

NIMP

NORO-MOSELEY PARTNERS

Energy. Connections. Expertise.

Georgia Tech Investment Seminar

March 5, 2011

Level Setting

The Venture Landscape

NMP

Case Study

Working in Venture Capital

Private equity firm, alternative assets...so, everything but the public stock market?

- Real estate, commodities
- Leveraged buyouts
- Distressed
- Mezzanine
- Venture capital

Even within venture capital...

- Different stages
 - Seed / startup, early, growth / expansion
- Different strategies
 - Size, geography, industry, portfolio strategy

NEA®

SEQUOIA  CAPITAL
THE ENTREPRENEURS BEHIND THE ENTREPRENEURS

KP
CB

 **First Round**
CAPITAL

POLARIS

VENTURE PARTNERS

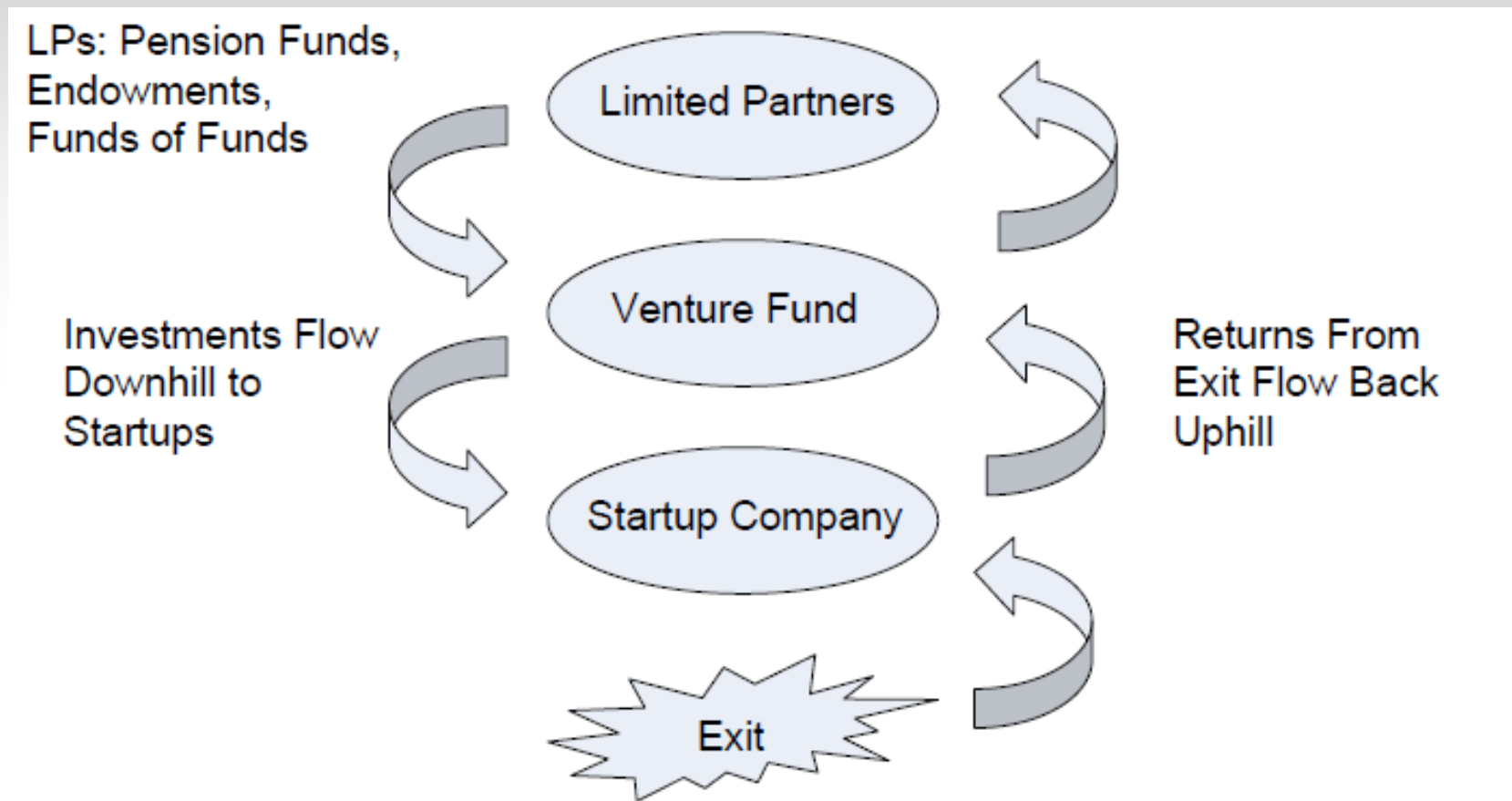
BENCHMARK

CAPITAL

The Perception: A Typical Partners' Meeting

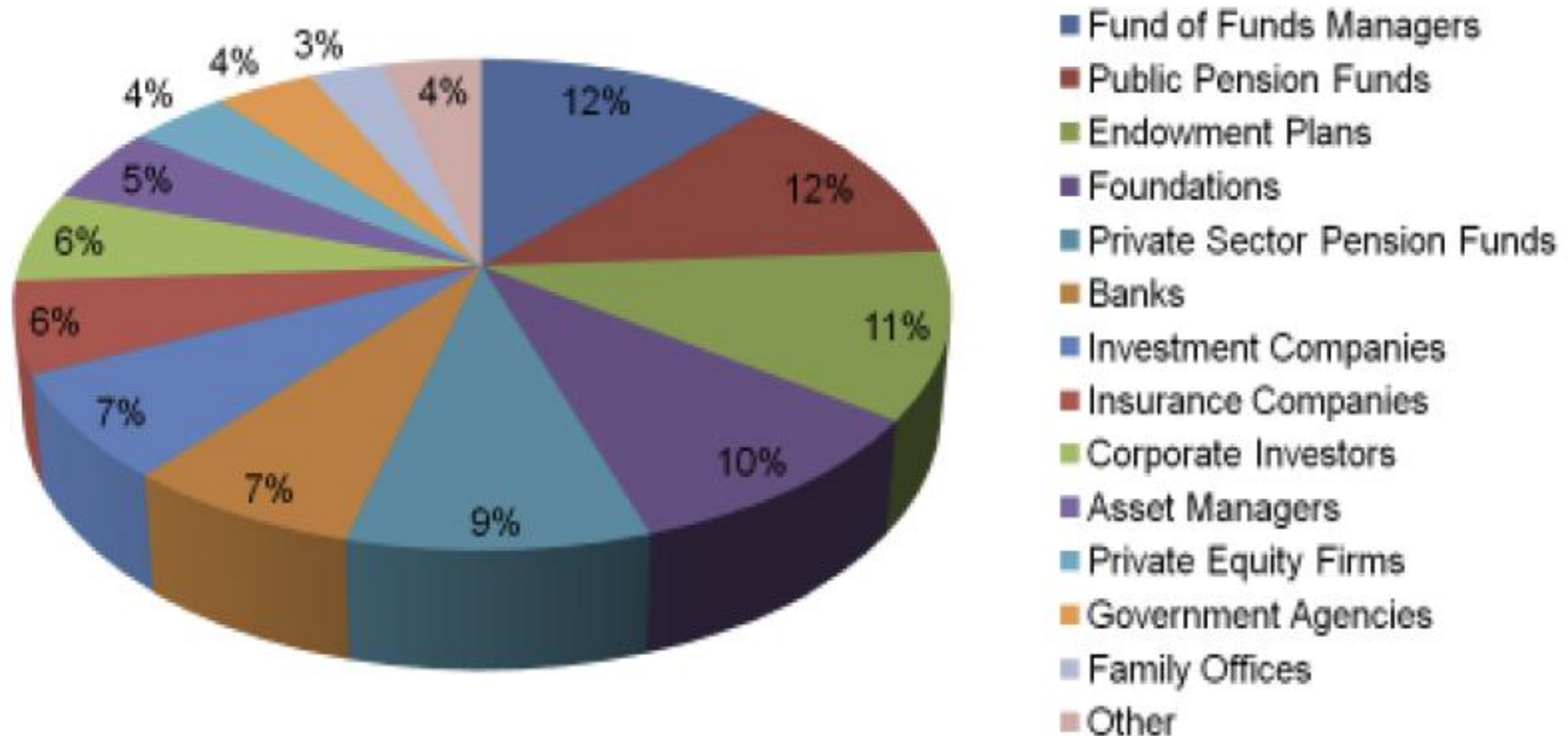


The Reality: Everyone Answers to Someone



Source: Jeff Leavitt, DLA Piper

Limited Partner Universe

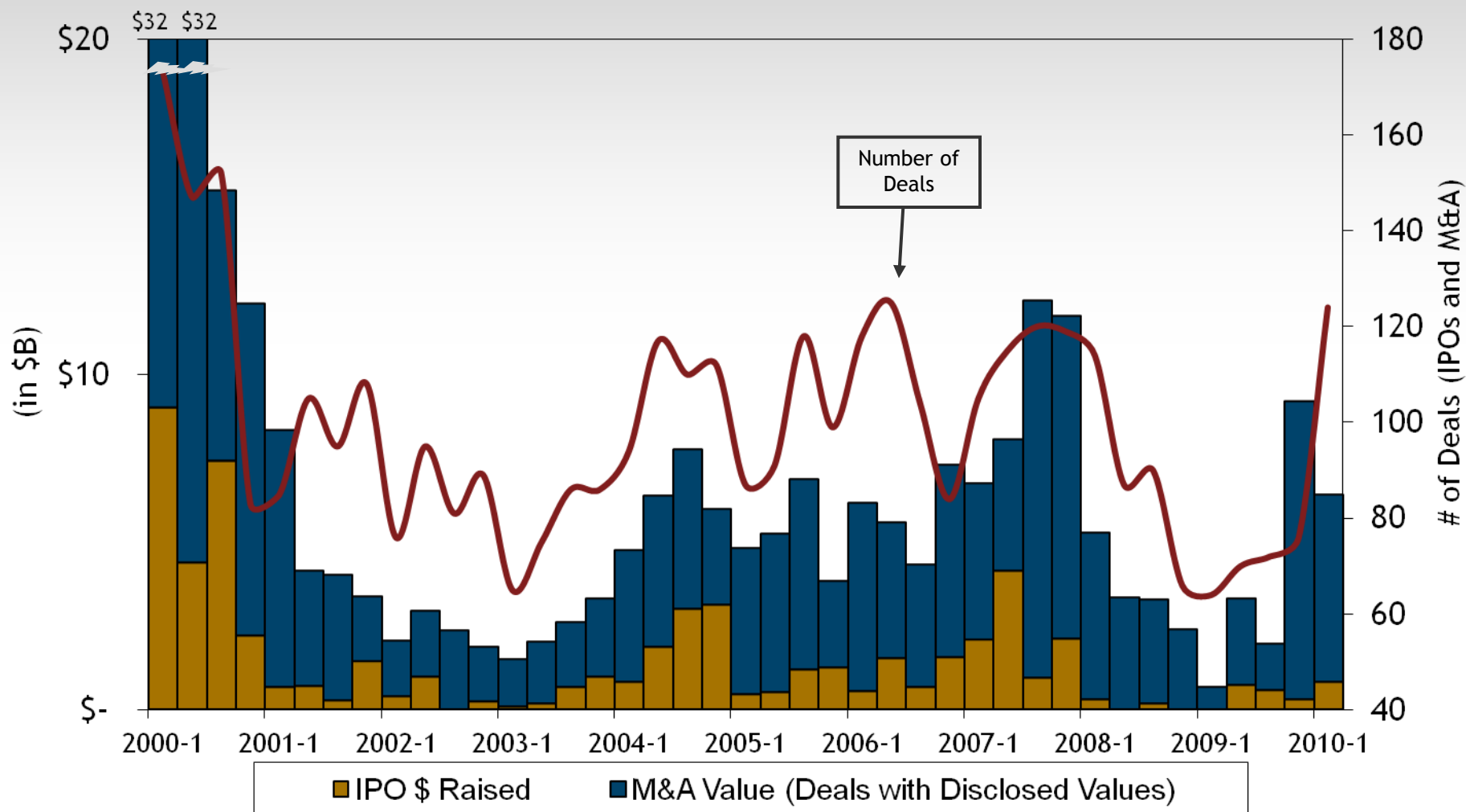


Source: Preqin

- Challenging exit environment delaying liquidity
 - 10-year effect
 - Globalization
 - Uncertain regulatory environment
 - The rise of the “Super Angels”
- 
- Allocation shift away from venture (exacerbated by public market decline)
 - Contraction in number of firms and size
 - Fewer investments and dollars invested
 - *Questioning the model...*

IPO Market Showing Small Signs of Life; M&A Market Returning

U.S. Venture-Backed IPO and M&A Activity



Source: Thomson Reuters

▪ US Venture Capital Index Returns (pooled mean)

<u>For the period ending</u>	<u>10 Years</u>	<u>15 Years</u>	<u>20 Years</u>
March 31, 2009	25.8%	34.3%	22.5%
December 31, 2009	-0.9%	37.9%	23.5%
March 31, 2010	-3.7%	38.2%	24.0%
Nasdaq	-6.3%	7.4%	8.9%
S&P 500	-0.7%	7.8%	8.7%
DJIA	2.3%	9.0%	9.8%

Source: Jeff Leavitt, DLA Piper

Significant Contraction

	2000	2010
VC Funds Raised* U.S.	408 \$101 B	73 \$11 B
Early Stage Deals U.S.	3,578 \$26 B	1,509 \$7 B
VC Funds Raised* Southeast**	67 \$125 B	7 \$0.6 B
Early Stage Deals Southeast**	827 \$6 B	194 \$0.7 B

95% Contraction

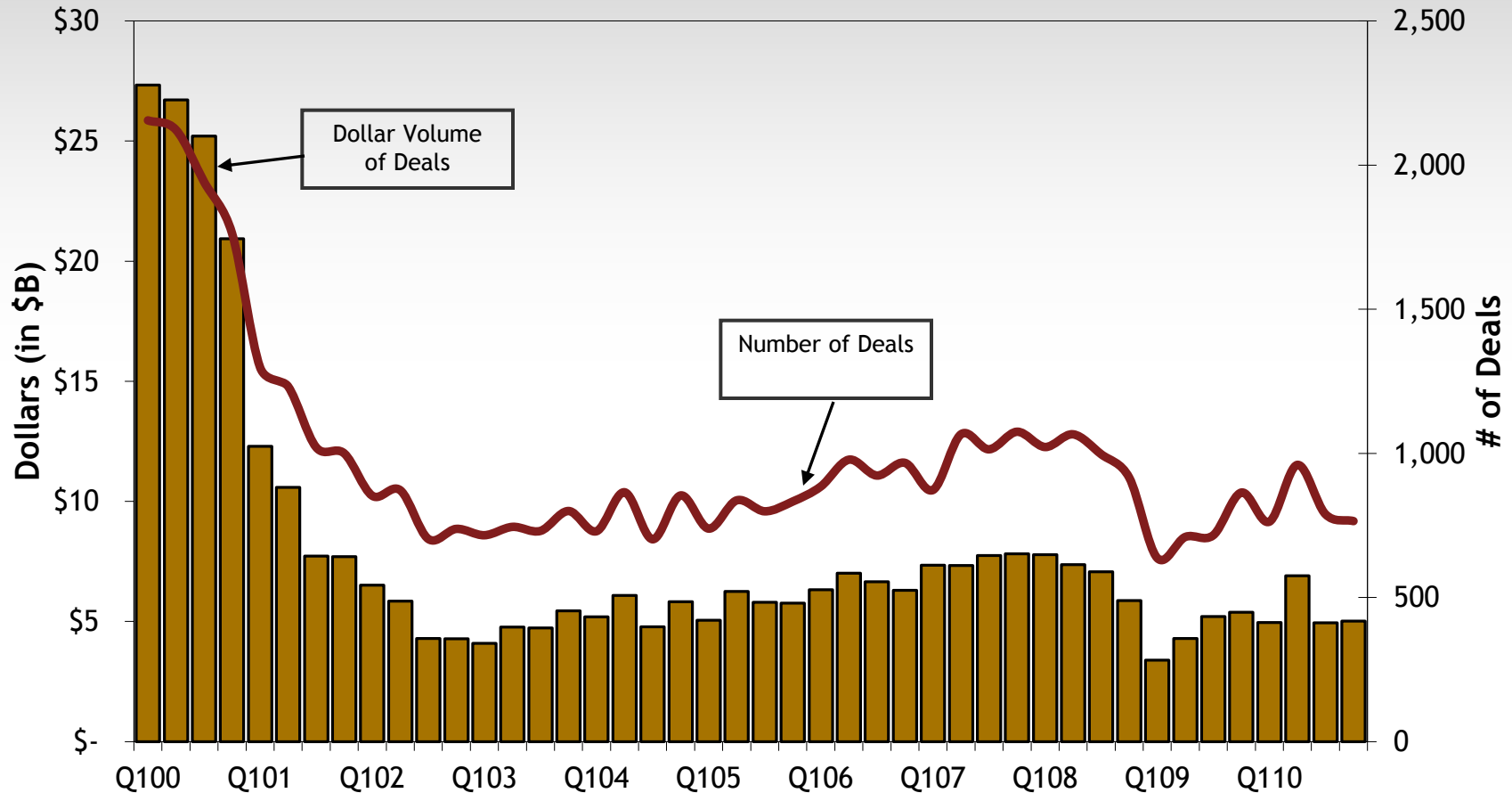
88% Contraction

Source: Thomson Reuters

* Venture funds of > \$50 M

** Includes Southeast, South Central Texas and D.C. Metro Moneytree regions

Investment Pace Up from 2009 Lows but not near the “Bubble”



Source: Thomson Reuters

Proprietary & Confidential
Do Not Redistribute

BUT Reasons for optimism...

Vintage Year	1992 – 1997	1998 – 2002	2003 – 2009	Going Forward
Fundraising & Capital Supply	Limited Supply	Excess Supply	Moderate Supply	Contracting Supply
Investment & Manager Competition	Limited Competition	Highly Competitive	Competitive	Shrinking Competition
Entry Valuations (Years 1-3)	Low	High	Moderate	Improving
Exit Valuations (Years 3-5)	High	Low	Moderate	Improving
Industry Growth / Spending ⁽²⁾	High Growth	Declining	Moderate	Moderate
Major Trends	<ul style="list-style-type: none"> - IT as a % of capital expenditure (increased from 40% in early 1990s to 50%) - Internet discovery - Biotech Innovation requirement 	<ul style="list-style-type: none"> - IT digestion - Internet bubble bursts - Biotech Innovation requirement 	<ul style="list-style-type: none"> - New media disruption - Emergence of on-demand software - Biotech Innovation requirement 	<ul style="list-style-type: none"> - New media disruption - Secular software shift to on-demand - Wireless data adoption - Alternative energy commitment - Biotech Innovation requirement
Top Quartile IRR	Very Attractive	Below Average	Attractive	More Attractive

Source: Rho.

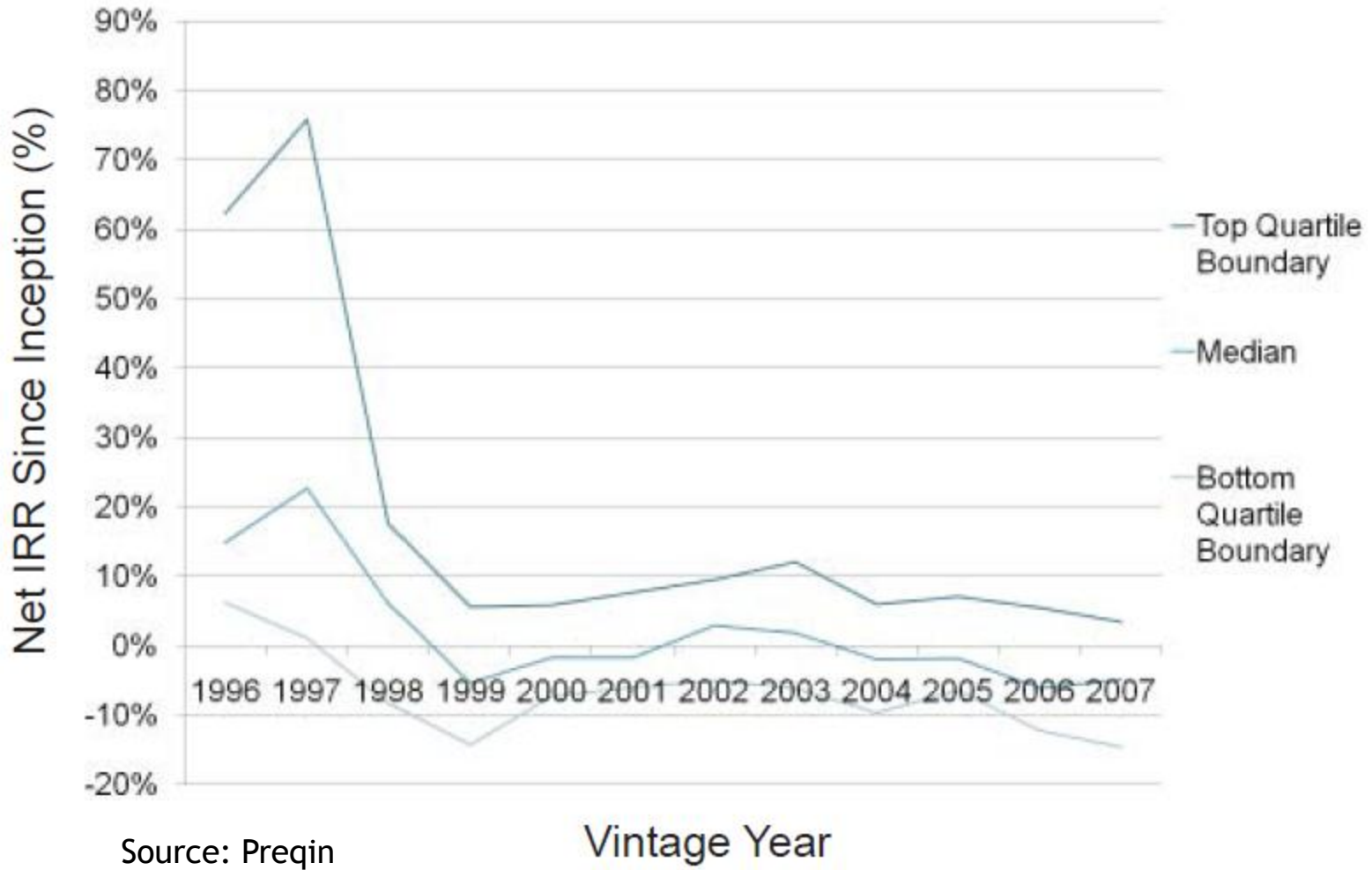
■ Indicates favorable environment

■ Indicates Moderate environment

■ Indicates unfavorable environment

Historically, reduced availability of venture capital has combined with natural Innovation cycles to create attractive returns.

Top Quartile Makes a Difference



Exit environment improving

- Active strategic acquirors
- Facebook IPO should heat things up

Rationalization of capital leads to a healthier environment

The next innovation cycle is upon us

- Mobility, cloud computing, social, digital media, HCIT, big data / web 3.0, cleantech / smartgrid

Deal activity increasing

Returns back in positive territory

- Mean 1 year Venture Capital return at 8.2% (Cambridge)

Leading firms positioned for success

Noro-Moseley Partners At A Glance

SECTOR

Technology, Healthcare and Tech-Enabled Services

STAGE

1st Institutional Round: Start-Ups Through Early Growth

FUNDS

6 Funds Totaling \$670M
Invested in 170+ High Growth Companies

ACTIVE FUNDS

NMP IV (1998), NMP V (2000), NMP VI (2007)
31 Active Portfolio Companies

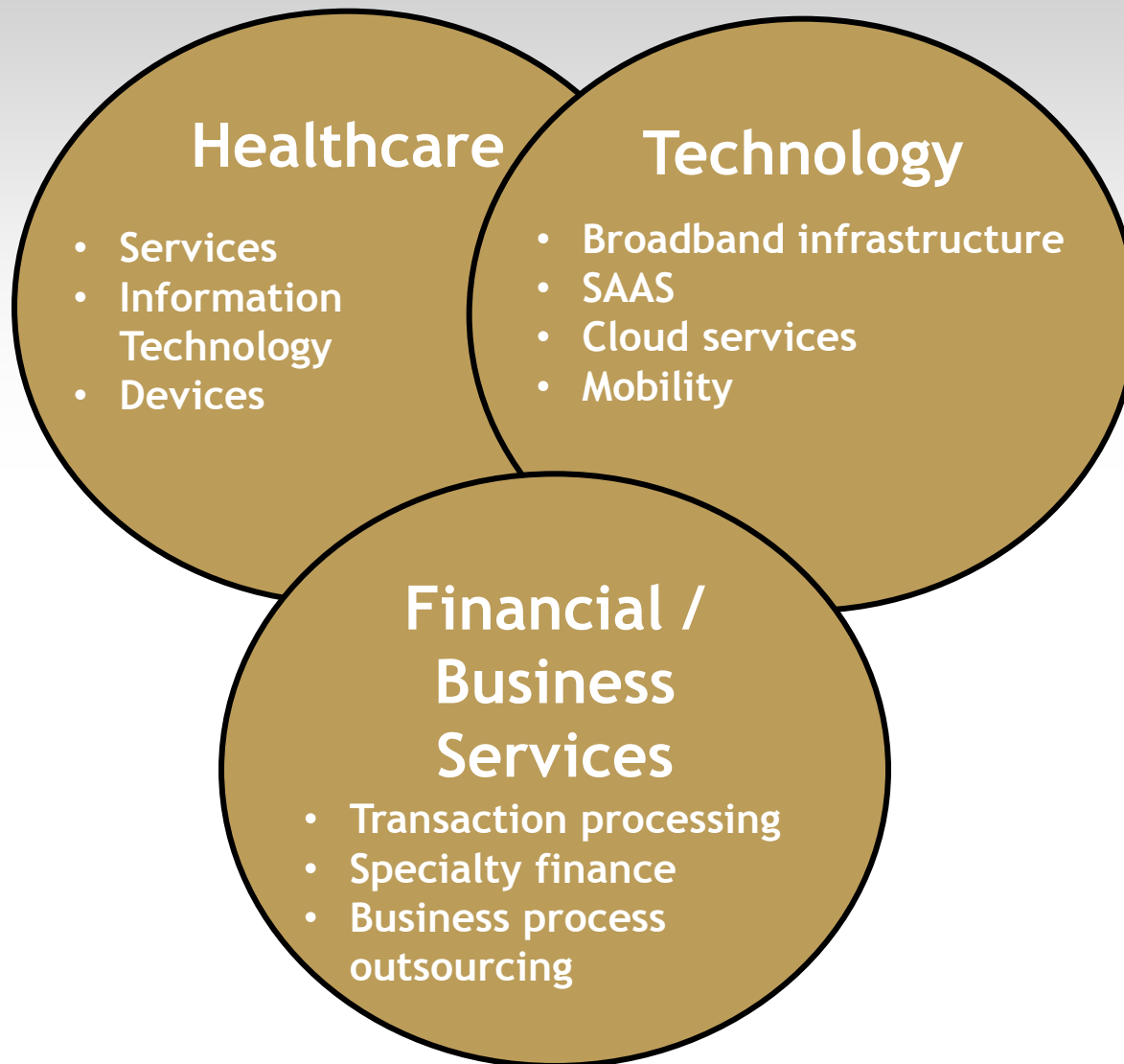
TEAM

5 General Partners (3 Investing): Top Quartile Performance
1 Venture Partner; 1 Vice President















GEOGRAPHY

Atlanta-Based; Investing D.C. to Texas

Unique Deal Flow: Tenure and reputation are key differentiators



Rigorous Investment Criteria

Criteria	NMP VI Examples	
MARKETS experiencing “game changing” growth or dislocation		
Developing business models pointed toward RECURRING REVENUE and high customer ROI		
Experienced core TEAM with strong customer contacts and domain expertise		
CAPITAL-EFFICIENT business models with significant upside		
Businesses with VISIBILITY to near-term positive cash flow		
Meaningful OWNERSHIP and INFLUENCE		
ATTRACTIVE DEAL TERMS (e.g., favorable valuations and protective provisions)		

Targeting Opportunities at Inflection Point for Value Creation

NORO-MOSELEY INVESTMENT: INFLECTION POINT FOR VALUE CREATION

GROWTH / EXPANSION

- Building out organization
- New products, channels and markets
- Acquisition opportunities considered

EARLY GROWTH

- Rapid revenue growth
- Significant team building
- Refining sales, marketing and product strategy
- Exploring partners

EARLY

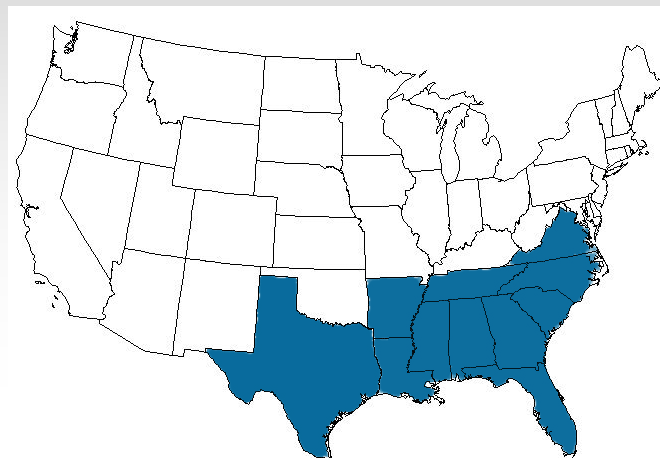
- Lighthouse customers secured; pipeline developing
- Single product & service

CONCEPT

- Founders developing business plan
- Initial customer pilots

Strong corporate and entrepreneurial network in NMP's areas of interest:

- Cloud Computing
- Communications Infrastructure
- FinTech & Payment Processing
- Healthcare IT
- Healthcare Services
- Internet Security
- Mobile Applications



Supported by world-class universities and research institutions

Yet, few investors focused on the region:

- 13 active VC funds of greater than \$100 M (6 excluding Texas and D.C.)
- ~75% of all VC investment originated from out of region since 1990

NMP has access to unique investment opportunities



- Investment Thesis: Team and Market
- Use of Proceeds
- Participating Preferred Security
- Minority Ownership, Co-Investors
- Board Rights
- Focus To Date: Management Augmentation, Venture Debt, Corporate Objectives, Budget, Strategic Partnerships, Building a Board

What Would You Say You Do Here?



What Would You Say You Do Here?

1. Network for deal flow
2. Read business plans / meet with management teams
3. Network for industry intelligence and managers
4. Communicate with limited partners
5. Work with portfolio companies on hiring decisions, budgets, strategic partnerships, future financings
6. Negotiate term sheets, exits, etc.
7. Did I mention network?

- People skills
- Critical analysis skills
- Operations skills
- Vertical experience and relationship skills
- Experience - a true apprenticeship business



- NVCA
- ATDC
- Venture Wire
- PEHub
- Venture Beat
- The Deal
- The Funded
- Kauffman Fellows
- Anything by Clayton Christensen
- @johndoerr