

# THE the chrysalis capital group REPORT

*Chrysalis is focused on generating superior returns through the creation of a series of unique Capital Pool Companies...*

## Dear Shareholders & Partners,

Welcome to the 4th edition of The Chrysalis Report

### We're committed...

Since inception, The Chrysalis Capital Group ("Chrysalis") has taken a long-term approach in building an organization that distinguishes itself as a leader in the "commodity" business of Capital Pool Companies ("CPC"). Over the past four years, Chrysalis has invested over \$3 million - including reinvestment of all profits - into CPCs and the infrastructure required to run Chrysalis. In this unprecedented time of instability, we want to re-assure our shareholders that Chrysalis remains strong and committed to generating superior returns through the creation of a series of unique CPCs. Chrysalis has completed more CPCs than any other group and the experience and reputation built up over the years continues to attract high quality opportunities.

### We're patient and prudent...

Notwithstanding the number of opportunities we're evaluating, we will not do a deal "for deal's sake". We believe patience, robust due diligence and the ability to bring all or substantially all of the financing to a transaction is fundamental in finding quality businesses and obtaining a fair premium for our CPCs. To ensure Chrysalis' continued success, we've undertaken cost-cutting initiatives to conserve cash, increased partner and shareholder relationships to generate and evaluate quality deal flow in an economical manner and continue to seek solutions to ensure sufficient capital is accessible for our transactions.

### All CPCs are not created equally...

Chrysalis continues to innovate to differentiate ourselves in the "commodity" business of CPCs.

A challenge for target companies is their ability to secure the capital at attractive terms. Over the past year, access to capital has contracted significantly; shifting the balance of power to investors with access to cash and a willingness to invest it. This "buyers" market has lead to a further commoditization of the majority of CPCs who, due to a lack of working capital (75% have less than \$250,000), are unable to bring significant/all funds to a transaction, leaving the CPC and their proposed Qualifying Transaction ("QT") target company at great risk.

In late 2008, Chrysalis recognized this evolving landscape as an opportunity and, as such, launched Chrysalis Investments ("CI"). Although Chrysalis CPCs are well funded vs. peers, CI's mandate is to invest in Chrysalis QT target companies, providing them with additional funds (over and above the cash in the CPC), thereby reducing/eliminating financing risk and solidifying Chrysalis' value proposition and ability to complete high quality transactions.

In order to fund the expansion of CI, Chrysalis is offering to accredited investors 10% senior debt notes which, given the uncertainty of the market, also come with our personal guarantees. Please contact us should you be interested in investing and/or learning more.

Thank you for your continued patience and support.





Marc Lavine  
Chairman



Robert Munro  
President

## Chrysalis Active CPCs

 <small>capital VI corporation</small>	
Gross Funds in CPC:	\$2,000,000
Shares Outstanding:	12,500,000
 <small>capital VII corporation</small>	
Gross Funds in CPC:	\$700,000
Shares Outstanding:	6,000,000

Visit our updated site at [www.tccg.ca](http://www.tccg.ca)



The screenshot shows the Chrysalis website with a navigation bar, a main header with the logo and tagline "not all CPCs are created equally...", and a "Latest News" sidebar. The main content area features a "Chrysalis CPCs" section with a list of completed and currently listed CPCs, and a "Strong Performance" section with a bar chart showing a 301% increase in Gross Funds in CPCs and a 71% increase in Shares Outstanding over a 1-year period.