

PIEDMONT ANGEL NETWORK THREE LLC
EXECUTIVE SUMMARY
AND
NON-BINDING INDICATION OF INTEREST
PACKAGE

PIEDMONT ANGEL NETWORK THREE LLC

EXECUTIVE SUMMARY

Angels: Investors who provide capital and support to an early-stage company.

The Piedmont Angel Network Three LLC (PAN Three) is a member-managed angel venture capital fund designed to utilize the capital, resources, and expertise of its members to profit from its investments in entrepreneurial, early-stage companies, primarily within a 200 mile radius of the Piedmont Triad area of North Carolina.

Structure	PAN Three is a member-owned and member-managed limited liability company, organized to provide members an opportunity for active involvement in a diversified capital investment process.
Fund Size	\$2.0 - 10 million
Unit Size	<p>\$25,000 per unit, with minimum of:</p> <ul style="list-style-type: none">• 2 units or \$50,000 for individuals• 4 units or \$100,000 for corporations• 1.5 units for each individual owner of an LP/LLC/trust investor <p>A minimum contribution of ten percent (10%) of the total capital commitment will be required upon the initial call for capital following the first Closing, where the subscription agreements of the initial members will be accepted (which is expected to occur after a sufficient number of subscription agreements have been received by PAN Three, and will be no earlier than June 30, 2009).</p> <p>The remaining capital will be payable in nine installments of ten percent (10%) of the total capital commitment each, and due on approximately a quarterly basis for nine quarters beginning September 30, 2009. Should projected cash be sufficiently greater than anticipated deal flow qualifying for investment during a specific forward period, a capital call delay may result. Members of more than one PAN fund will be entitled to elect to defer any capital contributions called during any 90 day period by the PAN funds to the extent the aggregate amount called during such 90 day period exceeds \$3,750 per unit of PAN Three held, but such deferred amounts will bear interest at the WSJ prime rate from the date due until paid.</p>
Goals	PAN Three seeks to involve a broad base of successful entrepreneurs, business executives, and professionals from the Piedmont Triad and beyond to create profits for its members. This will be accomplished by investing its funds as well as the members' time and relationships, in early stage, high quality, and high growth companies.
Member Profile	The PAN funds' strength lies in their members—a group of successful men and women, primarily from communities within the Piedmont Triad area of North Carolina, representing a variety of business, professional, and private equity experiences:

	<p>entrepreneurs, venture capitalists, angel investors, people from financial and professional service industries and, most important, people with operational experience in a variety of industries and functions. Some members already have solid experience in helping to evaluate and select investment opportunities from their prior work experience, as well as from their involvement with prior PAN Funds. Members will also provide assistance to PAN Three's portfolio companies.</p> <p>All members must be "accredited investors," meaning that the member must have a minimum net worth of \$1 million dollars or have an annual income of \$200,000 (or a combined income with the member's spouse of \$300,000) for the past two years and expect to have at least the same annual income in the current year.</p> <p>For entity membership, each member of the organization must also be an accredited investor or the organization's net worth must exceed \$5.0 million. Each entity member is entitled to one representative.</p>
<p>Active Members</p>	<p>All members are encouraged to actively participate in the operation and success of PAN Three through one or more of the following activities: attending meetings, participating in screening of opportunities, participating in the due diligence process, assisting in the administration of the entity, and working with PAN Three's portfolio companies as a board member or on the monitoring team. If a member works with a portfolio company as a board member or in any major role, any compensation will be determined by the portfolio company as it relates to the member.</p>
<p>Fund Creation Timeline</p>	<p>Solicitation of members from June 2009 – December 2009, with the first closing of member admissions expected in late July 2009 and then it is anticipated that the first installment of capital will be called shortly thereafter, but no earlier than June 30, 2009.</p>
<p>Investment Criteria</p>	<p>PAN Three uses the following criteria, as guidelines, when considering companies for investment.</p> <ul style="list-style-type: none"> • Invests in emerging and early stage, high growth companies, primarily located within a 200 mile radius of the Piedmont Triad region of North Carolina. These companies generally are seeking their first round of financing. They will typically be one step beyond start-up, will have a management team in place, and will already have founder and/or "friends and family" money invested in the company • Often invests in seed or start-up rounds • Typically invests between \$250,000 and \$750,000 per company, with a company board seat or observer rights being allocated to PAN Three; however, it is anticipated that add-on investments by members will increase the typical amount invested by PAN Three • Dry powder is anticipated to range from 1.5X to 2.0X the amount initially invested in each portfolio company

	<ul style="list-style-type: none"> • PAN Three anticipates co-investing with other angel groups, Super Angels (high net worth individuals who contribute large amounts to a company), and venture capital funds • It is anticipated that PAN Three will invest in 7-8 portfolio companies • It is anticipated that no more than 15% of PAN Three's fund size will be invested in any one portfolio company <p>Companies that receive investments from PAN Three will typically possess:</p> <ul style="list-style-type: none"> • An experienced, dedicated, and motivated management and advisory team • A sound business concept demonstrating leading edge technology or a unique product or service • A large and growing market where the company has the opportunity to become a leader
<p>How Investment Decisions are Made</p>	<p>PAN Three's investment decision process is flexible and will be established and periodically reviewed by members and/or the Executive Committee. Basically, the process will include the receipt and screening of business plans; a presentation by prospective portfolio companies to the Screening Committee and then to the full membership; due diligence by members; a membership vote; and timely communications with entrepreneurs. A flow chart of the decision process is attached to this document.</p>
<p>Administration By PAN Funds Mgmt Co LLC</p>	<p>It is expected that PAN Three will choose to utilize Piedmont Angel Funds Management Company LLC ("PANCO") to serve as its Administrator. PANCO is being formed by PAN One, Two, and Three to discharge their administrative functions (including engaging its Executive Director), which functions were previously performed by independent contractors. The costs of PANCO will be apportioned between PAN One, Two, and Three. PANCO will have a Board of Managers. There will be a number of the Board members who will be elected by each PAN fund, each of whom must be a member of the PAN fund which elects that Board member. Responsibilities of each member of the Board of Managers of PANCO include, but are not limited to:</p> <ol style="list-style-type: none"> 1. Networking to find new opportunities 2. Defining and managing the process of identifying new opportunities and conducting due diligence 3. Networking with other angel and venture funds and angels to develop deals together and in anticipation of obtaining follow-on funding for PAN Three companies 4. Identifying and facilitating exit opportunity for PAN Funds portfolio companies 5. If approved by the members, acting on investments of up to \$250,000 in extraordinary circumstances 6. Monitoring and managing the Due Diligence and Screening processes 6. Managing the Fund Executives

Administrative Costs/Structure	<p>It is expected that up to 5.0% of the Fund (and a 2.0% one-time fee for add-on investments, capped at \$1,000) will be contracted annually to go towards the funding of PANCO to provide the above administrative infrastructure/fund executive services.</p> <p>It is expected that a carried interest from the fund and from add-on investments may be negotiated for the above-referenced administrative infrastructure/fund executive services.</p>
Management/Fund Executive	<p>PAN Three will be managed by an Executive Committee composed of PAN Three Members, in conjunction with a Fund Executive.</p> <p>The initial co-Chairs for the organization of PAN Three are Charles W. Calkins, a registered patent attorney who heads the North Carolina patent practice for Kilpatrick Stockton. His teams lead patent prosecution teams for ExxonMobil Corporation, General Electric Corporation, Eastman Chemical Company, Lexmark Corporation, and numerous emerging life sciences and technology companies; and Charles (Chip) T. Hagan III, a partner with Hagan Davis Mangum Barrett Langley & Hale PLLC, where he concentrates his practice in the areas of business law, international law, non-profit law, banks and banking, mergers, acquisitions, and divestitures.</p>
Add-on Investments	<p>Add-on investments are opportunities for members to individually invest an <i>additional amount of their own money</i> alongside the Fund in companies that are of particular interest to them.</p>
NC Tax Credit	<p>An investment in PAN Three may entitle the investors to a NC tax credit. If PAN Three becomes certified as a Qualified Grantee Business, then qualified investors could apply for a credit of up to 25% of the amount of their investment in PAN Three that would be available on the investors' NC income tax returns for the year following the year of investment. Unless extended by law, the credit applies to investments paid prior to the end of 2011.</p>

Piedmont Angel Network Three LLC
Non-Binding Indication of Interest and Background Information

Please Return by June 30, 2009, via fax or e-mail (see below)

Name/Entity: _____	Check One: Individual <input type="checkbox"/> Entity <input type="checkbox"/>
Contact: _____	Contact Me: At Home <input type="checkbox"/> At Work <input type="checkbox"/>
Home Address: _____	Work Address: _____
_____	_____
_____	_____
Home Phone: _____	Work Phone: _____
Home Fax: _____	Work Fax: _____
Email: _____	Mobile phone: _____
Occupation and Background: _____	
Fields of Experience: _____	

_____ I am an "Accredited Investor" as defined under Regulation D of the Securities Act of 1933, meaning I (a) have a net worth of at least \$1,000,000 or (b) have earned an annual income of at least \$200,000 (or a combined income with my spouse of at least \$300,000) for each of the past two years and expect to have at least the same annual income in the current year.

_____ All of the equity owners of our entity (partnership, LLC, or corporation) are individual Accredited Investors (as defined above) or this entity has total assets of at least \$5,000,000.

I (we) am interested in participating as a member of the Piedmont Angel Network Three LLC (PAN Three). I understand that, upon fund closing, members will execute the LLC Operating Agreement (providing for a member-managed LLC) in the form agreed to by the members. I understand that this indication of interest is not binding and does not create a contractual obligation for any party.

Minimum total capital commitment is \$50,000 for individuals and \$100,000 for corporations (or \$37,500 per individual in LP/LLC/trust investors). A minimum contribution of 10% of the total capital commitment will be due at the first closing, which is tentatively scheduled for July 31, 2009. Additional capital calls will occur as determined by the PAN Three Executive Committee, but no call can exceed 10% of the total capital commitment and no call will be due earlier than 90 days after the preceding call. Any members admitted after the initial close will be required to make a capital contribution upon admission that is equal to (A) the aggregate capital contribution per unit previously called by PAN Three, together with (B) interest on those prior capital contributions from their due dates until the date of the closing of the member admission.

PAN will hold member meetings on a schedule agreed to by the members (expected to be at least monthly) to review proposed investments and to conduct other business. It is desired that members actively participate in screening/review, due diligence, and monitoring of portfolio companies. When a member's schedule precludes attendance at investment decision meetings, it is expected that the member will be asked to provide a proxy to another member and to be available for consultation by telephone if necessary.

I am / am not (circle one) interested in participating as a member of the PAN Three Executive Committee (meeting monthly).

Please **insert numbers in the blanks below** (1 highest, 5 lowest) to rank the Committees you would be interested in participating on:

Screening (meeting monthly) ___ Due Diligence ___ Monitoring ___ Website/Communications ___ Exits ___

I recognize that an investment in PAN Three involves a high degree of investment risk and will be substantially illiquid for a period of years. This indication of interest does not constitute an offer to sell or a solicitation to buy any security.

Anticipated Capital Commitment \$ _____

Signature _____	Date _____
Print Name: _____	

Title (for Entity Investor)	

Return via Fax to 336-643-8530 or via email to tknauss@piedmontangelnetwork.com
Or via regular mail to P. O. Box 957, Summerfield, NC 27358