

Arctaris Income Fund

An Alternative to Traditional Venture and Private Equity Investing

Presentation to and Discussion With:

The Capital Network

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Introduction

- Arctaris Capital Partners was created to provide alternative financing solutions to *expansion* stage companies
- Arctaris personnel are experienced Venture as well as Private Equity stage fund managers/investors.
- Arctaris recognized Investor's dissatisfaction with traditional venture/private equity fund investing:
 - Long investment cycle before realization, little income during the holding period, illiquidity of the investment, and high risk
- Arctaris' founder, Andy Clapp, has been researching alternative investment vehicles for 4 years: *a Hybrid hedge fund-venture fund; a debt fund; and chose **TIGRcubs™*** as being 'right for the times'

Market Need for Financing Alternatives

- The Venture Capital Model is Broken
 - Dry Exit Environment
 - Uncertain lockup periods
 - LP pressure for Liquidity & Exits
 - Valuations down, Crushing Rounds Prevail
- Investor Needs Have Changed
 - Seeking Current Income
 - Earlier Exit or Current Income
 - Mitigated investment return risk
- Liquidity, Liquidity, Liquidity!
 - But not a drop for distribution to Investors
 - And little for Companies in this era

Market Need for Financing Alternatives (cont.)

- Capital is Scarce
 - Investors are risk averse
 - Public/private money is Hard to Raise
 - Credit availability is way down
- Companies are Looking For Alternatives
 - Focused on preserving ownership
 - Valuations are way down
 - Want an affordable/flexible obligation
- Existing Investors Need Help
 - Follow-on/Bridge raises are in needed
 - VC's making tough decisions about portfolio
 - Small Public company investors Can't Get
 - Liquid

What's needed? A New Security that embodies a New Context for Attracting Capital and Funding Companies

Structure of TIGRcub™ Securities

- Funding is in the form of a Debt-like Security
 - Collateral Interest but subordinated to Senior Debt, if any exists
 - Structured to be Repaid as a % of Top-Line Revenue: i.e. % of sales
 - 10 Year term – could be shorter or longer
 - Prepayment/Redemption Possible when Company is Sold, recapitalized, or goes Public
- Key Variable we need to Calculate the % of Revenue
 - Sales Forecast – 3 years, by month; then a 7 year annual forecast

Benefits to TIGRcub™ Issuers (Companies)

- Non-dilutive to founders, Existing Shareholders and venture firms
- No set valuation is required
- Flexible/affordable obligation that matches the Revenue Growth with Company's Ability to Repay
- Payments are tax deductible after repayment of principle
- Transparent Model – no hidden valuation formulas
- No forced exit needed to satisfy Investors' need for liquidity
- No board seat required; only observation rights
- All interests are aligned to grow the top-line revenue!

Targeted Issuer of TIGRcub™ securities

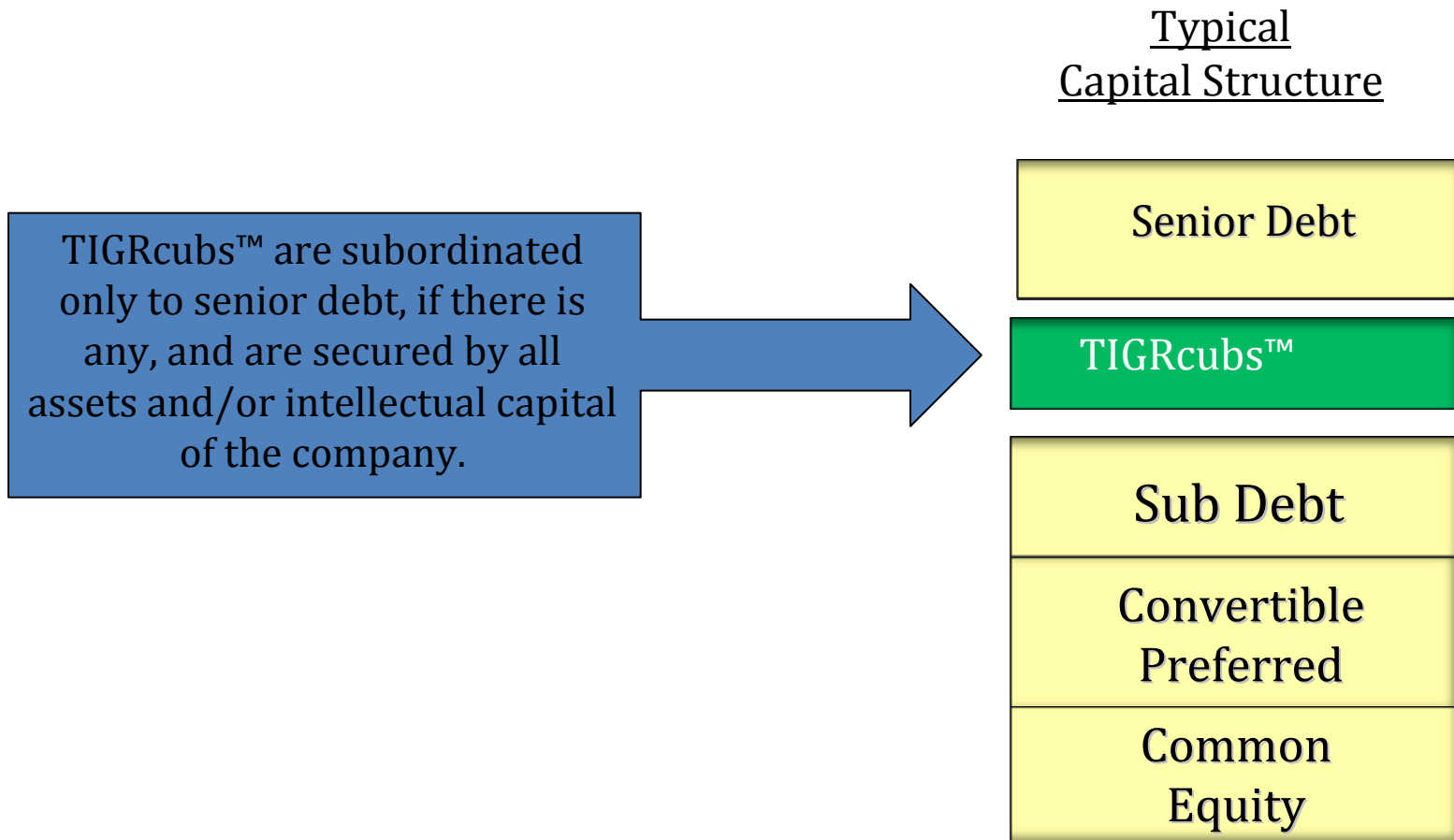
TIGRcub™ securities can be issued by a broad range of corporations operating in many different industries however Arctaris Capital has identified a set of issuing company characteristics that it is initially targeting:

- Some minimum sales level, depending on how large the financing is for
- Profitable or Nearing Profitability
- High Gross Margins
- Attractive Growth Rate Forecasted
- Sales Oriented Management Team
- Proprietary Product/Intellectual Capital
- A Business Plan, a Detailed Sales Strategy

Not all of these criteria will be met, but on average most will be

Security Interest of TIGRcubs™

Our targeted investments are part of a typical company's capital structure whereby the priority of cash flows and claims on company assets goes to senior debt, followed by subordinated/mezzanine debt then preferred equity and finally, common equity.



Comparison of Funding Options

- The Model compares the dilution of a TIGRcub™ vs. alternatives
- The Model also compares the Investor's IRR for each security
- Example: \$1 million Financing for a Boston area company:

\$ Millions	TIGRcub	Sub Debt	Equity *
Equity Dilution:	0%	3.8%	8.5%
Investor IRR:	32.3%	17.8%	25.6%

The Table shows a *TIGRcub™* Financing yielding a higher return to investors and without any dilution of ownership to founders and investors.

In Closing

- TIGRcubs™ are a highly innovative financing instrument, benefiting:
 - **Company Issuers:** No dilution, flexible debt service, can be redeemed early
 - **Investors:** Attractive return on Investment, Current income, greater liquidity
- We look forward to answering your questions
- Please contact us for additional information:

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- Thank you for your interest

