

THE UNIVERSITY OF TEXAS SCHOOL
OF LAW

12TH ANNUAL MERGERS AND
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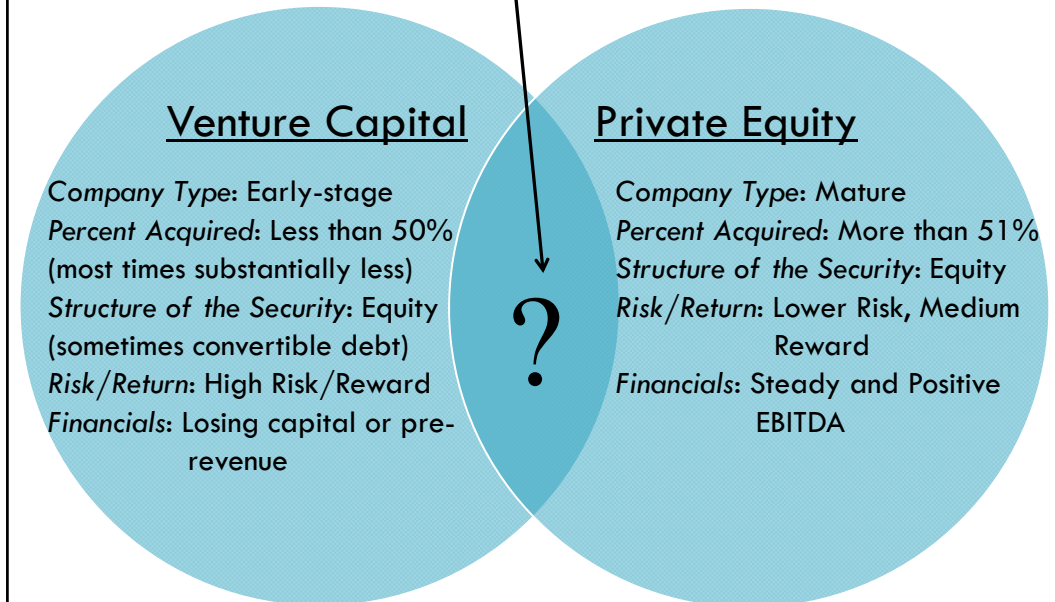
Chris Torrente (Kirkland & Ellis LLP), Moderator

Panelists

- Jeremiah Gordon, Google Capital
- Michael J. Kendall, Goodwin Procter LLP
- John P. Romney, Levine Leichtman Capital Partners

Growth Equity

Intersection between VC and PE



Growth Equity

What is Growth Equity?

- Company Type: Adolescent (proven business-model, with substantial organic revenue growth)
- Percent Acquired: Minority Position (Less than 50%)
- Structure of the Security: Equity
- Risk/Reward: Medium Risk, High Reward
- Financials: EBITDA-positive or expected to be within 12-18 mos.

For those old enough to remember the commercials, U.S. growth equity could perhaps be called the Reese's Peanut Butter Cup of the private investment world. **"You got venture capital in my private equity!" "No, you got private equity in my venture!"**

-Cambridge Associates LLC U.S. Market Commentary

Minority Investment — Approach

From a Target's Perspective

- Need for Additional Capital
 - Accelerate growth by investing in new product development
 - Expand to new geographic regions
 - Add-on acquisitions
 - Monetize a portion of founder's/management's ownership
- Interest in Specific Skillset/Expertise
- Desire for Credibility Brought by Independent, Experienced Investor

Minority Investment — Approach

From an Investor Standpoint

- Deal Sourcing
- Determining Valuation
- Presenting Yourself to a Potential Target
 - Distinguishing characteristics
 - “Partnership” Approach
- Structure/Type of Security Purchased



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"Key Issues in Structuring and Negotiating Growth Equity Investments"