



Merchant Banking



Where small companies go to grow

Littlebanc Merchant Bank: Opportunity



High-net-worth individuals have the **opportunity** to make direct investments in public and private companies.

Historically, investor **challenges** are:

- Lack of access to quality deal flow
- Inability to analyze equity growth opportunities
- Inability to value and structure investments

What Littlebanc Merchant Offers



Access

- Institution quality deals

Evaluation

- Fundamental research
- Process-driven, professional approach

Negotiation

- Favorable terms and valuation

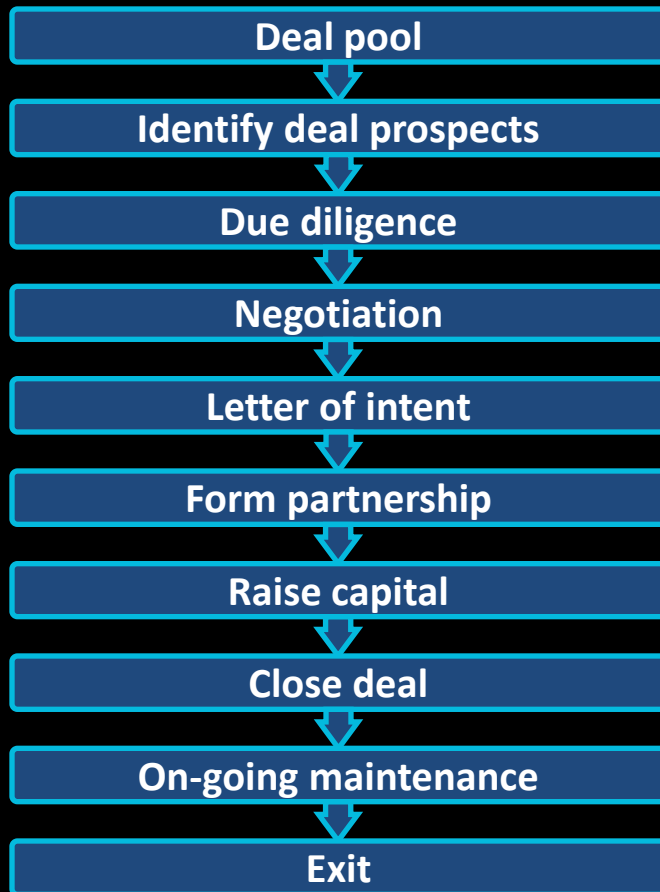
Structure

- Favorable deal structure
- Ensure maximum returns and downside protection

Ongoing management

- Board representation
- Access to Littlebanc's network
- Active involvement reduces risk
- Accelerate and maximize business prospect of investments

Littlebanc Merchant Process



Investors can expect:

- Professional due diligence
- Oversight/monitoring of companies
- Periodic reports on company status

Littlebanc Merchant Deal Structure



- Littlebanc forms partnership and serves as LP
- Minimum \$100K investment per investor

Core Market

Small businesses with high growth trajectory

- Private and public companies
- High-margin business with clear advantages and opportunities

Littlebanc Target Market

Stage 1 Seed	Stage 2 Start Up	Stage 3 Revenue Growth	Stage 4 Profitability	Stage 5 Expansion	Stage 6 Sm Cap	Stage 7 Mid Cap	Stage 8 Large Cap
Conception, legal entity, business plan implementation, goods & services provided		Revenues & Customers increasing Public Offerings, Debt Market Penetration, Competition, Restructuring, Acquisitions, Working Capital, Recapitalizations, Consolidations				Public Offerings, Corp Restructuring, Acquisitions, Recapitalizations	

Investment Criteria

Investors benefit from professional management: Proper due diligence, experience, transparency, structure, and oversight

Investors benefit from pooling of investor capital and the structure and protections that a single institutional investor can obtain

Reduce risk while participating in significant upside of private deals

Powers Device Technologies

March 15, 2011



Investment amount: \$1.5M

Type of investment: Equity Financing

Board representation: Board control

- PowersDT developed Pacifier Activated Lullaby (PAL™) to address the distress tolerance and nutritional needs of premature infants.
- **Funding need:** Funds needed to commercially develop the machine and advance the current design.
- **Investment overview:**
- **Market need:** By increasing the likelihood that infants will mature successfully, PAL™ permits infants to be released earlier from the hospital and reduces the risk of a range of behavioral, cognitive, and motor development disabilities.
- **Product viability:** Already FDA-approved; clinical studies verified results: PAL solved problems for hospitals, nurses, and parents.

Powers DT: Investment Highlights

Investment Highlights

- **Favorable valuation**
 - Invested \$1.5M at a \$2.5M valuation → 40% ownership
 - The value of the technology greater than \$1.5M
- **Mitigated risk**
 - Execution risk: Added Hal Gassenheimer, CFO; board control means oversight to money
 - Series A Preferred; bought at lower than company and product's intrinsic value
- **Clear path to profitability**
 - Commercially available machines available in November 2011
- **Clear exit**
 - Sell to large strategic buyer

Hiconversion

November 23, 2010



Investment amount: \$1.5M

Type of investment: Equity Financing

Board representation: 2 seats

- Hiconversion is a conversion-rate optimization (CRO) software that allows internet retailers to efficiently test changes to their websites that lead to more online sales.
- **Funding need:** Software was successful in pilot tests, but Hiconversion was an early-stage company that needed to ramp up development and marketing efforts.
- Investment overview:
 - **Market need:** 20% of website visitors are ready to make a purchase, but only 2% actually make a purchase. E-commerce retailers need to focus on converting existing traffic, but other CRO solutions are expensive and time-consuming.
 - **Product viability:** Unique, sophisticated technology that performed well in pilot tests and licensed to companies like Digital River and Applica.

Hiconversion Investment Highlights

Investment Highlights

- **Experienced management**

- Headed by seasoned entrepreneur Dr. Zee Aganovic, who sold his prior companies to Microsoft and Ricoh

- **Scalable business model**

- Recurring revenue streams via strategic partnerships and direct sales

- **Mitigated risk**

- Invest \$1.5M for 30%; technology value much greater than \$1.5M
- Board representation means monitoring of company and funds

- **Clear exit**

- Sell to large strategic buyer

SkyShop Logistics, Inc.

May 17, 2010

May 19, 2011



Investment amount: \$2.26M (2010) \$3M (2011)

Type of investment: Senior Convertible Debt

Board representation: Board control

- SkyShop helps non-U.S. residents shop on U.S. merchant websites by providing customers with a U.S. address and offering affordable international delivery.
- **Funding need:** Implement state-of-the-art merchant technologies that give online merchants the ability to accept international orders without taking on the risks of cross-border shopping.
- **Investment overview:**
 - **Market need:** 90% of U.S. online merchants do not ship to Latin America, one of the world's fastest-growing regions.
 - **Product viability:** Management's prior business, SkyBox, successful; SkyShop already a \$10M/year business.

Investment Highlights

- **Experienced management**

- AJ and Albert Hernandez pioneered this business model, selling their previous company, SkyBox, to Lan Chile Airlines in 2004

- **Proven business model**

- Growth from 4,000 to 29,000 box holders in one year

- **Mitigated risk**

- \$5.26M of convertible preferred debt
- Board control
- Customs licenses; established delivery network

- **Multiple exits**

- Sell to large strategic buyer
- Existing public market: convert debt, sell stock

Michael Margolies, CEO/Founder

- **25+ years** of capital markets experience
- In 1982, started career on the floor of NYSE
- Managed discretionary long-short equity accounts as a **Senior Vice President and Limited Partner** at Oppenheimer
- **Managing Partner** at M.A. Berman & Co, responsible for research and risk management of managed accounts
- In 1995, **founded Avalon Research**, an top-rated independent equity research firm with more than 100 hedge fund and mutual fund clients
- CEO of Avalon until its sale in 2004
- **Founding member** of Investorside Research Association
- In 2009, became **CEO/Founder** of Littlebanc and Littlebanc Merchant
- Involved in hundreds of transactions as both a seller and a buyer of company equity and assets

Pat Palmer, Managing Partner

- **25+ years of senior management**, sales/marketing, and operational experience in leading technology companies
- **15+ years with IBM**, including:
 - Senior Manager of Worldwide Marketing & Product Management for the IBM PC
 - Branch Manager of a \$400M+ sales office
- **Executive roles** include:
 - Northeast Regional Sales Manager for Dell Corporation
 - Vice President, Sales & Marketing of the Global Telecommunications Group for Unisys Corporation
 - Vice President/General Manager of Publishing Software for Xerox Corporation
- **Financial experience** at Morgan Stanley, Laird Capital, and Oceana Partners.
- Member, Board of Directors of the Enterprise Development Corporation
- Member, Advisory Board of the Florida Institute for the Commercialization of Public Research
- Member, Gold Coast Venture Forum

Hal Gassenheimer, CFO

- **40+ years** of financial and general management experience
- **23+ years** in executive positions with ExxonMobil, developed expertise in international tax, legal and accounting matters, complex transfer pricing issues, and logistics operations management.
- **Extensive executive management experience**, including:
 - **COO of MAMC**, a mortgage lender and servicer, participated in all aspects of sale of assets to achieve maximum possible recovery when this entity, with \$280 million under management, became insolvent.
 - As **CFO of Avalon Research**, built financial management control systems and procedures, and developed and managing a major cost-cutting and cost cutting program.
 - Treasurer of Cunard Line Limited, a division of Carnival Corporation
- M.B.A., Harvard Business School

Littlebanc Merchant Bank Summary

Reasonable expectation to earn 3-5x money in a 3-5 year period

Experienced management team with prior success

Outstanding product, service, or technology

Recurring revenue streams

Large market opportunity

Proven business model

Low cash burn

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