

# ***Stony Lonesome Group LLC***

## **Quarterly Newsletter**

**Q3 2017**

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

### **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\*
- Warrior Centric Health LLC\*

\* Veteran Entrepreneur/ Management Team

\*\* SDVO SB

### **Current capital raise updates & New deal pipeline**

- None

### **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**

## **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.

The overall trend in the industry is that as much as 80% of consumer revenue in the footwear and outdoor industry is coming from online direct to consumer and moving away from retail stores. Lalo is doing everything it can to stay ahead of this trend and has seen a steady growth in our on-line presence including opening up a channel with Amazon. Lalo released their third color for tactical with the Ranger Green model available in both 5" and 8".



## 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.

No Updates to Report.

## 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 has added some significant new accounts to include the VA, IRS and most recently the State of California. There is now a

button on the IRS website that states “**Verify with ID.me**” in their identify theft prevention section.

They were also recently named one of six finalists in the Citigroup sponsored **Tech for Integrity Challenge**; a landmark effort to encourage technology innovators from around the world to create cutting-edge solutions to promote integrity, accountability and transparency in the public sector and beyond.

## 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% Preferred Equity
- **Current follow on capital raise:** Deal closed to new investments.

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- **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 announced the launch of their next generation Skylight R6. "This is the culmination of 18 months of work, 2 acquisitions, and countless hours of customer engagements." Stated Founder & CEO, Brian Ballard. A new notable customer that was recently added to the mix is Coca-Cola!

### 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.

TEAM of Care recently completed implementation of a new client project in California that serves as a pilot for potentially a dozen similar projects in the state. The project included several technical enhancements related to TEAM of Care's migration to a next generation version of the

software. TEAM of Care closed another new contract this month and now turns their focus and attention to expanding sales. They are working with a consultant to enhance their sales process and have set a goal to close 3-5 new contracts by year-end.

### SLG Jumptuit Investors LLC



#### SLG Investment Snapshot:

- **Total capital invested:** \$900,000
- **Stake in company:** 0.89%
- **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.

SLG has added to its position in Jumptuit including some exposure for **Fund III** as well as from **Stony Lonesome Capital Special Reserve**. Jumptuit is now SLG's largest investment position, reinforcing our conviction in this company. They have started their investor road show for their highly anticipated A Round of financing and have been getting a great reception.

## SLG VRstudios Investors



### SLG Investment Snapshot:

- **Total capital invested:** \$200,000
- **Stake in Company:** 0.84%
- **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.

VRstudios announced the world's first 8-player, free-roaming, full-motion, warehouse-scale, VR Arena. They now have 49 paid installations in 14 countries, far and away the leader in Location-Based VR (compared to home-based).

## New Deal Pipeline

### SLG Warrior Centric Health Investors LLC



### SLG Investment Snapshot:

- **Total capital target:** \$200,000-\$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 invested \$150,000 of our \$250,000 target for WCH. When we first made our commitment to be the lead investor and help set the terms with a \$5m valuation cap, WCH had a great Veteran led management team, a finished product, a couple of reference pilots, and a pipeline of prospects. Since that time, they have solidified their pipeline to give them much strong visibility on significant revenue in 2018, and they are still allowing new investors to close out the A Round at the same \$5m valuation. If we liked it before, we love it now and are committed to rounding out our investment allocation!

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.

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### **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 Capital LP**

The portfolio includes:

- **Trio Consulting LLC\*\***
- **Alpha Transcription\*\***
- **Upskill Inc\***
- **Firefly Inc**
- **StreetShares Inc\***
- **Team of Care LLC\***
- **Academy Securities Inc\*\***
- **Highland Adventures\***
- **JumpTuit Inc\***
- **VRstudios Inc.\***

\* Veteran Entrepreneur/ Management Team

\*\* SDVO SB

#### **Stony Lonesome Capital II LP**

**Sector:** Military Medicine, Healthcare  
& Veteran Care

**Stage:** Seed & A Round

**Target AUM:** \$10m

**Status:** 1<sup>st</sup> Close & Actively Investing

**Vintage:** 2016

**Stony Lonesome Capital II LP** is targeting a \$10m Fund goal. Fund II made its 5<sup>th</sup> portfolio company investment in Veteran led NeurFlow Inc in August. 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.

The portfolio includes:

- **Hemotek LLC\***
- **CAD Therapeutics Inc**
- **Blue Star Service Solutions Inc\*\***
- **Warrior Centric Health LLC\***
- **NeuroFlow Inc\***

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**Fund II- Military Medicine, Healthcare, & Veteran Care**

**Short Version- Sizzle Deck:**

<https://drive.google.com/file/d/0BwAHhCl0dy5nSTMxTWIKcEhXVIE/view?usp=sharing>

May have to cut & paste the link into your browser

#### **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 held a first closing in Q2. Fund III closed its first investment in Jumptuit in Q2 and has a pipeline of proprietary deals being evaluated by the team.

The portfolio includes:

- **Jumptuit Inc\***

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### **Fund III- Cybersecurity & Big Data Short Version- Sizzle Deck:**

<https://drive.google.com/file/d/0BwAHhCl0dy5ndnNaOHI2OTdpM00/view?usp=sharing>

May have to cut & paste the link into your browser

## **Stony Lonesome Capital Special Reserve LLC**

**Sector:** Generalist

**Stage:** B Round & Opportunistic Secondaries

**Target AUM:** \$1m

**Status:** Raising Capital & Actively Investing

**Vintage:** 2017

Stony Lonesome Capital Special Reserve has closed on 6 of the 8-10 anticipated companies for the bespoke portfolio of follow on opportunities. Because this SPV is focused on follow on rounds in established SLG companies, we expect lower risk and a shorter time to liquidity than our typical seed stage investments. That said, we still believe that these high growth opportunities represent the potential for each deal to realize 3-5x+ from the current valuations.

The portfolio includes:

- **Upskill Inc\***
- **ID.me Inc\***
- **StreetShares Inc\***
- **BlueStar Inc\*\***
- **Jumptuit Inc\***
- **Ranger Global Advisors LLC\***

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### **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**

Managing Partner

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## 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