

## BATTLE BORN VENTURE 2014 ANNUAL REPORT

*In its first quarter of full operations, Battle Born Venture invested in three Nevada startups, co-investing alongside institutional investors such as Graycroft Partners and VegasTechFund. The program has been covered in both local and national media, such as the Wall Street Journal, Entrepreneur Magazine and TechCrunch.*

### 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 2014

Battle Born Venture had the ability to complete investments from September 2014, and committed to three investments during the fourth quarter:

*Fandeavor.* Las Vegas based Fandeavor.com is the hassle-free solution for door-to-door fan travel packages and VIP gameday experiences. Fandeavor's "Build Your Own Experience" technology allows customers to seamlessly create custom travel packages on an easy to use online platform. Fandeavor 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. Fandeavor has extensive offerings for NFL, College Football, NASCAR and bucket list sporting events, as well as international events like the Olympics, World Cup, European Soccer and Rugby. The Company's other investors include VegasTechFund and Base Ventures.

*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 twelve-person team is led by industry veterans; the core team previously worked together at Landacorp, a venture capital backed healthcare IT business, which they led through a NASDAQ IPO in 1999. With 3 launched products and 10 established customers, the Company is now focused on rolling out its service to additional jurisdictions.

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

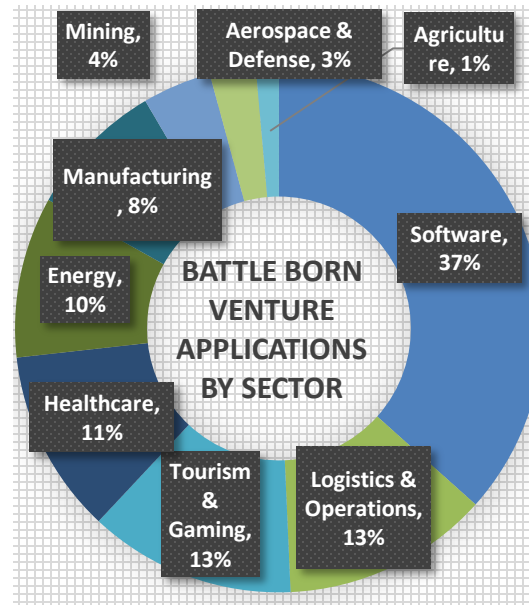
responses in real time (hundreds of thousands of votes in milliseconds) collated across platforms, and display these to respondents. The Company's customers include Fortune 500 companies, such as Procter & Gamble, and media majors, for instance, the Wall Street Journal and the Times of London. Battle Born's co-investors in the round include Graycroft Partners and VegasTechFund. Wedgies' other investors include 500 Startups and SVAngel.

**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.

For Battle Born Venture, the most common reason for an application to be rejected is that the startup is too early stage: Battle Born Venture does not invest in pre-revenue companies and a full 40% of applications were ineligible for this reason. These applicants were each referred to free mentoring services in state.

*Battle Born Venture Applications By Sector*

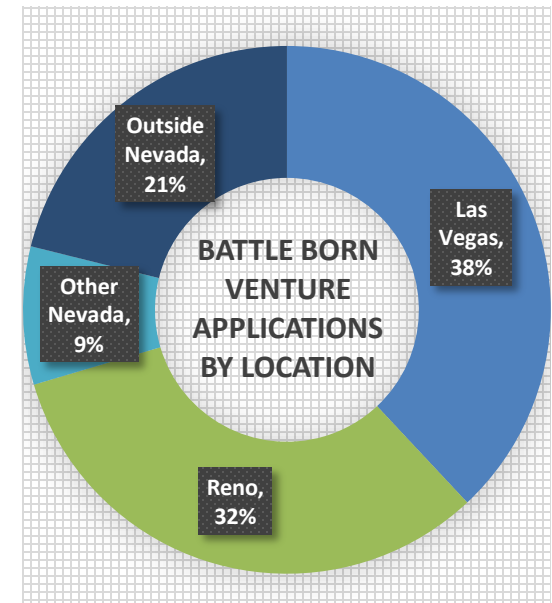


Source: Battle Born Venture

The program's sector coverage is similar to that for most venture capital funds, with 37% of applications from the software sector and 11% from healthcare. One point of differentiation for the program is its focus on entertainment and customer service oriented startups (13% of applications), unsurprising given Las Vegas's global leadership in this space, and on logistics and operations (13% of applications).

As would be expected given the demographics of Nevada, there were more applications from Las Vegas based startups than from those in Reno or elsewhere in Nevada. A fifth of applications were from outside of the state.

*Battle Born Venture Apps By Location*



Source: Battle Born Venture

**NEVADA'S FUNDING MARKET**

Nevada continues to benefit from a robust entrepreneurial ecosystem, with 83 funding sources and 97 mentoring organizations active in state.

During the year, two new investors – the Reno Accelerator Fund and NVAngels – became active, while VegasTechFund chose to refocus its efforts on its existing portfolio later in the year.

**VENTURE CAPITAL MARKET TRENDS**

Beyond Nevada, 2014 was a banner year from the venture capital industry, with total global investment up 64% year-on-year to \$88bn<sup>1</sup> and venture capital funds raised up 67% year-on-year to \$45bn<sup>1</sup>.

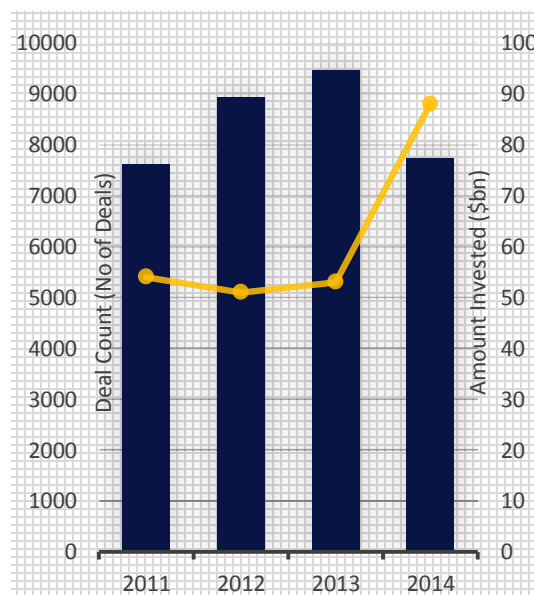
Three trends were especially pertinent to the early stage venture capital market on which Battle Born Venture focuses:

**I. The Growth of Early Stage Investing**

In 2013, venture capital funds focused on early stage investments saw an increase of more than 50%<sup>2</sup> in their funds raised, and this in turn has led to continued strong activity in this sector of the market as these

funds are deployed. Indeed, the three most active institutional investors in 2014 were early stage ones; 500 Startups, (193 investments), Y Combinator (114 investments) and TechStars (113 investments)<sup>1</sup>.

*2014 Venture Capital Deal Activity*



Source: PitchBook

Early stage deals are larger than they once were, with the average angel / seed stage

round being \$1.3mn in 2014, up from \$900k in 2012<sup>3</sup>.

In part, the boom in early stage investing has come about because there are more plentiful young startups. The cost of launching a startup has fallen significantly since the turn of the century, as hardware costs fall and enabling technologies, such as Google Maps, proliferate. More products and services are delivered virtually, and social media makes them cheaper to promote to potential customers.

Weak corporate hiring has encouraged talented graduates to take a chance on a startup rather than following more traditional career paths.

Their endeavors have been supported by a wave of accelerator programs so strong that commentators – such as [VentureBeat](#) - now point to a bubble in accelerator capacity nationally.

**2. Increasing Deal Valuations**

In 2014, deal valuations rose across all investment stages, with seed and angel stage valuations rising by 15%<sup>1</sup>, far less

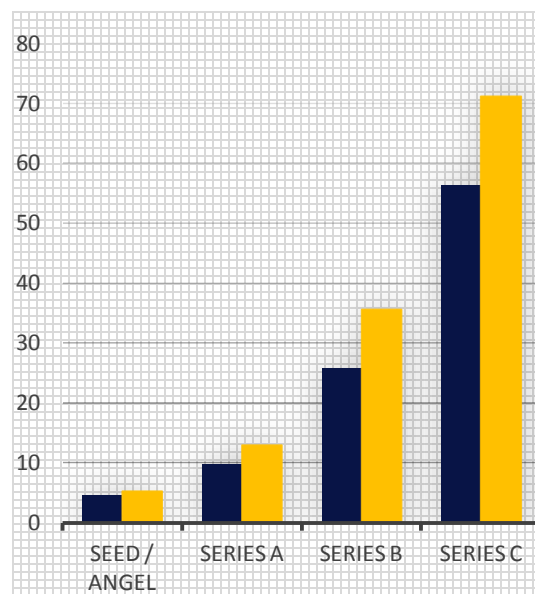
<sup>1</sup> [Source: PitchBook](#)

<sup>2</sup> Source: total of \$9.4bn per DJX LP Source

<sup>3</sup> [Source: Preqin](#)

than the more than 50%<sup>1</sup> seen for the overall venture capital market, driven by large technology deals, such as Uber.

#### *Median Pre Money Valuation (\$mn)*



Source: PitchBook

This trend has not caused particular issues for Battle Born Venture as yet. We believe that this is at least in part because

competition for deals is most intense in coastal markets.

### **3. The Rise of Equity Crowdfunding**

In late September 2013, title II of the JOBS Act went into effect; it allows private companies to solicit investors from the general public, more commonly referred to as equity crowdfunding. Earlier crowdfunding sites – notably Kickstarter and IndieGoGo – allowed funders to receive only rewards or products in return for their backing, but 2014 saw the introduction of new platforms that allow investors to take equity stakes in startups.

One example is the syndicate platform created by AngelList; “where the world meets startups”. AngelList allows investors to meet early stage startups and allows startups to find team members, angel investors and venture capital. Syndicates allow investors to back deals selected by notable angel investors.

In 2014 – its first year of operations – AngelList Syndicates raised \$104mn from 2,673 investors for 243 startups<sup>4</sup>.

Early predictions for equity crowdfunding sites were that they would “democratize fundraising” and even, replace the role of venture capital funds altogether. This has not come to pass – many venture capitalists are benefiting from increased deal flow thanks to the existence of such sites – but equity crowdfunding is now an established part of the venture capital landscape. According to an estimate in Forbes magazine, equity crowdfunding raised \$218mn in 2014<sup>5</sup>.

In summary, Battle Born Venture has made an average of one investment per month in its inaugural quarter, against a backdrop of a continued strong Nevada and global venture capital environment.

<sup>4</sup> [Source: AngelList](#)

<sup>5</sup> [“10 Top Equity Crowdfunding Campaigns From 2014”, Forbes, December 17, 2014](#)