

The Catalyst Bond – White Paper

The Catalyst Briefing Papers series are intended to provide investors and management with general guidance on key issues facing growth companies. While all attempts are made to ensure accuracy, for the most up to date information please contact your authorised financial advisor, lawyer or local tax office.

Introduction

Over the last four years the availability of funds for growth businesses has become extremely constrained; bank finance is tight, venture capital is scarce and expensive, private investors are extremely risk averse. In response to these difficult conditions Catalyst has developed, in conjunction with a Japanese based partner, a Bond type financial instrument that can provide the funds fast growing companies need but at an economic cost.

In essence we have managed to tap into the funds of high net worth individuals and small to medium scale institutions who are seeking to achieve reasonable returns for their investors with acceptable levels of risk. The financial markets in Japan are notoriously flawed and are focussed on large corporations rather than reflecting the needs of smaller investors.

We have funded many clients entirely with substantial raise requirements and we have a wide range of existing clients in the funding process on an ongoing basis. Our current active clients have various raise objectives from £2.5 million to £80 million.

Our relationship with investors, intermediaries and financial institutions is key to our success. We have established investor connections with retail markets, high net worth markets, brokerage and institutional investors as well as securities houses and institutional fund managers.

Our group has two primary offices in Japan and the UK along with smaller offices and representation globally. Our executive team includes industry specialists who in their respective careers have raised substantial funding for businesses through the delivery of bespoke fund raising structures. In this respect we have developed a modern solution for the very real need in today's global economy to raise business capital in an alternative way.

What types of companies are suitable?

Our range of funding starts at £2.5 million pounds with no reasonable upper limit. There are no restrictions on business sectors. Companies that have been funded in the past include:

- a medical technology company that was seeking £4.5 million to launch a new product into the market
- a solicitors' firm principally involved in the recovery of claims in compensation cases looking for £80 million over 2 years
- an energy saving technology business looking for £10 million to fund a new commercial leasing division

We provide global funding solutions and will consider businesses in most countries.

The Bond Terms

The Bond is a fixed term debt instrument raised from the Japanese investment market using unique investment instruments (Special Purpose Vehicles) bespoke to each individual client. These SPV's act as a fund for the client, and in turn as an investment opportunity for our investor network. The SPV's we build sit between the investor and the client and are used to raise funds from the market for lending to the client without the need for the client to release any equity.

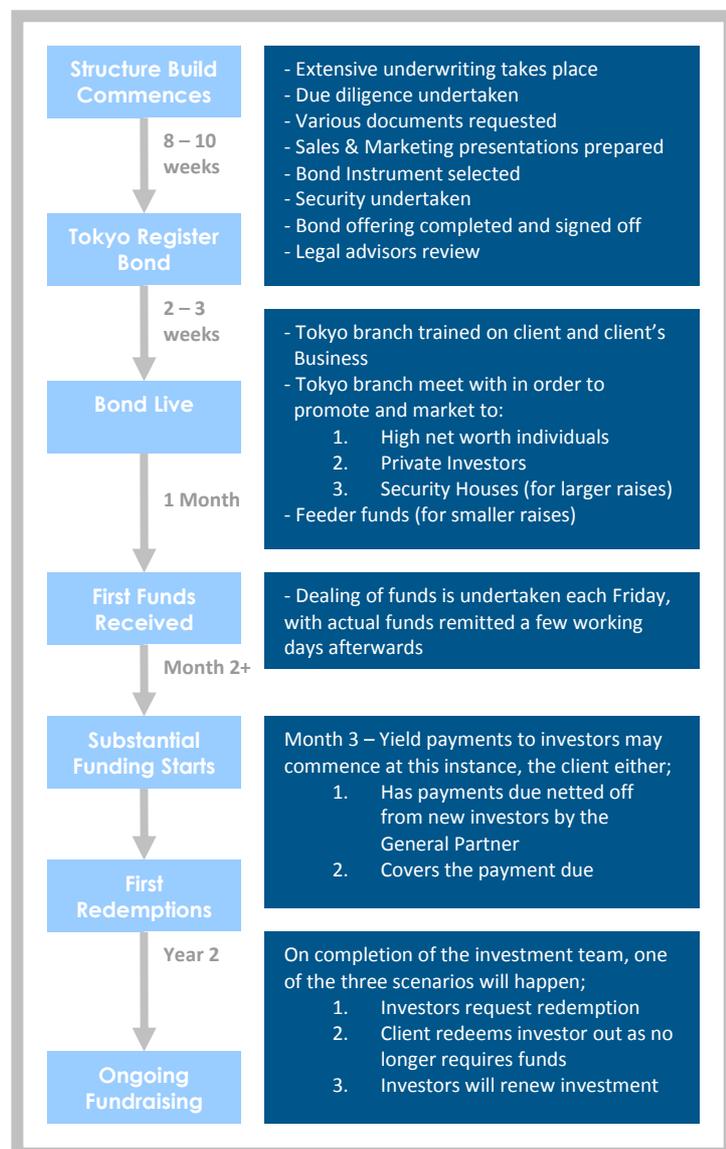
The Bond typically carries a coupon of about 8%. This coupon must be paid by the investee company quarterly in arrears. The Bond matures in three years and funds must be paid back at that point. In practice it is usually possible to extend the maturation period by up to three years although additional fees are charged.

As well as the interest cost each Bond carries additional costs associated with preparing, issuing, hedging, and managing the Bond. Typically these costs add an additional 4% per annum to the cost of the bond giving an annual average cost of about 12%.

The Process

Our process involves a number of steps:

1. Initial due diligence: We review the business plan, meet with the team and come to a view as to the feasibility of progressing. If the view of the underwriting team is positive then we move to formal due diligence.
2. Formal due diligence: This involves a detailed examination of all aspects of the business including management, commercial strategy etc.
3. Formal Issuing of structuring terms.
4. Structuring and Marketing the Bond: This involves the preparation of all documents and obtaining of all permissions and licences required to issue the Bond. It will take approx. 10 weeks to build the instrument and complete this stage.



In total this process will take about 4 months before any funds are available for drawdown.

The key points about the financial structures created are:

- Effectively they are a type of bond, therefore fund raising involves no equity dilution
- The Bond is secured against the company not individual assets
- Loan repayment is at the end of three years (but might be extended)

Companies must be able to demonstrate:

- Strong corporate governance
- Good management team
- Trading history
- Strong financials
- Profitability

When forming new relationships with clients, we provide a personal long term relationship maintained by our client management team. Our team specialises in evaluating and underwriting projects, preparing investment instruments and positioning them before investors.

Fees for our service are openly discussed before a project is considered and agreements are engaged.

If you would like to discuss your business funding requirements and gain more information on how our processes work and whether they would be suitable for you, please contact us and we will be delighted assist.

Richard J Turner
Catalyst Venture Partners

About Catalyst Venture Partners

Catalyst Venture Partners are a corporate finance and fast growth advisory firm specialising in the environmental technology, healthcare, software and media. Since its foundation in 2000 Catalyst has worked with over 50 early stage and growth companies.

For further information about Catalyst Venture Partners please visit the website at www.catvp.com or contact Richard J Turner, T: +44 1225 331498; E: rjt@catvp.com