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## On an Epic Winning Streak

### The serial startup successes of Tech alumnus Tom Noonan

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*Serial tech entrepreneur and investor Tom Noonan, ME 83, is a perfect 10 for 10 with the companies he's helped create, beating the long startup odds by following his passions and never giving up.*

If passion for your work is the key to career success, it's no wonder Tom Noonan has such an outstanding track record. Over the past two decades, the serial tech entrepreneur and investor says that not one of the 10 businesses he's launched has failed. Even for someone as practical as Noonan, that's putting it mildly. His achievements are stunning.

During that time, Noonan has launched a bevy of tech companies such as LeapFrog, Actuation Electronics and Endgame, but he might be best known for the 2007 sale of Internet Security Systems Inc. (ISS)—a firm he co-founded with former Tech student Chris Klaus—to IBM, which carried the impressive price tag of \$1.6 billion. The Atlanta-based firm offered security services and software to companies and



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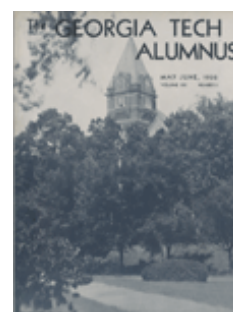
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governments in 48 countries.

Three years later in 2010, Noonan and a few former ISS employees founded JouleX, where they figured out how to control the energy consumption of internet-ready devices. Noonan led the charge as JouleX CEO, all the way to its \$107 million acquisition by Cisco less than three years after founding the company.

Today, Noonan is a founding general partner at TechOperators, an Atlanta cyber security and IT solutions firm that selects startups to invest in and helps them grow. Noonan often acts as an adviser, offering guidance to newbie CEOs and making sure the right people meet each other.

But don't say he's just a coach. Noonan and his business partners take an active role in the companies they choose to invest in, always considering what contribution a new business will make to the world of tech. That 10-0 winning streak is not just for show. And the game is still very much in play.

"There aren't too many hard lessons left for me to learn when it comes to building companies," Noonan says. "Entrepreneurship hasn't always been the glamour industry it is now, but I've always had a passion for it."

The man has certainly never been afraid to work. An Atlanta native, Noonan grew up off of Briarcliff Road and snagged his first paper route at the age of 8. He delivered the Atlanta Constitution, as it was known then, riding his bike—until he got a better gig at a country club when he turned 12. (It paid \$1.60 per hour.) By the time Noonan got to Georgia Tech, he'd figured out he was wired differently than some of his classmates who were most interested in landing solid jobs with Fortune 500 companies. He converted old Coca-Cola vending machines so that they sold beer cans instead, and placed them (where else?) in houses up and down frat row.

After getting out of Tech, Noonan went on to earn an MBA from Harvard University in 1988. He then worked for a handful of large companies where he probably wasn't as appreciative of the learning opportunities as he could have been. No matter. Noonan would soon find himself in a baptism by fire of his own making, one that would test his commitment and business mettle, and teach him all he'd ever need to know about maxing out Visa credit cards.

"For a person to leave a good paying job, to take that risk, to abandon the idea of work-life balance," Noonan muses about entrepreneurship, "a virus must have gotten into his head."

It's true. There is a thing that entrepreneurs get, but they don't call it a virus. They call it an idea. Chris Klaus had such an idea based on preemptive enterprise security in the burgeoning days of the Internet in the early 1990s. He wanted to help businesses protect their networks from threats that weren't even potential threats yet. Klaus left Tech to pursue what would become ISS, and he soon brought Noonan on board as co-founder and CEO to leverage his tech industry expertise and business savvy.

Together, their mission was to be proactive and practical, to build the technology to automatically assess where their customers were weak, then protect those weaknesses with the intrusion prevention technology they were pioneering.



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ISS would eventually boast 3,000 employees and 8,000 customers, and have marquee representation on the NASDAQ and the Tokyo Stock Exchange. But long before all that, the company was bleeding money, which is to say that Noonan was almost completely out of cash.

“I’d invested all my savings in ISS, but we didn’t have paying customers yet,” Noonan remembers.

The stress of the period has alleviated with time and repetition, but it was a difficult experience. With a résumé as long as his, Noonan naturally gives a lot of speeches about entrepreneurship. This part of the story—about being broke, five months behind on the mortgage payment, and all with a wife and three kids at home—is a dramatic point in the repertoire. But so is what happened next.

To save the company from immediate ruin, Noonan applied for a Visa card and withdrew a cash advance. Then he applied for another and withdrew more cash. Then another. He got up to 37 fully maxed out cards, and he still needed more cash before his product would be ready. Something about hitting 38 was just too much. He’d had enough of Visa. Noonan asked another Tech alum for help. He called John



Imlay. (Note: Sadly, John Imlay passed away in March. See the tribute to him on page 106).

“I’ve had a lot of mentors in my day, starting with my father,” Noonan says. “But John has shared his most unbelievable gift of salesmanship with me. He taught me that if you want to do just about anything in life, you better learn to sell.”

Noonan was a student when he met Imlay, who spoke at an executive roundtable on campus. Now, years later, here was Noonan seeking him out for critical advice and capital. Noonan’s sales pitch delivered, because Imlay was impressed. In addition to offering a few life lessons, Imlay invested \$100,000 in the company, the first six-figure win for Noonan.

Around this time, when ISS was just starting out, Noonan was being recruited by the CEO of a large tech company in California. The CEO wanted him to serve on his executive team, and Noonan, who’d been vice president of marketing at Dun & Bradstreet, had the necessary experience. He wasn’t sure what to do—see his company through, or head off to Redwood City? Ultimately, Noonan says, he sent the CEO an email that explained how he was going to start an internet security firm.

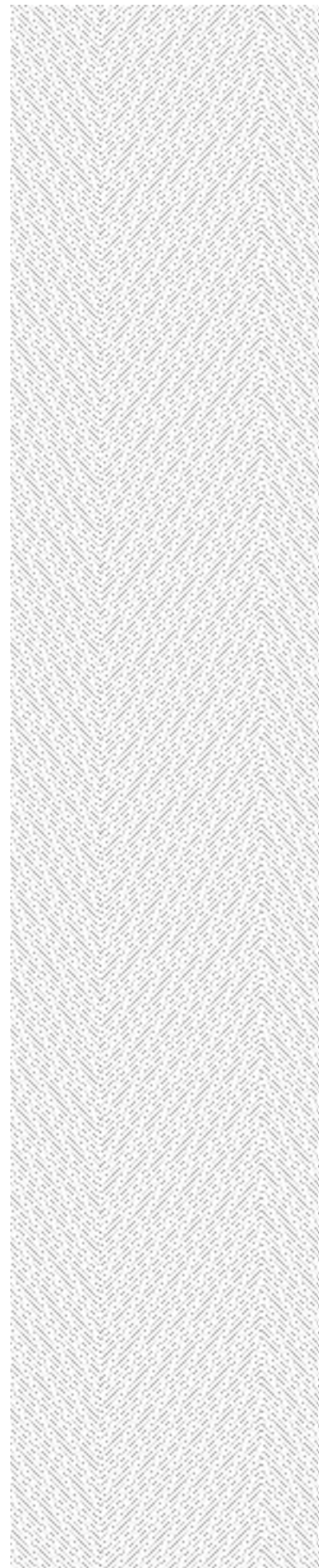
“My secretary intercepted his reply,” Noonan says. “His response was, ‘That’s the stupidest thing I ever heard. If you ever get any money in that company, I’ll come to Atlanta and drink champagne from a prostitute’s shoe.’”

Noonan didn’t hear about the email when it first came through, but his secretary didn’t forget about it. Nine months later, when ISS secured \$3.5 million from the top names in venture capital (Greylock, Kleiner Perkins), Noonan says his secretary bought a pair of the “gaudiest purple high-heeled shoes she could find.” She presented the shoes and a printout of the email to Noonan for the first time. An engineer was in on the joke, and brought homemade apple cider to the office that day—they might have been recently funded, but the company was still too broke to buy champagne.

“We popped open the bottle of apple cider and drank from the purple shoes,” Noonan says. “Those shoes became a symbol for the company from that day on. It was about the desire to keep fighting, despite all odds.”

Once ISS started shipping product, money was coming in and they built a reputation that changed the nature of global internet security. Even the purple shoes had a role to play, traveling to meet customers, presented at global conferences, and appearing in employee photos in Italy, at the Great Wall of China, at the Kremlin, President Bill Clinton’s White House, and the emperor’s residence in Japan. Twelve years later, Noonan was helping integrate ISS into IBM.

Even though Noonan had launched several companies before this juncture, the serial aspect of his entrepreneurship really comes to light at this point. Noonan stayed on with IBM as a general manager of the newly acquired ISS business division, and he transitioned out in spring of 2008. That summer, he founded Endgame, a cyber operations company that works with the U.S. intelligence community. In the fall of the same year, he helped co-found TechOperators, a company that would set its sights on investing in Atlanta tech companies, and would help extend Noonan’s







unbreakable spell.

As TechOperators got off the ground, the partners were able to invest funds in Endgame. Another company that TechOperators invested in was JouleX. So from 2008-10, Noonan served as an active founder of the new venture capital firm and the chairman of Endgame, and at the same time was moving JouleX forward.

Once Cisco bought JouleX, Noonan stayed on as a general manager, working on integration and helping to transition the company and its processes. Today, between his full-time commitments at TechOperators and Cisco, and the many other companies he helped found where he still is called into consult, the man is always working on some part of the entrepreneurial process.

Here lies the passion. Because in his many years of running companies, selling them, and guiding others in their quest to do the same, there is not one stage that Noonan hasn't come to love. He's always all-in.

"My favorite part of being an entrepreneur is experiencing the excitement when someone brings their idea to you," he says. "Then, I like the struggle to find the right product and market fit. It can be the most time-consuming, but it's the most important aspect of an early-stage company."

According to Noonan, it's one that first-time entrepreneurs frequently overlook. But not on his watch. Startups get a lot of benefits when TechOperators brings them into the fold. Noonan says in addition to the obvious capital, new firms receive hands-on support, everything from operations to customer development. Everyone wants a better return, so no one glosses over the basic foundational elements of structuring the business.

The next phase is building the business out, continually refining the idea as the product and market become more clear. "I am unreasonably focused on getting the



product and market fit with the technology before I invest a lot of money,” Noonan says. The last element, he says, is “building a great work culture.” And he does mean great.

“I’m a huge believer that culture comes directly from leadership,” he says. “It comes from great execution. You can’t just write it down. You’ve got to live it.”

Noonan says that being an entrepreneur—the constant risk of failing—has taught him a unique kind of security, or inner confidence. The journey has brought him success, but he’s also made wrong turns, which has taught him the art of humility. Noonan knows what it takes to run a tech firm, and he won’t hesitate to tell inquiring minds what he thinks they ought to know about that. But to this day, he says, he won’t even consider applying for a credit card with Visa. And he still has those original purple shoes.

## Advice You Can Take to the Bank

*With more than 20 years of experience as an entrepreneur, investor and mentor—not to mention his uncanny track record of success—Tom Noonan knows what it takes for a new company to not only get off the ground, but also to achieve longevity. Here are some of his tips, recommendations and lessons for anyone considering the entrepreneurial life.*

### **For college students eyeing the entrepreneurship route:**

“Getting through college is important. I think you can do both. While everyone is not cut out to be an entrepreneur, everyone is capable of innovation. Moonlight before taking that kind of risk.”

### **For those who’ve been in the workforce for a while:**

“Build a business plan. Look at the industry and market data, do the research, build prototypes and get a foundation. Too many people get an idea and immediately quit. They have no income and they start ice cold.”

### **Get inspired, find the path that doesn’t exist:**

“Spend time with bright, passionate people who see things as they are and know there’s a better way.”

### **Really own it:**

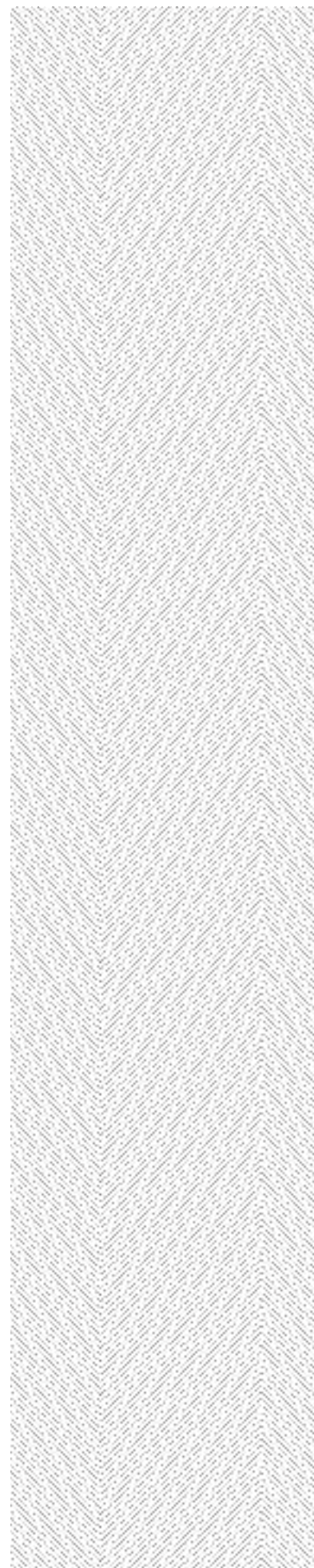
“When you’re building a company, the stakes are so high. You’ve got to build the kind of company that you feel an obligation to succeed.”

### **When it’s wise to ignore your gut:**

“At my age, I think I’m completely instinct-driven. But there are times when I can’t follow my instincts. That’s usually when I’m integrating a company into a larger bureaucratic machine, when process and protocol trump wisdom and good judgment.”

### **Test your market, and test it again:**

“Product and market fit is not an instant thing. It requires enormous amounts of discipline and many iterations.”



**Watch the money:**

"I am extremely frugal when I build businesses. That doesn't mean I don't pay well or invest wisely. But I obsess about every dollar spent, especially at an early stage."

**On failure:**

"I think of failure as a hypothesis that simply hasn't proven to be true. I look at failures as learning experiences—steps towards a solution—because now you know what the answer is not. You don't celebrate failure, you accept it."

**Zero-tolerance mistakes:**

"I tend not to be very tolerant of mistakes related to morality and malice, like if someone disparages the company or other employees."

**Be the change:**

"Leaders are the ones who drive great execution from everyone else."

**Company culture starts with you:**

"It's 'do as I do,' period, cut and dry, end of story."

**The toughest lesson to learn:**

"Patience. Entrepreneurialism and patience tend to be in conflict."

**And on that note:**

"Everything takes longer than you think."

**Understand the risk:**

"I'm always reminded of the entrepreneur's motto: 'I started off with nothing and still have most of it left.'"

**On being flexible:**

"There's no single path to success."

## 10 for 10: Noonan's Serial Successes

*Building one successful startup is hard. But 10? That's almost unheard of. It's a feat of perfection Noonan accomplished only by bringing his tech savvy and entrepreneurial passion to each company he's helped launch—and by turning temporary failures into hard-earned wisdom.*

**1. Actuation Electronics**

**Founded 1986, Boston**

**Roles: Co-founder and president**

Designed and developed precision motion control module for low-end programmable logic controllers. After hiring three employees, the company was unable to fund further growth. Noonan sold it to their largest customer for \$250,000 in 1987.

**2. LeapFrog Software**

**Founded 1987, Boston**

**Roles: Co-founder and president**



Designed and developed first object-oriented programming environment for programmable logic controls. Though never launched commercially, the technology and intellectual property was sold to a Midwest systems integrator for about \$300,000.

#### **4. Endgame Inc.**

**Founded June 2008, Atlanta (now headquartered in Arlington, Va.)**

**Roles: Co-founder, founding investor, chairman and continues as board member**

Established to create the first cyber operations platform for the U.S. intelligence community and Department of Defense. The company recently launched a commercial version of this platform for large enterprises, such as global financial service institutions. Endgame now employs more than 200 employees and has raised nearly \$75 million in investment capital.

#### **5. TechOperators**

**Founded October 2008, Atlanta**

**Roles: Co-founder and partner**

Noonan and three other Atlanta entrepreneurs wanted to increase the investment capital in the city's technology market, with a focus on early-stage companies. Today, TechOperators is one of the preeminent venture capital financiers in Atlanta. Their first funding round has already returned three times the capital invested in six years. The second fund, just recently raised, is three times larger than the first.

#### **6. JouleX**

**Founded January 2010, Atlanta**

**Roles: Co-founder, investor, chairman, president and CEO**

JouleX pioneered the first network-based energy management system that only utilizes IP protocols. The JouleX Energy Manager was the industry's first automated software application capable of monitoring and controlling the energy consumption of any IP-connected device.

Within 18 months, the company grew to 49 employees in eight countries. By 2013, they serviced more than 100 customers and ten strategic partners. In March 2013, Cisco Systems made a preemptive offer to acquire the company for \$107 million in cash. The transaction was completed in June 2013, and JouleX remains a part of Cisco Systems.

#### **7. Phantom Cyber**

**Founded 2014, Palto Alto, Calif.**

**Roles: Founding investor and board adviser**

Phantom Cyber is developing the industry's first automated cyber security response application that will rapidly remediate systems compromised by malware or intrusions on corporate networks. The company now has 20 employees and has delivered the first version of the technology to 15 early adopter customers.

#### **8. NexDefense**



**Founded 2014, Atlanta****Roles: Founding investor and board member**

NexDefense is pioneering the industry's first cyber defense system to combat sophisticated cyber threats against the nation's critical infrastructure. NexDefense protects the systems that control the operations of electric plants, nuclear reactors, oil and gas equipment, and military equipment from cyber attack.

**9. Defend 7****Founded 2014, Menlo, Calif.****Roles: Founding investor and board adviser**

Defend7 dynamically discovers the security topology within the corporate enterprise firewall and improves the security posture for enterprise applications. The unique approach looks beyond the network layer and includes data, API, and database calls to formulate a holistic understanding of behavior.

**10. Cylent Systems****Founded 2014, Boston, Mass.****Roles: Founding investor and board member**

Cylent has created a new form of endpoint protection, integrating technology originally developed by DARPA researchers with modern behavioral analytics and software-as-a-service flexibility. The solution provides performance and simplicity while detecting and disrupting modern sophisticated malware and attacks. Cylent has raised \$10 million dollars and grew to more than 20 employees in the first six months.

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