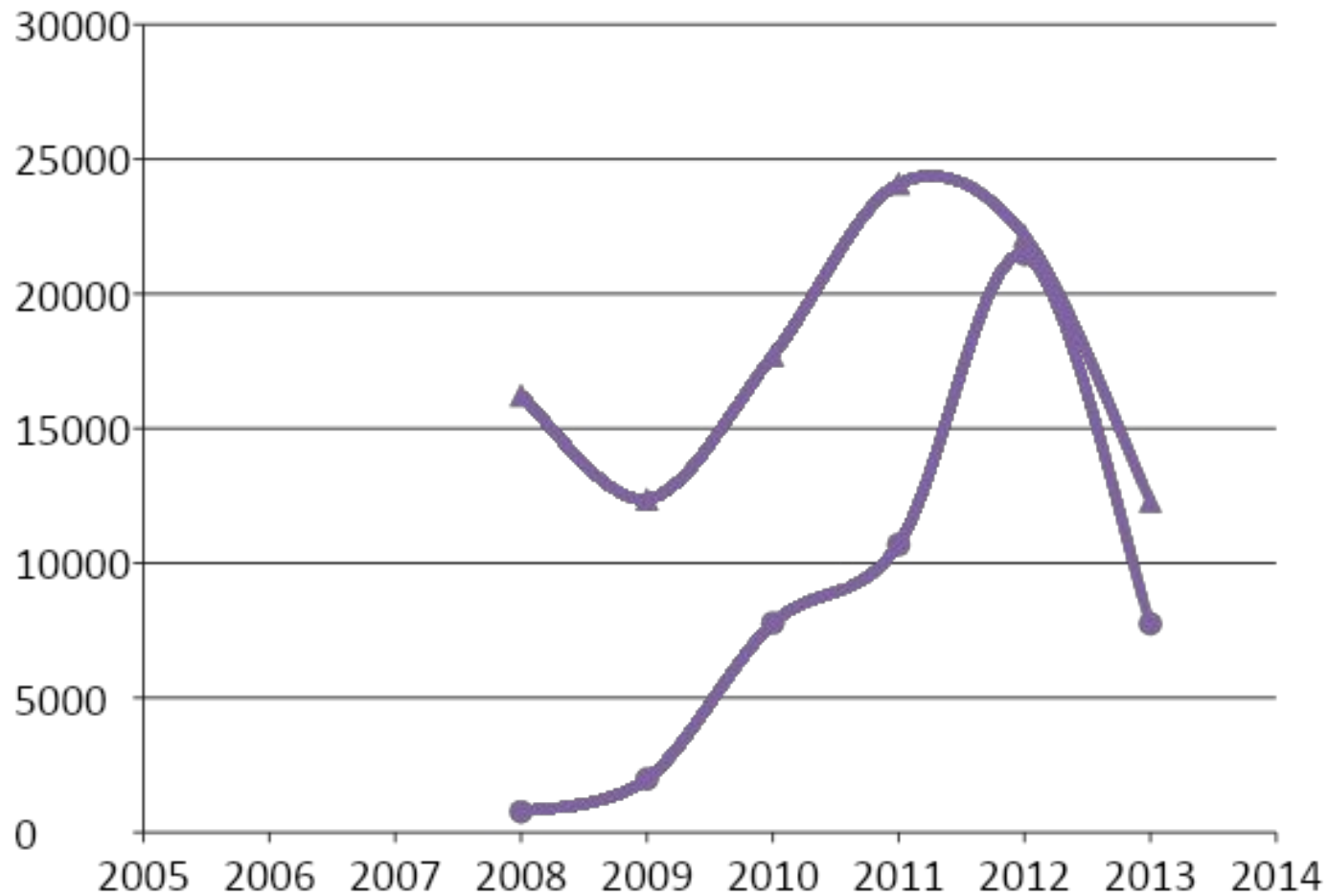
- When accepting bridge financing, management should be careful to understand the consequences if the long-term financing does not come through on time. It helps to negotiate as long a term as possible on a bridge loan and to borrow enough money to carry the company through the loan's term. If the bridge financing is with an outside investor, management should explore the possibility of converting it into longer-term financing if the need arises, even if the terms of extending the bridge are less

Quarter/Year Total	M&A Deals	M&A Deals with Disclosed Values	Total Disclosed M&A Value (\$M)	Average M&A Deal Size (\$M)	Number of IPO's	Total Offer Amount (\$M)	Average IPO Offer Amount (\$M)
2008	422	134	16,236.9	121.2	7	765.0	109.3
2009-1	81	19	830.5	43.7	0	0.0	0.0
2009-2	79	15	1,982.4	141.6	7	997.6	142.5
2009-3	100	30	2,224.3	74.1	2	522.5	261.3
2009-4	100	45	7,327.7	162.8	4	459.7	114.9
2009	360	109	12,364.9	114.5	13	1,979.8	152.3
2010-1	149	36	4,945.1	137.4	8	921.9	115.2
2010-2	109	30	2,681.4	89.4	18	1,548.4	86.0
2010-3	141	36	4,140.9	115.0	18	2,061.5	114.5
2010-4	145	47	5,932.8	126.2	26	3,242.6	124.7
2010	544	149	17,700.3	118.8	70	7,774.4	111.1
2011-1	138	51	5,966.8	117.0	14	1,526.9	109.1
2011-2	95	37	6,202.3	167.6	21	5,883.5	280.2
2011-3	141	43	6,934.5	161.3	5	475.9	95.2
2011-4	123	38	4,989.6	131.3	11	2,803.2	254.8
2011	497	169	24,093.2	142.6	51	10,689.5	209.6
2012-1	114	28	3,671.0	131.1	19	1,682.8	88.6
2012-2	123	34	6,304.4	191.0	12	17,227.9	1435.7
2012-3	125	37	8,437.6	228.0	10	1,140.7	114.1
2012-4	125	30	3,751.1	125.0	8	1,408.4	176.1
2012	487	129	22,164.2	173.2	49	21,459.9	438.0
2013-1	87	10	984.3	98.4	8	716.9	89.6
2013-2	92	17	3,367.3	198.1	23	2,413.7	104.9
2013-3	107	31	4,878.7	157.4	26	2,677.2	103.0

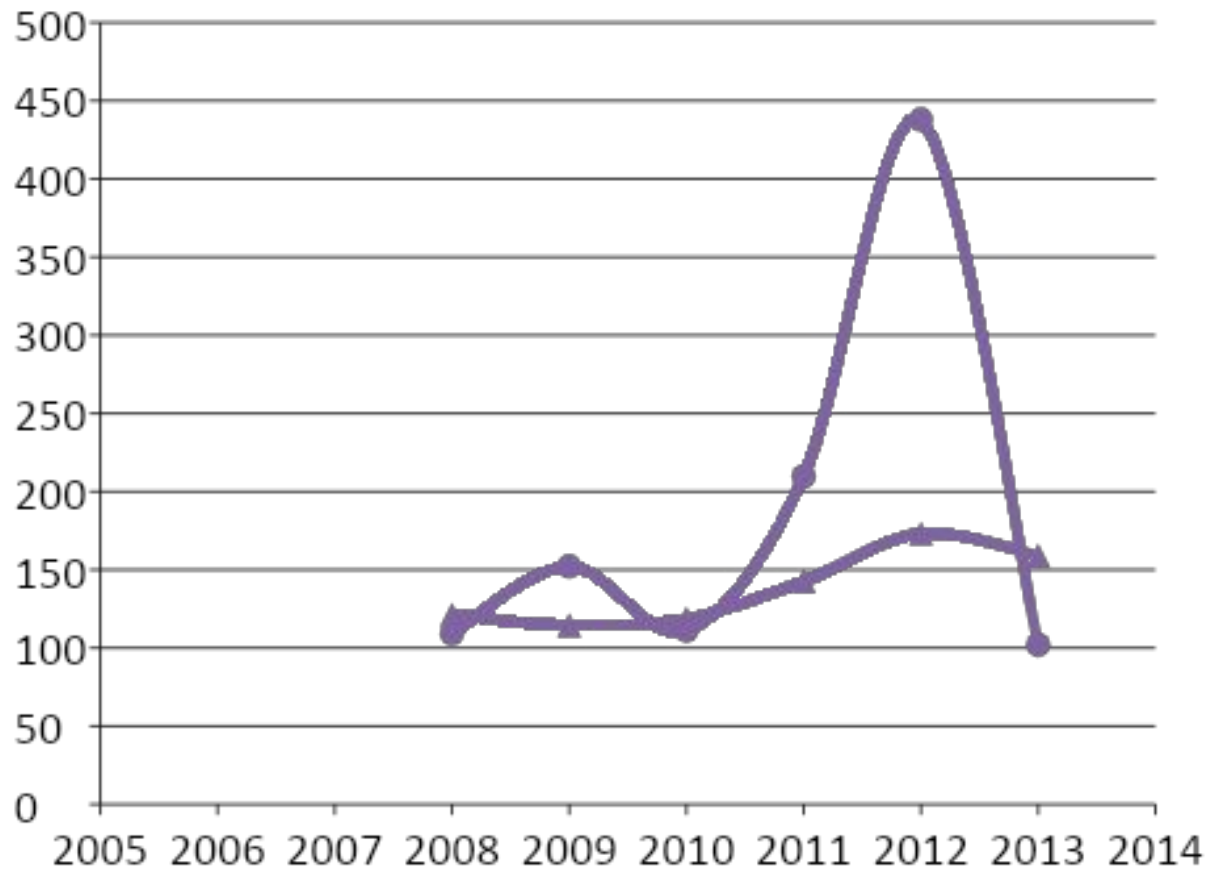
The sweet word – exit (Thomson Reuters)



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	2003	2004	2013
Deals where transaction value is less than total venture investment	47	65	10
Deals where transaction value is 1-4x total venture investment	52	60	14
Deals where transaction value is 4x-10x total venture investment	16	36	14
Deals where transaction value is greater than 10x venture investment	7	19	4
Total Disclosed Deals	122	180	38