

Stony Lonesome Group LLC

Quarterly Newsletter

Q1 2017

In this issue of the **Stony Lonesome Group** quarterly newsletter:

Introducing Stony Lonesome Capital Special Reserve LLC

Portfolio company updates

- Lalo LLC*
- Ranger Global RE Advisors LLC*
- ID.me Inc*
- Trio Consulting LLC**
- Upskill Inc (fka APX Labs Inc)*
- Team of Care LLC*
- Jumptuit Inc*
- VRstudios Inc*

* Veteran Entrepreneur/ Management Team

** SDVOSB

Current capital raise updates & New deal pipeline

- Warrior Centric Health LLC

SLG Fund updates

- **Stony Lonesome Capital LP**
- **Stony Lonesome Capital II LP**
- **Stony Lonesome Capital III LP**
- **Stony Lonesome Capital Special Reserve LLC**

SLG LLC partnership updates

About Managing Partner Sean Drake

The significance of the SLG name

Introducing Stony Lonesome Capital Special Reserve LLC

In a recent SLG Fund I investor newsletter, we alluded to some of our investments *ripening on the vine and aging like a good wine*. The net result of this is that at the end of Q4 and beginning of Q1, SLG was in a position where we had 5 companies all raising B Rounds! Funds I, II, & III are some very good Vintage Funds for SLG, but we felt that the best way to address the follow on capital opportunities and participate in the B Rounds was to create **Stony Lonesome Capital Special Reserve**. This special purpose vehicle (SPV) will give investors an opportunity to get exposure to all of these great deals while providing some level of risk management via diversification. SL Capital Special Reserve is designed to be a highly curated and concentrated portfolio of 8-10 of SLG's best early stage seed investments that are raising B rounds or higher. The investment thesis is that these investments are more established and less risky, have a shorter time horizon to liquidity; yet still have significant upside potential to provide a venture capital type return multiple.

The initial 5 target portfolio companies include **Upskill, ID.me, Streetshares, Jumptuit, and Blue Star**. We have already locked up 4 of the 5 with initial allocations.

In the words of one of our investors, "This might be one of the best ideas that SLG has had so far!"; making it worthy of the title **"Special Reserve"**.

Portfolio Company Updates

North Area Lalo Investors LLC



SLG Investment Snapshot:

- **Total capital invested:** \$270,000
- **Stake in company:** 10% Preferred Equity
- **Current follow on capital raise:** Deal closed to new investments
- **About:** Lalo LLC develops next gen footwear and gear innovating unique products to serve the SOF community as well as the outdoor retail consumer market.

On the tactical side, Lalo is working to develop a boot that could compete for the Army's search for a new jungle boot. On the athletic side, Lalo is very close to releasing a **trail running shoe** with a more sturdy and rugged tread to handle off road trails.



SLG AIP Holdings LLC



SLG Investment Snapshot:

- **Total capital invested:** \$350,000
- **Stake in company:** 2.8% Common
- **Current follow on capital raise:** Deal closed to new investments
- **About:** Ranger Global is an investment advisor that manages a mutual fund and institutional accounts in the global REIT sector.

Andy Duffy has always had the pedigree, performance and the track record to be a major player in the Institutional sector. **They finished 2016 as the #1 Ranked Global REIT Manager!** With the transition from AIP to Ranger, he now has the full investment team, marketing support, and infrastructure to take full advantage of his relative outperformance as a top portfolio manager. Ranger now has an investment team of 6 (CIO, 2PM's, 2 Analysts, 1 Trader); a 3 person marketing and client service team; and operational and compliance support. All this while being a 56% Veteran Owned business.

Current AUM is approx. \$440m. 5-year projections are to reach AUM of \$4B+. We are looking forward to seeing how long it takes to cross the \$1B threshold. Game on!

"Over the past 9 months, Ranger Global has assembled the team and infrastructure to launch a world-class asset management organization in the global REIT sector."

Andy Duffy, CFA
Founder & Chief Investment Officer

Stony Lonesome Group LLC

Quarterly Newsletter

Q1 2017

SLG TroopSwap Investors LLC



SLG Investment Snapshot:

- **Total capital invested:** \$536,500
- **Stake in company:** 1.89% Preferred Equity
- **Current follow on capital raise:** Deal closed to new investments.
- **About:** ID.me/TroopSwap is a consumer internet ecommerce company that provides daily deals to military and veterans because a life of service should have its perks. ID.me is an on-line authentication, service, that verifies military/ veteran status at the shopping cart point of sale.

ID.me closed a \$19m Series B Funding lead by FTV Capital. SLG's initial seed stage investment was in 2011 at a \$7m pre-money valuation and the current round brings the ID.me valuation to approx. \$70m. SLG participated in the Series B Convertible Debt and also in the Series B Equity Round via Stony Lonesome Capital Special Reserve to bring our total investment to \$536k and making ID.me SLG's 2nd largest holding.

We expect ID.me to use the capital to follow through on several government contracts that could be worth 8 figures each in yearly revenue and to begin to penetrate the private sector and firmly establish themselves as the ***market leader in digital identity.***

SLG Trio Investors LLC



SLG Investment Snapshot:

- **Total capital invested:** \$205,000
- **Stake in company:** 32.2%
- **Current follow on capital raise:** closed to new investments
- **About:** Trio Consulting is a Defense Consulting and Training company. Trio provides Defense Acquisition University equivalent training certified by ACE that meets DAU certification requirements.

No updates to report.

SLG APX Labs Investors LLC



SLG Investment Snapshot:

- **Total capital invested:** \$400,000
- **Stake in company:** 0.62%
- **Current follow on capital raise:** Deal closed to new investments.
- **About:** APX Labs is providing the operating system and cloud computing to support wearable technology, with a focus on Enterprise applications in the hands free workplace.

Upskill closed on a \$12m Series B Round that was led by NEA and included investments by strategic investors GE Ventures and Boeing Ventures. This marked Boeing Ventures' first ever strategic investment. SLG added an

additional \$100k from SL Capital Special Reserve to our position to bring our total investment in Upskill to \$400k. Our initial seed investment in 2013 was at a \$15m pre-money valuation and the current round prices Upskill at approximately \$70m post-money.

APX Labs Announces Corporate Name Change to Upskill

up·skill 'əp,skil/ *verb*

teach (an employee) additional skills.

"this is an opportunity to upskill staff and expand their capabilities"

(of an employee) learn additional skills.

"they will provide grants of up to 75% for staff who decide to upskill"

SLG Team of Care Investors LLC



SLG Investment Snapshot:

- **Total capital invested:** \$305,000
- **Stake in Company:** TBD (Convert Debt)
- **Current follow on capital raise:** SLG is looking to add \$100,000 of additional capital.
- **About** Team of Care provides a comprehensive SAS IT solution for healthcare systems and hospitals who have adopted the Accountable Care Organization (ACO) business model of providing Fee for Value care.

No updates to report.

SLG Jumptuit Investors LLC



SLG Investment Snapshot:

- **Total capital invested:** \$750,000
- **Stake in company:** 0.83%
- **Current follow on capital raise:** Closed
- **About:** Jumptuit is an App which provides a multi-platform solution to share content (photos, videos, music, documents) between all of your devices (iOS, Android, Windows, Smart TV) and the cloud (Google, Amazon, Dropbox) seamlessly.

Jumptuit is preparing for its initial intuitional investment round to support its product launch by Q317 and SLG is expecting it to be at a significant increase in valuation from our last investment. Stand by for some exciting updates over the next couple of months to include the opportunity to download and use the Jumptuit app!

SLG has added to its position in Jumptuit including some exposure for **Fund III** as well as from **SL Capital Special Reserve**. Jumptuit is now SLG's largest investment position, reinforcing our conviction in this company.

Stony Lonesome Group LLC

Quarterly Newsletter

Q1 2017

SLG VRstudios Investors LLC



SLG Investment Snapshot:

- **Total capital invested:** \$200,000
- **Stake in Company:** TBD (Convert Debt)
- **Current follow on capital raise:** Closed
- **About:** VR Studios is a leader in untethered full motion virtual reality tech. They are developing markets in gaming, commercial business, and simulation training.

No updates to report.

New Deal Pipeline

SLG Warrior Centric Health Investors LLC



SLG Investment Snapshot:

- **Total capital target:** \$250,000-\$500,000
- **Stake in company:** TBD
- **About:** Fully certified Training and Continuing Medical Education (CME) via e-learning platform that addresses the unique clinical issues of treating the 70% of military veterans and their families outside of the VA healthcare system.

Stony Lonesome Group has committed to be the lead investor in Warrior Centric Health's (WCH) \$2m Convertible Debt financing. We will be investing from Fund II, and will also be structuring an SLG Special Purpose Vehicle to accommodate investors who want direct exposure to WCH in the \$10k to \$50k investment range. SLG's target investment range is \$250k to \$500k in WCH. Contact SLG for an SPV Term Sheet and WCH Executive Summary.

WCH has a Veteran centric management team led by Founder & CEO Ron Steptoe (Army, USMA '87) and Chief Medical Officer Dr. Evelyn Lewis, MD (Navy). WCH provides an e-learning training program for health care providers and health care systems to better prepare them for the unique aspects of treating military Veterans in the private sector. Over 70% of Veterans and their families receive their healthcare outside of the VA system, and we believe that the new administration will continue to emphasize and support the privatization of healthcare options for Veterans. WCH is uniquely positioned to benefit from this tailwind.

SLG Fund Updates

Stony Lonesome Capital LP

Sector: Military Entrepreneurship

Stage: Seed & A Round

Target AUM: \$1m

Status: Closed & Fully Invested

Vintage: 2014

Stony Lonesome Group closed our debut Fund, **Stony Lonesome Capital LP** in 2015 and the Fund is now fully invested across 10 portfolio investments. The fund focused on seed stage investments in our sector of expertise with a strong preference to back firms that have founders and/or management teams comprised of military veterans and provide veteran job creation. In the end, the portfolio backed 9 out of 10 companies with Veteran Teams, including 3 that are certified **Service Disabled Veteran Owned Small Businesses** (SDVOSB).

The portfolio includes:

- **Trio Consulting LLC****
- **Alpha Transcription****
- **APX Labs Inc***
- **Firefly Inc**
- **StreetShares Inc***
- **Team of Care LLC***
- **Academy Securities Inc****
- **Highland Adventures***
- **Soundtrack Express (Jumptuit App)***
- **VRstudios Inc.***

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Stony Lonesome Capital II LP

Sector: Military Medicine, Healthcare
& Veteran Care

Stage: Seed & A Round

Target AUM: \$10m

Status: 1st Close & Actively Investing

Vintage: 2016

Stony Lonesome Capital II LP is targeting a \$10m Fund goal. Fund II has held a first closing at \$1m+ and has made its first 3 portfolio company investments. Fund II is still open and actively raising capital from new LP's looking for early stage seed exposure to great companies in the Military Medicine, Healthcare, and Veteran Care sectors. Investor Deck links are included below and a PPM is available upon request.

A separate newsletter for SL Capital II LP will be sent to current LP's with more detailed portfolio and company specific updates. Fund II made a follow on investment in BlueStar in its current round that is being priced at 2x our initial valuation in less than 12 months.

The portfolio includes:

- **Hemotek LLC***
- **CAD Therapeutics Inc**
- **Blue Star Service Solutions Inc.***

* Veteran Entrepreneur/ Management Team

** SDVOSB

Fund II- Military Medicine, Healthcare, & Veteran Care

Short Version- Sizzle Deck:

<https://drive.google.com/file/d/0BwAHhCl0dy5nSTMxTWlKcEhXVlE/view?usp=sharing>

May have to cut & paste the
link into your browser

Stony Lonesome Group LLC

Quarterly Newsletter

Q1 2017

Stony Lonesome Capital III LP

Sector: Cybersecurity & Big Data

Stage: Seed & A Round

Target AUM: \$10m

Status: Raising Capital & Actively Investing

Vintage: 2017

Stony Lonesome Group is excited to begin marketing for **Stony Lonesome Capital III LP** in January with a sector focus of **Cybersecurity & Big Data**. Fund III has assembled a World Class team of subject matter experts as members of the General Partnership and Cyber Advisory Board. The Fund is targeting a \$10m capital raise and expects to hold a first closing in late Q1 or early Q2 and already has a pipeline of proprietary deals being evaluated.

Fund III- Cybersecurity & Big Data

Short Version- Sizzle Deck:

<https://drive.google.com/file/d/0BwAHhCl0dy5ndnNaOHl2OTdpM00/view?usp=sharing>

**May have to cut & paste the
link into your browser**

Stony Lonesome Capital Special Reserve LLC

Sector: Generalist

Stage: B Round & Secondaries

Target AUM: \$2m

Status: Raising Capital & Actively Investing

Vintage: 2017

Stony Lonesome Capital Special Reserve has already identified 5 of the 8-10 investments it plans to make. We have held a first closing and have already made investments into 4 companies.

About Stony Lonesome Group

Stony Lonesome Group LLC is a boutique merchant bank that does venture capital and specialty finance investing. By definition, a merchant bank is a principal investor, and not just an advisor or an investment bank. Our value proposition is that we provide investors access to unique deals that we originate and lead and allow them to invest their capital into institutional deals alongside sophisticated institutional investors.

We are hands on investors who use our vast network of operating partners and venture partners to help us source, diligence, and monitor our portfolio companies. We like to refer to this as **"Mentor Capital"** as opposed to Venture Capital. We tend to take "execution risk" and avoid "technology risk". Finally, at the end of the day, we are looking to back strong management teams and provide them with the capital and mentorship to help them reach their potential.

About Sean Drake, Founder

Sean Drake is the Managing Partner and Founder of Stony Lonesome Group. Previously he was a Partner at Endeavor Capital Management where he was responsible for leading the fund raising efforts and was also an active deal partner sourcing several opportunities and playing an active role in working with portfolio companies. His primary areas of expertise are in Defense & Security as well as in Financial Services & Alternative Investment companies.

Mr. Drake has experience in fund raising and marketing alternative investments and founded Hedge Fund Boot Camp, a series of workshops focused on helping emerging managers develop and refine their marketing strategies.

Prior to joining Endeavor, Mr. Drake spent eight years in Institutional Sales at boutique institutional broker dealers TradeTrek Securities (Co-Founder) and Vector Partners where his clients included institutional investors, plan sponsors, and hedge funds.

Previously, Mr. Drake was a coach with USA Cycling and USA Triathlon at the United States Olympic Training Center. He is a former national caliber elite triathlete who competed in Duathlon and Ironman World Championship events. He also served five years as an Infantry Officer in the United States Army, attaining the rank of Captain.

Mr. Drake earned a BS in Engineering Management from the United States Military Academy at West Point and an MS in Exercise Science from the University of Colorado. He holds the Series 7 and 63 licenses.

Sean lives in Connecticut with his two children and is active in coaching youth lacrosse. He still enjoys hiking, trail running and cycling.



Sean Drake

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Quarterly Newsletter

Q1 2017

About the name

Stony Lonesome is an area located near a strategic overlook of one of the highest points on the grounds of the United States Military Academy at West Point. It provides an inspiring view of the Academy below and of the historic “S” turn of the Hudson River where the Great Chain was strategically placed during the Revolutionary War.

As a cadet and a four year member of the USMA Marathon Team, SLG’s founder, Sean Drake’s favorite run took him on a trail that started near Lusk Reservoir, up through the Stony Lonesome area, and to the Blackrock Forest trails near Redoubt 4 that offered an inspiring view of the Hudson River and West Point.

Just as the inspiring view from Stony Lonesome provides perspective on the strategic significance of West Point and the Stony Lonesome Gate provides access to the US Military Academy, **Stony Lonesome Group** provides its investor partners with perspective and access to unique investment opportunities that are making a difference in National Security.



A view of West Point from Redoubt 4
vicinity Stony Lonesome