



Summer 2008
Capital Review

A special report on Nashville Capital Network's Entrepreneurship, Education, and Angel Investing Programs serving middle Tennessee

CAPITAL REVIEW

NCN Operational Highlights

NASHVILLE CAPITAL NETWORK has already had an active 2008. Several new companies received investment from NCN angels and follow on activity is prevalent among previously funded companies. In the last four years, NCN angels participated in funding 21 investments in 16 companies. Additionally, NCN Angel Fund committed to its first three investments: BreatheAmerica, Continuum, and edo Interactive.

Most recently, NCN's angel group and sidecar fund participated in funding **BreatheAmerica, Inc.** a Nashville based start up led by Joe Hutts, former CEO of Phycor and Surgis. BreatheAmerica is launching a chain of allergy centers that target the 20% of the US population suffering from allergies, asthma, and sinusitis. Each center is led by an allergist with support of nurse practitioners following evidence based protocols. The capital raised is being used to launch corporate operations and fund the development of the first three centers.

In May 2008, NCN individual investors and NCN Angel Fund joined existing investors in capitalizing **edo Interactive, Inc.** edo provides gift and stored value cards targeting "generation Y" consumers and marketers. Ed Braswell, a veteran of the payments industry, assembled a team and investor group with significant industry experience. edo launched its first product called Facecard in June 2008.

In April, NCN individual investors participated in a \$1.6 million Series A round for **PharmMD Solutions, LLC.** PharmMD seeks

to decrease inappropriate use of medications by providing comprehensive Medication Therapy Management (MTM) programs and services to self insured employers, health plans, disease management companies, and government programs. PharmMD's MTM programs cut health care costs to customers by reducing the number of adverse drug events and preventing unnecessary hospitalizations and emergency room visits. PharmMD is led by Bo Bartholomew who founded the company with Clayton McWhorter.

In March 2008, the NCN Angel Fund and several NCN angel investors participated in the initial funding of **Continuum, LLC.** Continuum was formed in part by the founders of Tritel, Inc. Clark Akers, Billy Mounger, EB Martin, Jim Murrell, and Jim Neeld created Continuum as a vehicle to participate in the 700 MHz Federal Communications Commission (FCC) spectrum auction that began on January 24, 2008. The company acquired spectrum that has been repurposed by the FCC for mobile, internet and other applications. Several local and regional venture firms also participated in the investment.

In March 2008, **Protein Discovery** closed a \$10 million Series C round of financing led by Santé Ventures. Many of the existing investors, including NCN angels, participated in the investment. The funds will primarily be used to boost market entry of the company's flagship product, the Passport 1200 Sample Prep System. This investment is an important milestone for NCN as it represents outside support from an institutional investor in a NCN incubated company.

In May 2008, NCN investors and others funded the final tranche of MyOutdoorTV's Series A financing. **MyOutdoorTV.com** is an internet based, community-oriented television portal targeting the outdoor recreation market. Founded

From the Chairman

Tom Wylly

IN A CHALLENGING capital environment our individual investors continue to remain active by funding companies such as PharmMD, Protein Discovery, BreatheAmerica, and Continuum. The NCN Angel Fund is off to a strong start by participating in the investments in BreatheAmerica, Continuum, and edo Interactive.

NCN is continuing the mission of working with start up companies to prepare them for the fund raising process, providing feedback on business plans and investor presentations, and connecting companies with early stage investors in Nashville. Since NCN's inception, we have provided professional business plan feedback to 202 companies and held 80 advisory meetings. Our education events continue to grow in popularity and attendance. NCN's impact on local entrepreneurship and the Nashville economy is evident.

NCN angels have funded 21 investments in 16 companies (all of which are still in business). These companies are in a number of different industries including traditional Nashville sectors such as health care and business services. Additionally, our investors helped seed companies in emerging industries such as medical devices, technology, software, and new media. The total capital invested in transactions in which NCN angels have participated is \$55,740,000. For 2007, NCN's average investment from its angel group is \$716,000 which is more than the national median of \$456,104 per deal.

NCN is a product of many organizations working together in the Nashville business community. Through the support of our sponsors, underwriters, patrons, and member angels, NCN continues to encourage entrepreneurial education and economic growth in middle Tennessee.

Tom Wylly
Chairman, Nashville Capital Network

TRACKING NCN ACTIVITY

Companies Receiving Biz Plan Assistance	202
Advisory Meetings Held	80
Companies Funded	16
Active Angels	60
Investments from NCN Angels	\$13.3 M

in 2006 by former TNN executives David Hall and Chris Moise, MyOutdoorTV.com partners with producers of outdoor content to deliver programming through a broadband connection. MyOutdoorTV.com generates revenue by selling highly targeted advertising through the website. MyOutdoorTV now has 200 shows and is streaming more than 400,000 shows a month.

NCN-linked angel investors joined Discovery Life Science Fund and the Vanderbilt Office of Enterprise Development in funding **Pathfinder Therapeutics Inc.**, which is developing image-guided systems for use in open liver surgery. Pathfinder was recently awarded FDA approval and has demonstrated the system in use in multiple procedures. NCN recently introduced CEO Paul MacDonald to a regional venture capital firm who is considering a multi-million dollar investment in the company.

Capital Confirmation Inc. raised \$5 million from NCN angels and other investors to continue product development and market the confirmation service. CCI offers public accountants a unique online service for accurately and efficiently confirming a client's asset and debt balances, an issue that has grown in salience due to instances of fraud at large corporations. CCI continues to make progress with the big four accounting firms. CEO Chris Schellhorn and founder, Brian Fox, stated that CCI has completed pilots for each of the big four Firms.

In June 2007, NCN's angel group participated in funding **Spirit Broadband, LLC** which acquired the assets of Cumberland County Cable. Spirit Broadband's network encompasses approximately 7,100 homes in Cumberland County and parts of Crossville, TN. Led by Vince King, Spirit will expand product offerings to customers, hoping to capitalize on the popularity of "triple play solutions." The capital raised was used to acquire the system and to market and promote the new offerings of the company. Spirit has already increased internet revenue by 36% and increased year over year revenue.

In March 2007, NCN investors stepped up their commitment to **Tricycle, Inc.** with several new investors joining the company. Tricycle sells simulated carpet samples to the largest carpet manufacturers in the world, including Interface, Mohawk, and Shaw. The additional capital will

allow Tricycle to increase efficiency in the production process and target other verticals such as furniture, fabric, and flooring. Tricycle's CEO, Jonathan Bregdon, is currently in discussions with Venture Capitalists for a Series B financing.

In early 2007, NCN angels funded **TrackPoint Systems, Inc.**, a Nashville-based company providing asset tracking and monitoring solutions for the transportation industry. The company's first product is a Trailer Inventory Protection System (Tr/IPS), designed to track and monitor untethered trailers in the trucking industry. Funding received from NCN investors will enable TrackPoint to develop a final prototype and begin manufacturing the TR/IPS systems. Currently, beta testing of the first manufactured units is underway with several clients. TSI is headed by President & CEO, Roland Keistler.

The Documentary Channel, Inc. (DOC*) is a Nashville-based media company developing a documentary-only television channel for national direct broadcast satellite and cable networks. The company agreed to a carriage agreement with Echostar, the operator of the DISH satellite TV network, launching DOC* in January 2006. The channel is available in the DISH network's approximately 11.5 million subscriber homes. Currently, DOC* is in the process of seeking a larger equity round to finance increased distribution efforts and finalize development of a high definition documentary channel. DOC* recently announced that James Ackerman joined the company as the new Chairman of the Board.

NCN angels participated in funding for **Plumgood Food**, a Nashville-based company that delivers produce, meats, seafood, dairy products and groceries to Nashville homes and offices. The company recently raised a new round of financing that involved some of the earlier NCN investors. Additionally, Plumgood recently announced the acquisition of Purity's home delivery business. Plumgood hopes to leverage the Purity customer base to generate more revenue per customer.

Smartvue is a visual intelligence company offering IP video technologies for the surveillance and video analytics market. NCN investors participated in two rounds of investment for Smartvue. Smartvue is raising additional capital to accelerate manufacturing and distribution efforts. With the completion of Version S8, CEO

Martin Renkis believes Smartvue will be able to provide cost effective visual surveillance solutions to its customers.

The Enliven Partnership is a Nashville-based company funded by NCN angels in the summer of 2005. Enliven generates incremental revenue streams for hospitals by developing new, consumer-centric business platforms and marketing programs that bring together leading consumer brands, consumer retailers and healthcare providers. Enliven successfully negotiated marketing agreements between major beverage companies and several healthcare systems including St. Thomas Health Services in Nashville, SSM Health Care in St. Louis, McLaren Health Care in central Michigan, and Ardent Health Services in Tulsa, OK and Albuquerque, NM. President Tim Richardson is exploring potential partnerships that decrease the sales cycle with hospitals.

NCN investors partnered with River Cities Capital Funds in capitalizing **Horizon Resource Group** with \$3 million. Horizon Resource Group is a group purchasing organization serving the higher education community. The group purchasing model was first validated in the healthcare arena. HRG has seen significant expansion of the contract portfolio offered to member educational institutions. HRG recently launched National Intergovernmental Purchasing Alliance (National IPA) to competitively solicit national supplier agreements for public and non-profit agencies. In addition to opening up a new vertical, the National IPA contracts strengthen HRG's existing education business.

ADDITIONAL FUNDINGS RESULTING FROM NCN EFFORTS

Since launching in September 2003, NCN has made introductions and provided guidance that led to term sheets for investments in 18 local early stage companies. NCN angels ultimately participated in funding nine of the opportunities. Several local companies benefited from NCN's guidance and were able to connect with institutional investors in the last year (Protein Discovery and Pathfinder Therapeutics).

COMPANIES PRESENTING TO NCN ANGEL GROUP

In FY2007-08, NCN presented seven investment

NCN Board of Directors:

Tom Wyllly (NCN Chairman), Brentwood Capital Advisors; **Wayne Acklen**, KPMG; **Hal Andrews**, Data Advantage; **Germain Boer**, Owen Entrepreneurship Center, Owen School of Management, Vanderbilt University; **Matt Burnstein**, Waller Lansden Dortch & Davis; **Barbara Cannon**, Health Care Executive; **Ray Capp**, Conduit Corporation; **Sid Chambless**, NCN Executive Director; **Tom Cigarran**, Healthways; **Page Davidson**, Bass Berry & Sims; **Townes Duncan**, Solidus Company; **Marc Fortune**, Century II; **Katie Gambill**, Council Ventures; **Alston Hamilton**, Miller & Martin; **John Harrison**, Harbert Management Corporation; **Bob Hensley**, Consultant; **Jim Keever**, Voyent Partners; **Bruce Lynskey**, Entrepreneur & Technology Investor; **Janet Miller**, Partnership 2010; **Kevin McNamara**, HealthSpring; **Tom Noland**, VUMC Department of Finance; **John Titus**, Boulton Cummings Connors & Berry; **Paul Wallace**, Healthways; **Steve Wood**, Baker, Donelson, Bearman, Caldwell, & Berkowitz.

opportunities to the NCN Angel Group. As a result, NCN investors participated in funding five investments in these early stage companies. Since its inception, NCN has shown 30 investment opportunities to the angel group and is directly responsible for bringing investment into 21 of these companies.

DEAL FLOW AND SYNDICATION OPPORTUNITIES

In the past fiscal year, NCN has been in contact with 158 new companies. Currently, the proprietary database houses 628 companies, most of which are from middle Tennessee. Referrals and leads come from numerous sources including sponsors, local universities, board members, civic organizations, venture capital firms, and entrepreneurs. Newspaper articles and public appearances also drove entrepreneurs to NCN's website. By bringing individual investors together as an influential network, NCN creates opportunities to partner with established institutional investors. Some of the groups that have partnered with NCN to fund companies include Vanderbilt University Office of Enterprise Development, Chrysalis Ventures, Claritas Ventures, Clayton Associates, Discovery Life Sciences Fund, Pharos Capital Group, Southern Appalachian Fund, River Cities Capital Funds, MB Ventures, Pittco Investments, Santé Ventures, and numerous local individual investment syndicates.

ADVISORY MEETINGS AND ADVISOR INVOLVEMENT

Since NCN's launch, we have organized advisory meetings assisting 80 companies. These meetings have included local venture capitalists, entrepreneurs, investment bankers, and other industry experts. The aim of the advisory meetings is to provide valuable feedback from experienced entrepreneurs and financial professionals and guidance to companies that are considering raising equity capital. As a result, the advisory process develops quality investment opportunities for the angel group.

FEEDBACK DOCUMENTS

Through its partnership with Vanderbilt's Owen Graduate School of Management, NCN has provided 202 companies with valuable feedback on their business plans and executive summaries. In FY2007-08, approximately 33 new companies received feedback. NCN has leveraged its partnership with Vanderbilt's Owen Graduate School of Management to provide professional feedback and improve the quality of the deal flow presented to advisors and investors. NCN attempts to

provide feedback to many of the executive summaries and business plans submitted.

DEVELOPING THE ANGEL GROUP

With the addition of the NCN Angel Fund, NCN has increased its angel group to more than 60 members. NCN Angels include many of the leading entrepreneurs, executives, and early stage investors in Nashville. Individual investors participate by either investing in the NCN Angel Fund or by committing \$1,500 a year to support NCN activity.

NCN EDUCATIONAL EVENTS

In March 2008, NCN sponsored an event on "Building a Fundable Company." Approximately 85 business people attended this panel discussion at Vanderbilt's Owen Graduate School of Management. Scotte Hudsmith of Passport Health Communications served as moderator. Panelists included Ken Berberich of First Tennessee Bank, Vic Gatto of Solidus Company, John Harrison of Harbert Management Corporation, Jim Meade of LBMC, and Chris Sloan of Boulton, Cummings, Conners, & Berry, PLC.

Additionally in September 2007, NCN hosted an educational seminar on "Funding Early Stage Ventures" at Vanderbilt's Owen Graduate School of Management. Michael Lalor from Tatum, LLC moderated a panel that included panelists Brian Fox from Capital Confirmation, Casey West of SSM Partners, Matt Burnstein of Waller Lansden Dortch and Davis, Tim Richardson of The Enliven Partnership, and Townes Duncan from Solidus Company. Over 120 entrepreneurs, service professionals, business students, and local investors attended the standing room only event.

NCN will host its eleventh educational event in partnership with the Nashville Health Care Council on August 20, 2008.

NCN INTERNSHIP PROGRAM

Throughout the year, NCN employs Owen Graduate School of Management students as part-time interns. These students are exposed to local investors and entrepreneurs and were able to participate in the deal-making process. Interns from the past year graduated to positions with Banc of America Securities, Davita, ProLogis, FrontStream Payments, and CitiGroup. Previous interns are employed with Cybera, Morgan Keegan, Emerson, Wachovia Securities, Stern Stewart, Midwest Research, Plum Creek Company, Corporate Advisory Board, Vanderbilt Enterprise Development, Petra Capital Partners, Deloitte and Touche, Harpeth Capital, Merrill Lynch, LCG Associates, and Greenhill Capital Partners.

NCN Sponsors, Underwriters, and Patrons

SPONSORS play a key role in NCN's efforts to foster entrepreneurial growth. In the last year, NCN added two new sponsors in Baker, Donelson, Bearman, Caldwell & Berkowitz and Vanderbilt's Office of Technology Transfer and Enterprise Development. NCN also added a new underwriter in First Avenue Partners. Additionally, NCN added four new patrons including: Bone McAllester Norton, ImageQuest, Tatum, and W Squared. NCN has a strong and diverse sponsor base with support from local banks, law firms, accounting firms, private equity firms, and other professional organizations.

NCN Sponsors:

- Baker, Donelson, Bearman, Caldwell & Berkowitz
- Bass, Berry & Sims PLC
- Boulton, Cummings, Conners & Berry PLC
- Healthways
- KPMG
- Miller & Martin PLLC
- Owen Graduate School of Management
- Solidus Company
- Waller Lansden Dortch & Davis
- VU Office of Technology Transfer and Enterprise Development

NCN Underwriters:

- Bank of America
- Century II
- First Tennessee
- First Avenue Partners
- Harbert Management Corporation
- HealthSpring
- Nashville Health Care Council
- Psychiatric Solutions
- Voyent Partners

NCN Patrons:

- Bone McAllester Norton PLLC
- Bowne of Nashville
- The Buffkin Group
- CET Life Sciences Center
- Clayton Associates
- Chrysalis Ventures
- WC Dillon Company
- e+ Healthcare
- FirstBank
- ImageQuest
- Kraft CPAs
- LBMC Technologies
- Partnership 2010
- Petra Capital Partners
- Passport Health Communications
- Pharos Capital Group
- Sherrard & Roe, PLC
- SSM Partners
- Spheris
- STHS Ventures
- Tatum, LLC
- W Squared



Sid Chambless
Executive Director
Nashville Capital Network

SINCE SEPTEMBER 2003, Sid Chambless, 34, has served as the first Executive Director of Nashville Capital Network, the collaborative initiative of Vanderbilt University, Nashville Technology Council, Nashville Health Care Council, investors, and professional and business leaders. NCN helps entrepreneurs with business ventures that have the potential to attract institutional equity refine their business concepts, prepare for the fundraising process, and raise equity capital. NCN has cultivated a complementary network of qualified and committed angel investors. NCN deals on Chambless' watch include edo Interactive, PharmMD, Continuum, BreatheAmerica, Spirit Broadband, MyOutdoorTV, TrackPoint Systems, The Documentary Channel, Protein Discovery, Enliven Partnership, Capital Confirmation, Pathfinder Therapeutics, Horizon Resource Group, Plumgood Food, Smartvue Corporation, and Tricycle. Chambless is a 2003 graduate of Vanderbilt's Owen Graduate School of Management, where his concentration was finance and accounting with an emphasis in entrepreneurship. Prior to his MBA, he was Executive Vice President of Surfari, Inc., responsible for mergers and acquisitions, capital-raising, business development, and sales and marketing activities. In November 2000, he co-directed the sale of Surfari to Chicago-based Coolsavings.com (NASDAQ: CSAV). Earlier, as part of the Nashville Predators' original sales staff, Chambless helped the Predators reach the NHL-mandated 12,000 season-ticket mark. A native of Albany, Georgia, Chambless is a 1996 graduate of Vanderbilt University.

MISSION:

Nashville Capital Network

NASHVILLE CAPITAL NETWORK is a collaborative initiative of Vanderbilt University, Nashville Technology Council, Nashville Health Care Council, local investors, as well as local business and professional leaders. NCN strives to promote entrepreneurial education and economic growth by becoming the hub for early stage capital formation in middle Tennessee. NCN's mission centers around the simultaneous development of two distinct initiatives:

- **EDUCATIONAL AND ENTREPRENEURIAL FOCUSED INITIATIVE:** NCN helps entrepreneurs with business ventures that have the potential to attract institutional equity refine their business concepts and prepare for the fundraising process. As an extension of its initiative, NCN serves as an advocate for entrepreneurs and will assist in the fundraising process by matching promising ventures with experienced and knowledgeable Nashville-based investors.
- **INVESTOR INITIATIVE:** To continue building a source of early stage capital by delivering value to investors via deal flow, investment analysis, and due diligence. NCN employs these resources to help develop investment opportunities often not available to individuals or informal investor groups.

