

## BATTLE BORN VENTURE 2015 ANNUAL REPORT

*During 2015, Battle Born Venture continued to invest steadily in the State's early stage startups, alongside institutional investors such as \$18bn market cap financial services firm FIS. In addition, its portfolio companies saw significant wins, such as, being featured in the President's State of the Union address.*

### INTRO TO BATTLE BORN VENTURE

Battle Born Venture is the state venture capital program for Nevada. It makes equity and equity-like investments in early stage, high potential Nevadan startups. It is a component of the State Small Business Credit Initiative (SSBCI), a federal program that seeks to enhance local capital infrastructures across the US.

### BATTLE BORN VENTURE'S 2015

Battle Born Venture expanded its portfolio through steady new investments through the year, and by re-committing to portfolio company Fandevor's upcoming investment round. Its current portfolio includes:

*Access Health Dental.* Access Health Dental is a Las Vegas-based dental practice company that brings an innovative, systematic approach to the delivery of dental care; it provides management support services for its dental offices so

dentists can focus on providing the best care for patients. Its 177% CAGR over the past three years has been mostly owing to acquisition of 7 practices, a growth strategy that it has continued following Battle Born Venture's investment.

*Base Venture.* Base Venture aims to make the process of investing in real estate funds simple and easy for time-constrained institutional and ultra-high net worth investors by providing complete due diligence, investment documentation and investor management services through its platform. The founding team sold their last venture – mobile payment software MFoundry – to payment major FIS for \$120mn in 2013, and the acquirer was the lead for the current investment round in their new venture. It has taken offices at a Carson City incubator space, Adams Hub, where it has hired, and continues to add to, operational staff.

*Fandevor.* Las Vegas based Fandevor.com is the hassle-free solution for door-to-door fan travel packages and VIP gameday experiences. Fandevor's "Build Your Own Experience" technology allows customers to seamlessly create custom travel packages on an easy to use online platform. Fandevor is bringing a level of customer service and product experience not previously seen in the sports industry.

The company has thousands of customers, ranging from Fortune 500 companies to the world's most passionate fans. Fandevor has extensive offerings for sports such as NFL and College Football. The Company's other investors include VegasTechFund and Base Ventures.

Since investment, the Company has rolled out a new version of its platform that has seen triple digit revenue growth in early trials. Battle Born Venture has also made a

conditional commitment to its next investment round.

*TransWorldHealth.* Reno, NV-based TransWorldHealth provides productivity software to the \$1bn+ safety net healthcare market. The platform incorporates advanced fuzzy logic matching to identify and locate patients as well as sophisticated forecasting algorithms, such as, the likely number of patients that a clinic will see in the following week. The platform integrates with leading electronic health record (EHR) providers, rather than replacing their offerings.

TransWorldHealth's prior investors include Reno Angels, along with a number of private angel investors.

*Wedgies.* Wedgies is a Las Vegas-based inline social media polling software company. Wedgies allow you to: easily create attractive, responsive polls from a selection of templates, embed the same poll across multiple sites (WordPress, Twitter, Facebook, Tumblr), allows the user to respond directly in those sites, see responses in real time (hundreds of thousands of votes in milliseconds) collated across platforms, and display these to

respondents. The Company's customers include Fortune 500 companies, such as Procter & Gamble, and media majors, for instance, the Wall Street Journal and the Times of London. Battle Born's co-investors in the round include Graycroft Partners and VegasTechFund. Wedgies' other investors include 500 Startups and SVAngel.

After Battle Born Venture's investment, Wedgies was featured in President Obama's State of the Union address, providing live social media polling through the event. The addition of the White House as a client is, of course, a significant win for the Las Vegas-based startup

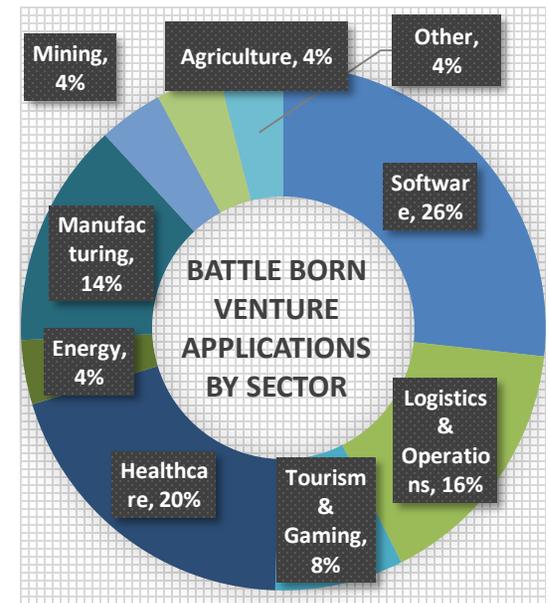
**BATTLE BORN VENTURE'S DEMOGRAPHICS**

Battle Born Venture accepts applications through the Gust platform, and all applications are evaluated by an independent Investment Advisory Committee. Investment decisions are ultimately made by the Nevada Governor's Office of Economic Development.

The most common reason for an application to be rejected is that the startup is either based outside of the State or is too early stage: Battle Born Venture does not

invest in pre-revenue companies nor in companies not based in Nevada. These applicants were each referred to free mentoring services in state.

*Battle Born Venture Applications By Sector*



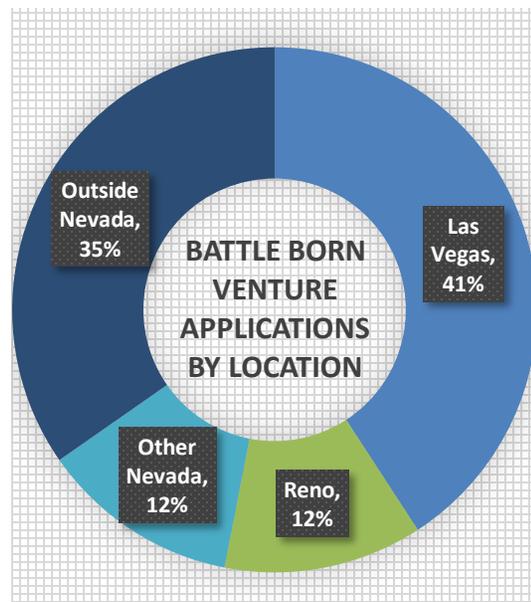
Source: Battle Born Venture

In 2015, the program's sector coverage was similar to that in 2014, with 26% of applications from the software sector and 20% from healthcare. Logistics and operations became a larger portion of applications and this may be influenced by

the State’s attraction of new manufacturing facilities, such as Tesla.

As would be expected given the demographics of Nevada, there were more applications from Las Vegas (41%) based startups than from those in Reno (12%) or elsewhere in Nevada (12%).

*Battle Born Venture Apps By Location*



Source: Battle Born Venture

**PROGRAM UPDATES**

During the first half of the year, Battle Born Venture worked with US Treasury to craft and enact revised conflict of interest policies for the program, based on learnings from other states. Battle Born Venture has remained fully compliant with US Treasury requirements throughout its operating history.

In addition, Battle Born Venture worked with the State’s elected officials to pass AB17, which enables the creation of a non-profit entity, overseen by the legislature, to house Battle Born Venture’s investments and operations.

Thanks to Battle Born Venture’s operations, Nevada also appeared in data that tracks venture capital industry trends for the first time.

**VENTURE CAPITAL MARKET TRENDS**

The major trends in the early stage venture capital market on which Battle Born Venture focuses were:

**1. Peak of Venture Capital**

2015 was another strong year for the venture capital industry, In North America, venture capital reached a 5-year funding high, with \$74.2bn invested across 4,890 deals. Funding was up 26% vs. the previous year<sup>1</sup>.

However, several commentators now believe that the current venture capital cycle has peaked, and this is an advantage for investors such as Battle Born Venture which should theoretically see less competition for investment opportunities as a consequence.

**2. The Rise of the Unicorn**

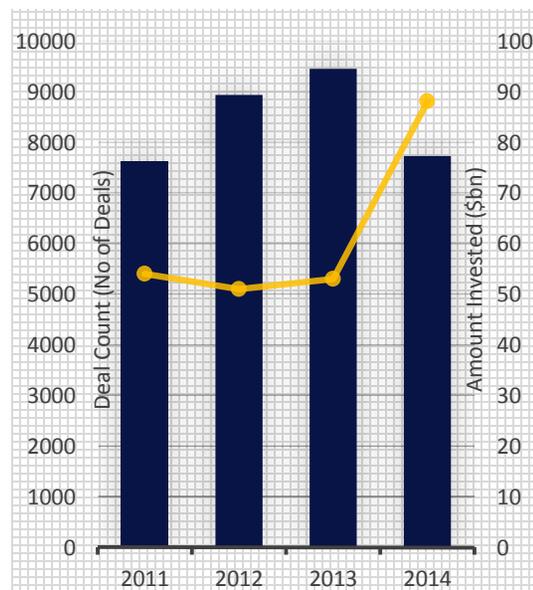
Companies are said to have reached Unicorn status when they have more than a \$1bn valuation. In 2015, 71 VC-backed companies achieved Unicorn status, compared to 53 in 2014. Examples include ridesharing company Uber and online retailer Jet.com.

That said, the “Unicorn trend” slowed globally in Q4 with only 12 new club entrants, down from 24 in Q3<sup>1</sup>.

<sup>1</sup> Source: CB Insights

The existence of Unicorns is important for the industry as a whole as it in part illustrates investor confidence in the asset class, but it has also led to concerns that exits (such as, IPOs) are not as plentiful as should be the case for such late stage companies.

*2015 Venture Capital Deal Activity*



Source: PitchBook

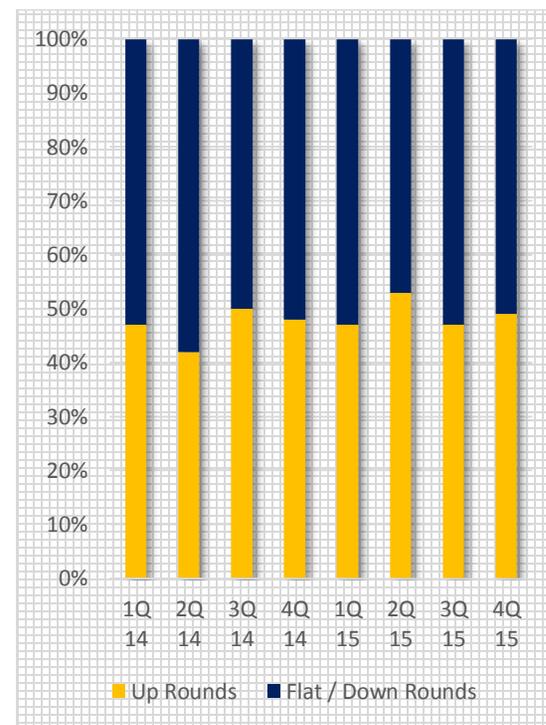
**3. Plateau in Valuations**

Median pre-money angel/seed valuations hit a healthy \$4.4mn in 2015<sup>2</sup>, even as the average investment size rose, as is shown in the chart opposite.

Later in 2015, there was some evidence that valuations were beginning to plateau, though the availability of a large amount of funding to relatively early stage companies is unlikely to mean the sharp falls in valuations that are anticipated in much later stage investment rounds. For instance, two-thirds<sup>2</sup> of all rounds completed in 2015 were up-rounds, that is, they were larger than the startup’s previous investment round. But in the second half of the year, this trend began to reverse, with more flat (the same size as the previous fundraise) and down rounds (smaller than prior raise) than had been the case previously.

Again, this is a positive for Battle Born Venture as it will likely mean less upward pressure on startup valuations.

*Venture Capital Up and Down Rounds*



Source: PitchBook

<sup>2</sup> Source: PitchBook