

“Exiting with grace”
An overview of the exit experience by IPO

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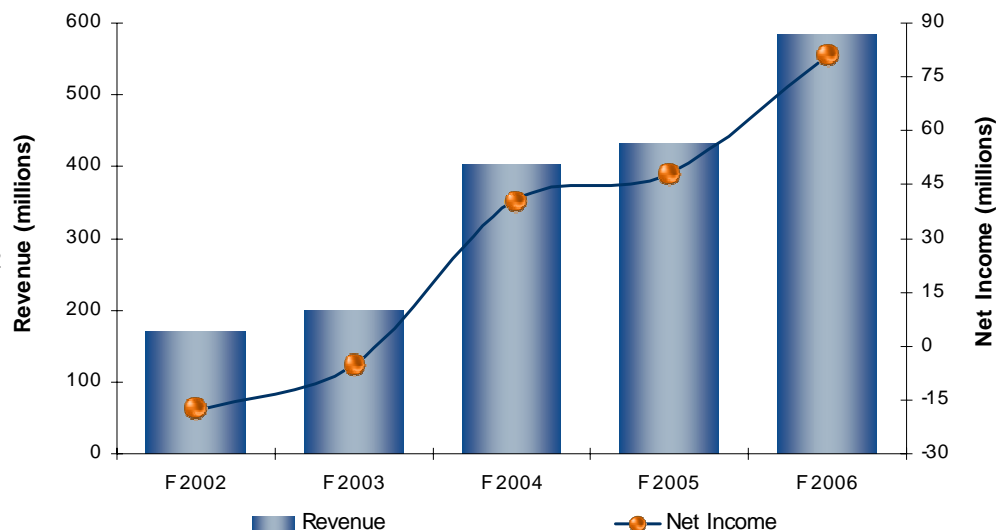
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Introducing Canaccord Adams

- Publicly listed on AIM and TSX (CCI)
- Sales, trading, banking and research in all markets¹
- Ability to list companies in 3 countries on 7 exchanges
- 1,500 employees
 - 464 capital markets
 - 689 private client services
 - 335 operations and support services
- 53% employee owned
- CY2005 transaction value equal to \$27.3 billion²
- CY2005 transaction leads exceeded \$3.7 billion²
- 430 CDN private client investment advisors
- \$14 billion in assets under administration



1. Retail services offered through Canaccord Capital Corporation
 2. Equity offerings \$10MM and greater

Canaccord Capital's fiscal year end is March 31st. \$ in CAD

A Unique Focused Investment Boutique

CANACCORD Adams

Investment Banking

- 75 investment bankers
- 2005 equity transactions
 - 421 transactions
 - \$35.4 billion
- M&A advisory experience
 - 38 transactions
 - \$8.3 billion

Toronto, London, Vancouver, Calgary, Montreal, Boston, New York, San Francisco

Research

- 550 companies covered
- 56 research analysts
- 7 focus sectors
- #1 ranked research ^{1,2}
 - StarMine, Brendan Wood, Thomson Extel
- Frequent media appearances
 - CNBC, Bloomberg

Toronto, London, Vancouver, Calgary, Montreal, Boston, New York, San Francisco

Sales & Trading

- Over 1500 institutions covered
- Over 100 professionals
- 34 traders, sales/traders & market makers
- Market making
 - 350 companies
 - 7 exchanges
- Sales specialists
- One integrated team
 - Toronto, London, Paris, Vancouver, Calgary, Montreal, Boston, New York, San Francisco

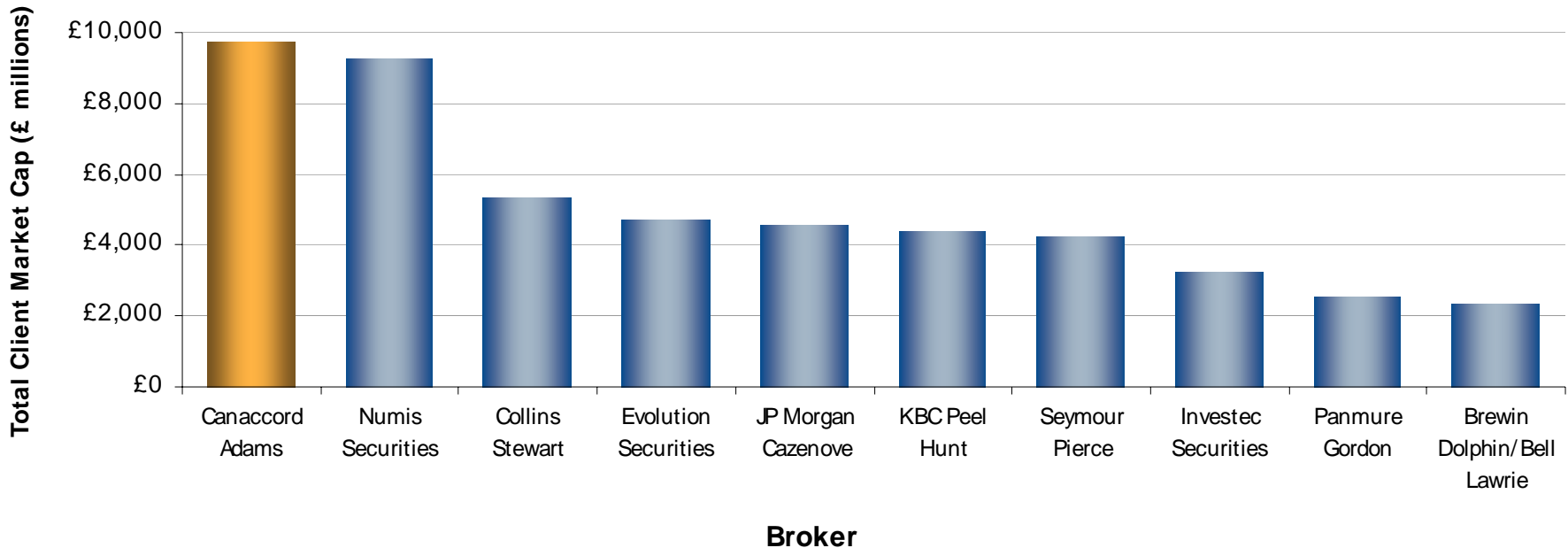
A Global and Integrated full service platform with a growth focus

1. Source: StarMine 2005, Brendan Wood 2005, Thomson Extel 2005

2. Canaccord Adams research has been independently ranked #1 by multiple agencies across a variety of sectors and geographies and by a number of different criteria

Competitive Market position in London

AIM Ranking of Stockbrokers by Client Market Capitalization¹



Canaccord is the market leader for AIM listed companies

1. Source: Hemscott Ranking of Stockbrokers Total AIM Client Market Capitalization May 2006

Leading Middle Market M&A Advisor

2005 M&A Activity Under US\$250m

US\$ values in millions, sorted by number of deals

Rank	Advisor	Deal Value	# of Deals ¹	Avg. Deal Size ²
1	Jefferies	\$3,824	43	\$89
2	Houlihan Lokey Howard & Zukin	\$3,089	42	\$74
3	UBS	\$3,732	33	\$113
4	Credit Suisse First Boston	\$4,590	32	\$143
5	Citigroup	\$3,179	32	\$99
6	Canaccord Adams	\$2,689	31	\$87
7	Bank of America	\$3,773	29	\$130
8	JP Morgan	\$2,995	27	\$111
9	Lehman Brothers	\$3,762	26	\$145
10	Deutsche Bank	\$3,139	26	\$121
11	Morgan Stanley	\$3,736	25	\$149
12	Goldman Sachs	\$3,527	25	\$141
13	Merrill Lynch	\$3,149	25	\$126
14	Lazard	\$2,973	22	\$135
15	CIBC World Markets	\$1,753	21	\$83
16	RBC Capital Markets	\$1,831	20	\$92
17	KPMG Corporate Finance	\$1,281	20	\$64
18	Piper Jaffray & Co	\$1,657	17	\$97
19	Rothschild	\$1,528	15	\$102
20	William Blair & Co	\$1,535	14	\$110

- We are well positioned among the top middle-market M&A advisors; over 80% of our 2005 transactions were between US\$20m and US\$250m
- Our advisory services include structuring and executing a wide range of domestic and international transactions, including:
 - Strategic Mergers and Acquisitions
 - Divestitures
 - Recapitalisations
 - Takeover Defences
 - Fairness Opinions and Valuations
- We have expertise in select core industries such as technology, life sciences, energy, oil & gas and consumer

Source: Dealogic M&A Desk and Canaccord Adams

1) Includes North American deals in all industries except financial institutions; excludes buybacks

2) Equals Total Deal Value / Number of Deals

Sector specialisation in London

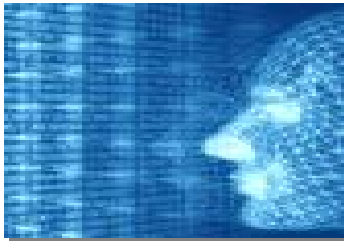
Mining & Metals



Energy (Oil & Gas)



Media & Technology



**Environmental
Technology**



Life Sciences



75 staff in London dedicated to the needs of small to mid-cap companies

By having a sector specific focus we are able to leverage our experience and knowledge, adding value for our clients

Growth of AIM

- Established in 1995 to provide increased access to capital for growth companies without the costs and regulatory constraints of the full list exchange
- The AIM market has grown at a phenomenal pace. At the end of 2005, AIM had grown to 1,399 companies worth a combined \$99 billion
- AIM is currently the second largest stock exchange in Europe by number of companies



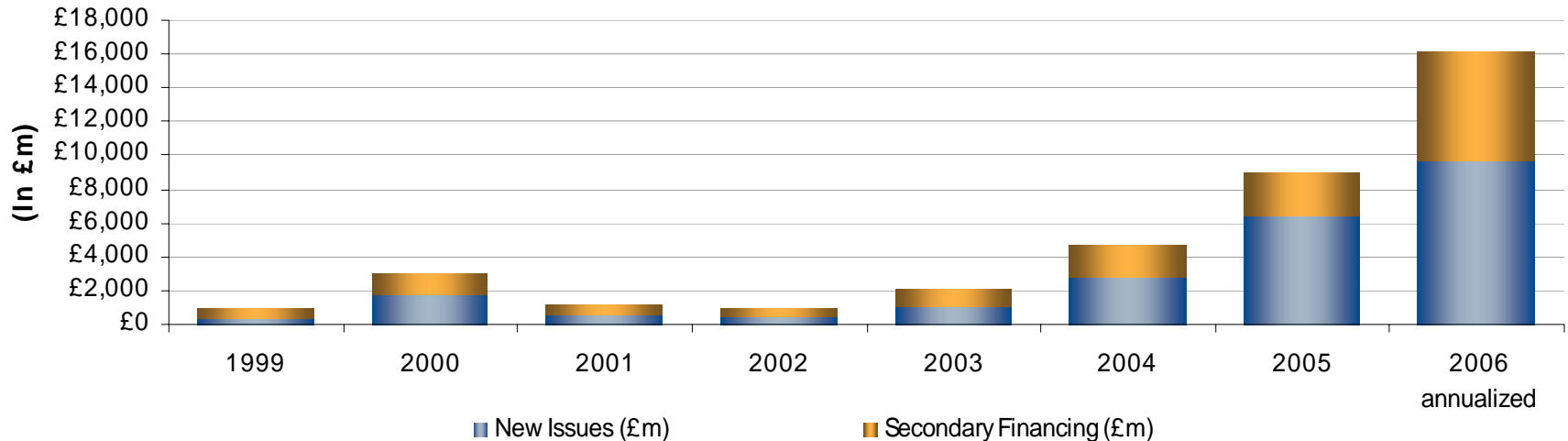
Canaccord has significantly contributed to the dramatic growth on AIM in the past 3 years

Source: London Stock Exchange: AIM Statistics

Capital Influx into AIM Market

- Large institutional investors are investing in AIM – new IPO capital raised exceeded £6 billion (\$10 billion) in 2005
- Almost £9 billion (\$15.5 billion) was raised for AIM companies in 2005. This is 800% higher than 2002
- In the first half of 2006, £8.6 billion was raised for AIM companies. This is more than 2.5 times the amount raised in the same period last year

AIM
AIM Capital Raised



Source: London Stock Exchange; AIM Statistics

AIM Listing and Information Requirements

NASDAQ

- Financial Requirements:
 - Net assets of US\$4M; or
 - Mkt cap of US\$50M; or
 - NI of US\$750,000)
- Operating history of 1 year or a min mkt cap of US\$50M
- 1M shares in public hands (ex directors, officers or 10% beneficial owners)
- Min mkt cap US\$5M
- Min bid price US\$4M
- Minimum of 300 round lot shareholders
- 3 market makers
- Established corporate governance policies

AIM

- No min shares to be in public hands
- No trading record requirement
- No prior shareholder approval for transactions*
- Admission documents not pre-vetted by Exchange or UKLA
- NOMAD required at all times
- No min mkt cap
- Working cap declaration reqd

Alternext

- No min free float, min €2.5M raise
- Two years of financial statements
- Simplified prospectus or private placement min €5M
- Listing sponsor required at all times – must provide rsch
- No inv funds
- Established May 2005

Listing on AIM is designed to be easier than listing on most other markets including NASDAQ

Sources:
NASDAQ, Listing information
London Stock Exchange, Joining AIM

Should you list and when?

- **Positives**

- Cash
- Credibility
- Management free to manage
- Strong board
- Recruitment

- **Negatives**

- Public scrutiny
- Time on road shows
- Semi-annual reporting
- Orphan risk
- Bulletin board manipulation

- **Timing**

- Turning point
- Sufficient cash on hand
- Cash required £5 - 20 - 50 million
- Key management in place
- Strong board starting to form

- **Criteria**

- Simple, evocative story
- Strong presentation skills
- Key decision makers available
- Positive news flow potential
- Good use of proceeds

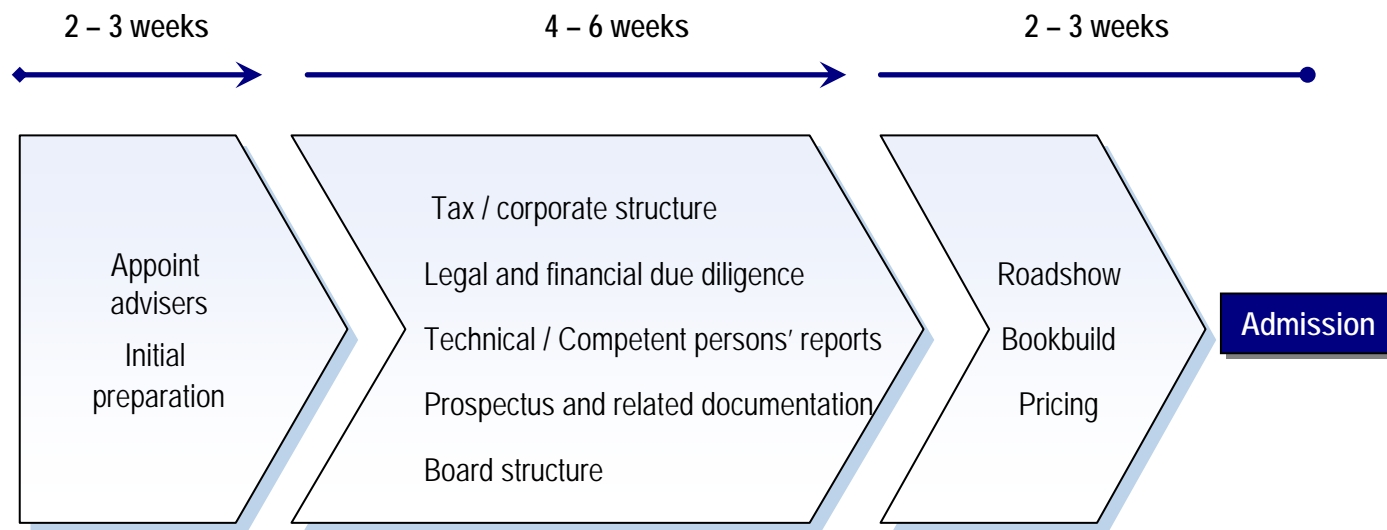
How to choose a NOMAD/broker

- **Look for:**
 - Reputation
 - Sector specialists
 - Relationship
 - Recommendation
 - Post-float support (research, market making, road shows)
 - Price
- **Avoid:**
 - Test marketing
 - Promises that appear too good to be true
 - Firms that are not busy
 - Firms operating outside their normal space (mkt cap or client base)

The admission timetable

The IPO process typically takes between 8 and 12 weeks, depending on the level of preparedness of the company

- The AIM admission process is structured around the production of an admission document



The company also needs to keep running

What makes an investment

- Always interest in good, solid investment stories – **this is key** to securing initial and ongoing interest and investment
- No trading record required however the company must be **suitable** for admission to a public market
- Operate as a “public” company
- Communication with and understanding of investors through effective Investor Relations – news flow is king
- Disclosure of significant developments
- Compliance with corporate governance standards
- Sufficient free-float to promote liquidity in secondary market
- IPO is not an exit
- Lock ins – hard and soft
- Valuation and research

Exiting with grace?

- An IPO is not always an exit
- Management of the exit is key
- The market knows it is coming and doesn't trust VCs!
- Real exits happen a year later:
 - Newsflow
 - Liquidity
 - Experience with the company

Any questions?

Thank you

Supporting slides

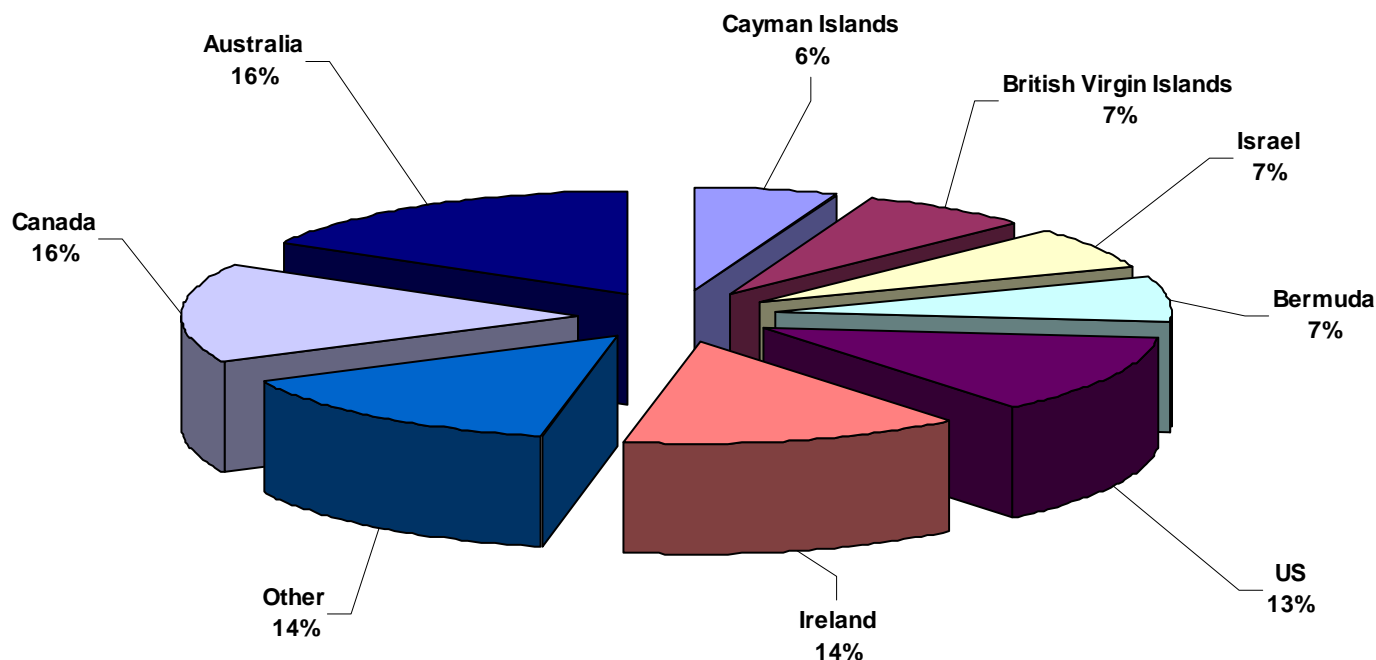
- Why has AIM been so successful?
- International focus
- Market liquidity
- Fees and listing requirements
- Institutional investors on AIM

Why has AIM been so successful?

- Network of advisers
- Streamlined admissions process
- Appropriate level of regulation for companies admitted to AIM
- Efficient process for carrying out corporate transactions
- Tax breaks
- Broad range of industrial sectors
- Demand for capital is met with supply from institutions and private investors

AIM – international focus

Country distribution of international AIM companies by number April 2006



This subset represents 17% of the companies on AIM

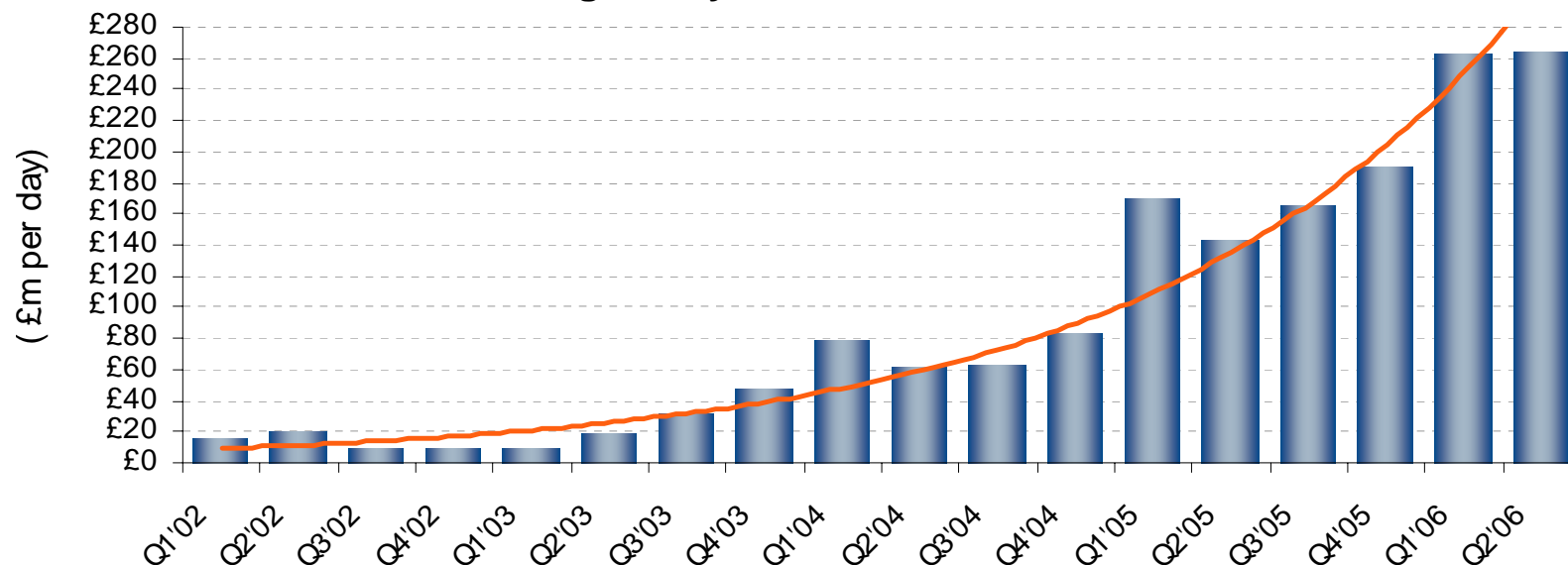
Source: www.londonstockexchange.com (May 2006)

The London Stock Exchange is a large supporter of the ongoing internationalisation of AIM

AIM Market Liquidity

- AIM has more than tripled its liquidity by value traded in 2005 vs. 2004
- Aggregate value of trades in February 2006 -- £5.4 billion (\$9.7 billion)
- Aggregate value of trades in February 2005 -- £3.4 billion (\$6.1 billion)
- The market is on course to have over £66 billion of trades in 2006

Average Daily Value Traded on AIM



Source: London Stock Exchange; AIM Statistics

Comparison of fees and listing requirements

NASDAQ National Market	NASDAQ Small Cap. Market ¹	TSX Venture Exchange	AIM
\$100,000	\$45,000	\$9,500 + .5% value of new shares	\$7,300

	Stockholders Equity ²	Market Cap.	Operating Income	Publicly Held Shares	Min Bid Price	Market Makers	Holders	Advisors / Sponsors	Financial Resources	Prior Expenditures	Other Criteria
AIM	NA	NA	NA	NA	NA	NA	NA	Nomad and Broker required	12 months of working capital	NA	Strict disclosure of events and operations
TSX Venture Exchange ³	\$750,000	\$500,000	No requirement	20% with 500,000 freely traded 10% public float	NA	NA	200	Sponsor may be required	18 months of operations	\$250,000 related to development of a product or technology	Working prototype demonstrating commercial visibility
NASDAQ National Market ⁴	\$30,000,000	No requirement	No requirement	1.1 million AND \$18 million in value	\$5.00	3	400	No requirement	NA	NA	Two years of operating history
NASDAQ SmallCap ⁵	\$5,000,000	No requirement	No requirement	1 million AND \$5 million in value	\$4.00	3	300	No requirement	NA	NA	NA

AIM Institutional Investors

Rank	Most active Institutions by value of investment	No of Investments	Value of Investments (£m)
1	Fidelity	113	692.81
2	Artemis	94	451.33
3	Schroder Investment mgt	45	340.44
4	Foreign & Colonial	112	300.03
5	Merrill Lynch	46	244.49
6	UBS	38	226.29
7	Framlington	56	222.08
8	Invesco	51	221.47
9	Goldman Sachs	46	208.73
10	RAB Capital	58	205.02
11	Gartmore	65	196.04
12	Tiger Resource Finance	3	187.61
13	Jupiter Asset Management	44	180.58
14	Lansdowne	20	167.53
15	Aviva	39	162.26
16	JP Morgan	36	155.38
17	Prudential	28	137.96
18	Henderson Global Investors	28	116.14
19	Deutsche Asset Management	21	106.35
20	Morgan Stanley	20	103.97

Source: London Stock Exchange, January 2006

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