

I. Nevada State Venture Program – Description

The Battle Born Growth Escalator Venture Program (“Battle Born”) is a program of the Nevada Governor’s Office of Economic Development (GOED) that will invest \$5 million of federal dollars in small and medium sized Nevadan businesses over the next three years.

The program is managed by a professional investment manager as well as a program manager who both have been approved by the US Treasury after a thorough ten months due diligence process. The manager’s investment proposals will be evaluated by an investment committee, which consists of Nevada professionals, and will further benefit from technical advice from Nevada System of Higher Education (NSHE) researchers. GOED will make the decision as to which equity investments to make based on the recommendations from the investment committee.

GOED will be aided in managing the program by an Advisory Board that will advise on issues related to managing the program, and will comprise professionals such as lawyers and accountants. Importantly, neither board will be able to participate in Battle Born investments so as to preclude conflicts of interest and to meet US Treasury requirements.

The State Venture Program “Battle Born Growth Escalator” will make equity and equity-like investments in Nevada companies that are newer and smaller than the ones addressed by the NCIC, thereby complementing the efforts of the NCIC. In addition, Battle Born will complement, not compete with, private capital investors in Nevada. The Venture Program’s initial investments will build a capital infrastructure in the state, which will over time attract private investors from outside Nevada.

When investments are sold three to four years later, the resulting money will be reinvested into the program and used to make new investments as per SSBCI requirements. Battle Born will signal to private investors that there is a concerted effort to provide funding for Nevada’s entrepreneurs, thereby attracting further investors and entrepreneurs to Nevada.

Battle Born will have offices on the campuses of the University of Nevada, Las Vegas and the University of Nevada, Reno, and will work with a number of academic institutions, regional development authorities, and private companies to identify businesses in which to invest. After investment, we will aid businesses in which we have invested by introducing them to potential customers and adding personnel to their management teams.

The goals of Battle Born are twofold: (i) to earn a market return for the people of Nevada, and (ii) to attract the investment of incremental venture capital and private equity into the state, by illustrating that Nevada is an ideal business environment in which to invest.

The rationale for introducing Battle Born:

1. The funds that were allocated by the 2010 JOBS Act are intended for use for the benefit of the people of Nevada. At present, they are not being used efficiently, and can't be allocated for other purposes as they are dedicated to the SSBCI program which the JOBS Act created.
2. The SSBCI program was established under the previous administration, and the addition of a venture capital program was envisaged, but not enacted, as part of this program. The introduction of Battle Born updates Nevada's SSBCI program to reflect current best practice.
3. Nevada has benefited from the experience of 30 other states which have implemented state venture capital programs; we have designed the program based on best practices from other states. For example, nearly 2/3rds of SSBCI funds have been invested in small businesses, which will also be a focus of our program.
4. The program brings incremental investment into Nevada. US Treasury requires that there be at least a 1:1 match of funds in order for an investment to be initiated, and targets 10:1 economic leverage over time.
5. The program is regulated by the US Treasury, whose dedicated team ensures that investments are properly managed.

II. Venture Program Bios – Investment Manager, Advisory Board, Investment Committee

Investment Manager

Nicola Kerslake.....

Advisory Board

Kate Gilman.....

Andrew Hardin.....

Greg Mosier.....

Jim Pfrommer.....

Alan Sklar.....

Investment Committee

Rachel Anderson.....

Gian Brown

Alan Gertler (Non Voting Member)

Ryan Heck (Non Voting Member)

Robert Nielsen (Non Voting Member)

Mark Sullivan

Investment Manager

Nicola Kerslake

Nicola Kerslake is Battle Born's investment manager. During her career, she has managed portfolios well in excess of \$100 million for institutional investment clients as well as working with entrepreneurs to accelerate the development of their businesses.

Her background is primarily in investments; she has managed private equity, real assets and hedge funds in the US for SEI Investments and the Monitor Group, and was a top three rated equity analyst in Europe and Asia at subsidiaries of ABN Amro and Credit Agricole. During this time, she conducted due diligence on a wide range of private and public investments, worked on M&A and IPO projects, negotiated investments in both direct and fund opportunities and managed complex portfolios.

From 2009 until early 2013, Nicola worked with a technology commercialization non-profit, eventually being promoted to Vice President leading a team of professionals. She worked with government entities, academic institutions, national labs (LBNL, LANL) and private companies to commercialize their technologies, advance their business plans, and aid them in seeking funding. Notable successes included creating an award-winning business funding program, and participating in the establishment of a Cleantech Open chapter in Nevada. During this time, she also advised an African farmland fund and Bay Area private equity firm on agriculture investment matters.

She currently sits on the advisory boards of two successful startups; Project Alba, a Cambodian organic farming company, and Pinoccio, a Reno, NV based company that has created an ecosystem for building the Internet of Things. Combined, the two firms have raised \$1.35 million from institutional and high net worth venture investors over the past year.

Nicola received a BA Hons (Oxon) in Politics, Philosophy & Economics from Magdalen College, Oxford, is a member of the International Association of Energy Economists (IAEE) and holds both Chartered Financial Analyst (CFA) and Chartered Alternative Investment Analyst (CAIA) qualifications. Her research has been published in academic journals and she has presented to numerous industry, academic and investment conferences.

Advisory Board

Kate Gilman

Founding Partner, Ellsworth & Gilman

Kate, a founding partner of Ellsworth & Gilman at the age of 29, was influential in orchestrating the successful merger of Ellsworth & Gilman with Johnson & Stout and since has been instrumental in its growth through her dedication and hard work. Originally from Iowa and a dedicated Hawkeye fan, Kate graduated from the University of Iowa with a B.B.A. in Accounting and an International Business Certificate in May 1998.

Kate has over fourteen years of experience in public accounting specializing in all taxation areas of real estate development, homebuilders, construction, tax-exempt organizations, multi-state tax, international investment and tax, and section 1031 like-kind exchanges. Kate's strongest asset is the advisory role she assumes with/provides to her clients, always working to ensure their business success.

Kate is not only very involved with her clients; she is equally committed to making a difference in the lives of others in the community and volunteers her time to such organizations as United Way, Safe Nest, Las Vegas Chamber of Commerce and Habitat for Humanity. Kate is actively involved with Community Counseling Center of Southern Nevada where she recently served as the President of the Board of Directors. Kate served as a board member and on two committees for Junior Achievement of Southern Nevada, Inc. and is a dedicated PEO member.

Kate is a member of the American Institute of Certified Public Accountants, Nevada Society of Certified Public Accountants, and a graduate of the 2006 Leadership of Las Vegas class. Kate was a 2010 woman of distinction finalist in the category for philanthropy and community service recognized by the National Association of Women Business Owners. Kate was named by Las Vegas In Business as one of their 40 Under 40 which identifies young and successful business leaders who have distinguished themselves in their profession and in the community. Kate is living her dream job which allows her to integrate her business acumen with her personal philanthropic goals.

Andrew Hardin

Director of the Center for Entrepreneurship, University of Nevada, Las Vegas

Andrew Hardin is the Director of the Center for Entrepreneurship and an Associate Professor in the Lee Business School at the University of Nevada, Las Vegas. Professor Hardin's research is focused on organizational collaboration and virtual work, technology management, technology mediated financial decision making, and research methodologies. His work has been published or is forthcoming in journals such as Management Science, MIS Quarterly, Organizational Behavior and Human Decision Processes, Journal of Management Information Systems, European Journal of Information Systems, Journal of the Association for Information Systems, DATABASE, Educational and Psychological Measurement, Small Group Research, Group Decision and Negotiations, Journal of Hospitality Marketing & Management, and Journal of Current Issues and Research in Advertising. Hardin has twice been recognized as the UNLV College of Business researcher of the year, and currently serves as Senior Editor for the Information Systems Journal, and DATABASE, Associate Editor for the European Journal of Information Systems, and Guest Associate Editor for MIS Quarterly.

In his current role as Director of the UNLV Center for Entrepreneurship, Dr. Hardin acts as liaison between UNLV and the community, interacting regularly with community members wishing to participate in university curricular activities. He also coordinates the implementation of new programs associated with the CFE, including the implementation of a \$500,000 donor financed student run venture capital fund program. Hardin also coordinates the community and student based Southern Nevada Business Plan Competition, securing over \$250,000 in cash and in-kind prizes for the competition. In addition, Hardin developed a cross-disciplinary graduate level entrepreneurship course involving students from both the College of Engineering and the College of Business. This course is the first of its kind at UNLV, and requires MBA students to develop business plans based upon technologies developed

by the College of Engineering, with the goal of competing in both intra- and inter-state business plan competitions, and creating scalable new businesses. Recently Hardin acted as faculty advisor for the first and second prize winners of the 2011 & 2012 statewide Governor's Cup Competition, and the first and second place winners of the 2012 Tri-State competition in which Nevada competes against the Arkansas and Oklahoma Governor's Cup winners.

Professor Hardin received his Ph.D. at Washington State University, and also holds both a Masters in Business Administration and a Bachelor of Science in Business Administration from the California State University. He is a member of the Academy of Management, the Global Consortium of Entrepreneurship Centers, the Association of Information Systems, and is a member of prominent boards such as the Nevada Council on Economic Education, and is a voting member of the UNLV Intellectual Property Committee. Hardin is a regular speaker at industry events including a recent keynote address at a Microsoft Licensing Roundtable conference. Dr. Hardin has extensive industry experience, including several senior management positions such as Materials Coordinator on a \$77 million heavy crude expansion project for Texaco Refining and Marketing. He also founded and successfully ran several small businesses. Hardin has been nominated for several teaching awards, is the graduate coordinator for the MBA New Venture Management concentration, and teaches MBA courses on new venture creation and feasibility. Hardin also teaches courses on information technology innovation in the COB Executive MBA program. He has extensive experience in curriculum development having prepared and taught over a dozen on campus and online courses.

Greg Mosier

Dean, College of Business, University of Nevada, Reno

Dean Mosier's responsibilities have included leadership and administrative responsibilities for 55 tenured and tenure track faculty, total of approximately 130 instructors and staff and approximately 2300 students at the undergraduate and graduate levels. He has also led College strategic planning with initiatives in student success, sustainability (including economic development and entrepreneurship) and global and international studies. Among his other initiatives Greg has developed a new College Advisory Board model to allow for more participation of alumni and supporters. The college began a "branding" campaign with a "Business is More Than You Think" tag line, new web site, publications and print and electronic media. Keeping with the new tag line the first Business Week, which highlighted over 30 events and information sessions about the College and its activities, began. Sessions included, "Being a Successful Entrepreneur," "College Tailgate Party," "How Young Entrepreneurs are changing the World and Their Six Secrets to Success" etc.

Mosier previously served as interim dean of the Spears School of Business and associate dean at Oklahoma State University.

Mosier holds a bachelor's degree in secondary biology education from OSU, a juris doctorate from the University of Kansas and a doctorate in higher education administration from OSU. He is a former corporate attorney, having worked for the Parker Drilling Company in Texas. Mosier is a member of the State Bars of Kansas, Texas and Oklahoma. Mosier is the author or co-author of more than 20 publications, two commercial publications and numerous book reviews.

Jim Pfrommer

Founder, Pfrommer & McCune Ltd.

Jim co-founded the accounting firm, Pfrommer & McCune Ltd. in 2002, along with Chris McCune.

Jim's practice has evolved over the last 34 years into a comprehensive tax and accounting consulting business. While providing sound bookkeeping and tax preparation services, Jim is especially focused on providing small and medium sized businesses, and their owners, with the information and guidance to make the most beneficial financial and tax decisions. In addition to individual and business tax compliance and planning, his practice involves consultation regarding retirement and estate planning.

Jim received a Bachelor of Science of Commerce in Accounting from Santa Clara University, and a Masters in Taxation from Golden Gate University. He is a CPA licensed in Nevada and a member of the American Institute of Certified Public Accountants, and of the Nevada Society of Certified Public Accountants. Jim enjoys golf, travel, reading and volunteering in our community; he is President, Education Alliance of Washoe County, a Board Member of the Community Foundation of Western Nevada, and Treasurer of the Washoe K12 Education Foundation.

Alan Sklar

Member, Sklar Williams PLLC

Alan C. Sklar directs Sklar Williams' transactional practice. Mr. Sklar has practiced real estate, corporate, commercial, healthcare, and securities law since 1982. He has represented clients in numerous highly-publicized matters and was selected as Nevada's leading business lawyer by the Nevada Business Journal. Mr. Sklar was previously affiliated with Mitchell Silberberg & Knupp and Warren Clark & Sklar in Los Angeles and was Managing Director of a New York merchant banking firm; he is a member of the Board of Directors of Las Vegas-based Bank of George and numerous other corporations. Mr. Sklar is a graduate of the University of Pennsylvania's College of Arts & Science (Summa Cum Laude) and School of Law, is a member of Phi Beta Kappa and other honorary societies, and has published several articles on corporate, securities, and commercial law for the Practising Law Institute and other publications. He is admitted to the Nevada and California bars.

Investment Committee

Rachel J. Anderson (Voting Member)

Professor Rachel J. Anderson is a tenured law professor at the UNLV William S. Boyd School of Law with expertise in corporate governance and domestic and international economic development. She teaches Business Organizations and International Business Transactions and her current research is in the area of empirical legal studies. Before joining the law school, Professor Anderson worked on international development projects funded by the European Commission and general corporate, mergers and acquisitions, corporate finance, and securities matters at MVV Consulting GmbH and at Skadden, Arps, Slate, Meagher & Flom LLP, respectively. She earned her J.D. from the University of California, Berkeley, School of Law, her M.A. from Stanford University in International Policy Studies with a concentration in International Political Economy, a Zwischenpruefung from the Humboldt University in Berlin, and is a native Nevadan who attended Edward C. Reed High School in Sparks. Professor Anderson currently serves as the Vice President of the Las Vegas Chapter of the National Bar Association and as a person-at-large on the State Bar of Nevada Business Section Executive Committee.

Gian ("John") Brown (Voting Member)

Gian ("John") Brown has lived in Las Vegas for over a dozen years and has participated in various "Vegas Tech" activities for nearly two years. Until recently, he was president and general counsel of SAIC Venture Capital Corporation, the corporate venture capital arm of a large government services provider (SAIC). In that role, he was involved in deploying over \$350M in investments, exit events that generated over \$500M in pre-tax cash proceeds, cash management of \$3B and a total portfolio of 80+ positions (some of which were public).

Gian was also a member of SAIC's corporate development team, which supported acquisitions, integration of those acquisitions, divestitures, disentanglement activities associated with those divestitures, and the licensing or sale of intellectual property assets. Gian has served as a board member for over a dozen early-stage companies and is currently an advisor to Rolltech, a Vegas Tech company.

Prior to joining SAIC, Gian was both in-house counsel at an Atlanta-based seed capital incubator as well as a transactional attorney at two nationally-recognized law firms (Skadden Arps (New York) and King & Spalding (Atlanta)). Today, he still consults for SAIC in both legal and corporate development capacities, he serves on the board of a Virginia-based company (Robbins-Gioia) and advises various Vegas-based companies on in-house counsel and corporate development matters.

Alan Gertler (Non Voting member)

Vice President for Research, Desert Research Institute

Dr. Gertler is currently serving as the Vice President for Research at the Desert Research Institute. He is also the Senior Director of DRI's Clean Technologies and Renewable Energy Center, the organizational umbrella under which all of DRI's renewable energy research, education, and outreach are conducted. His research includes both laboratory and field studies of atmospheric chemistry with particular emphasis on the impact of mobile sources on the environment. Dr. Gertler's research at DRI has also included characterization of factors affecting the rate and mechanism of SO₂ and NO_x oxidation in the atmosphere, wet and dry deposition processes, studies of chemical processes leading to "gas-to-particle" conversion, the effects of acids and their precursors on materials, fog and cloud droplet characterization, trace analysis of pollutants in air and water samples, and development of quality assurance procedures to ensure accuracy of wet and dry deposition data. In addition, he has investigated discrepancies between observed and predicted automotive emission factors.

His current research includes measurements and characterization of emissions from mobile sources operating on traditional, biofuel, and HCNG blends, development of new methods to attribute observed PM levels to specific sources, evaluating the magnitude and sources of atmospheric deposition, source apportionment and urban air qualities studies in the developing world, and the use and impact of alternative fuels for transportation and power generation. Among his many research projects (>\$40M as PI or co-PI), Dr. Gertler has served as principal investigator for the NREL-sponsored Hydrogen Deployment and Safety in Transportation Applications and Renewable Energy Hydrogen Based System for Off-Grid Applications projects, Health Effects Institute sponsored Real-World Particulate Matter and Gaseous Emissions from Motor Vehicles in a Highway Tunnel, source attribution component of the USAID-sponsored Cairo Air Improvement Project, World Bank/NREL sponsored Hyderabad Source Apportionment Study, NCHRP-supported Road Sanding and Salting Effects on PM₁₀ and PM_{2.5} Emissions by On-Road Vehicles, and the SERDP-sponsored Development and Validation of a Predictive Model to Assess the Impact of Coastal Operations on Urban Scale Air Quality. He is currently the project manager for the DOE sponsored Nevada Renewable Energy Consortium and PI for the EPA sponsored program: Developing an Urban Air Quality Management Program in Jakarta.

Ryan Heck (Non Voting Member)

Director and Patent Counsel, Technology Transfer Office, University of Nevada, Reno

Ryan has been managing intellectual property protection for the Technology Transfer Office at University of Nevada, Reno, since he joined the Office in 2008. Before that, Ryan worked for over seven years as an outside patent attorney during which time he practiced in both patent procurement and patent enforcement. He holds a Ph.D. in Chemistry from the University of Nevada, Reno, and a J.D. from the University of Colorado, Boulder, School of Law. He is licensed to practice law in the States of Nevada and Texas and is a registered patent attorney. Ryan also holds a diploma for the Craft Brewers Apprenticeship Program from, and is a member of, the American Brewers Guild.

Robert Nielsen (Non Voting Member)

Business Development Officer, Division of Research and Economic Development, University of Nevada, Las Vegas

Prior to joining UNLV in 2012, Robert Nielsen managed the non-profit solar photovoltaic program for Bombard Renewable Energy in Las Vegas. In 2011, this program resulted in the installation of

approximately three megawatts of solar photovoltaic distributed generation for churches, schools, and other non-profits, resulting in approximately \$500,000 per year in energy savings. Nielsen also served as the point of contact for utility-scale solar projects with regard to initial development issues and project financing. Additionally, Nielsen formed a company, PV Developers, LLC, to develop a large, utility-scale solar project that is to be sited on a former brownfield mine site.

Previously, Nielsen worked in mortgage banking and finance with Nevada Capital Solutions. He also served as a member of the Nevada State Office of Energy's Renewable Energy Task Force and has been appointed to the City of Henderson's Community Action Committee on sustainability issues.

Nielsen holds a bachelor's degree in business administration from UNLV and is currently pursuing a graduate degree in public administration with an emphasis in solar and renewable energy and energy policy.

Mark Sullivan (Voting Member)

Mark Sullivan is a recent addition to Reno, and is focused on corporate management roles. He has more than 20 years of investment banking experience, focusing on M&A and private equity financings, with firms ranging from Goldman Sachs in New York to his own, Private Equity Partners, in Incline Village, Nevada. He has also served in corporate development roles for two companies, one private and one public. In the aggregate, the value of transactions he has participated in exceeds \$7.5 billion.

Until recently, Mr. Sullivan was a Managing Director with Viant Capital, a middle-market investment bank in San Francisco. Prior to joining Viant, he founded and served as Managing Partner of Private Equity Partners, a boutique advisory firm focusing on institutional financings and M&A for smaller growth companies. Previously, he was Co-Head of Corporate Finance for D. A. Davidson, a founding member of the private equity financing group at Kidder Peabody, and Director of Strategic Planning for Teknekron. He began his career as an associate at Goldman Sachs.

Mr. Sullivan has consistently delivered results exceeding client benchmarks. Examples include selling a company for more than twice the exit value pegged by its PE fund owner, developing an analysis that convinced a PE fund to proceed with an investment even though its Big-4 consulting firm had advised against it, and raising sequenced private debt and equity to get a client nearly three times the valuation estimated by a top-20 investment bank.

Mr. Sullivan graduated summa cum laude with a double major in math and economics from Dartmouth College, and earned his MBA from Harvard Business School.

'Pipeline Partners' for investment opportunity generation

1. Arsenal Venture Partners
2. Berkshire Bridge Capital
3. Black Emerald Capital
4. DCA Partners
5. DFJ Frontier
6. Huntington Capital
7. Northstar Investors
8. Sun Mountain Capital
9. Sierra Angels
10. Vegas Valley Angels
11. Vegas Tech Fund

III. Talking Points on how Nevada's Program fits into the broader SSBCI context

This Section is quoting a report that was prepared by the consultants Cromwell Schmisser LLC for U.S. Treasury in February 2013.

Information and Observations on State Venture Capital Programs

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the Act), which created the State Small Business Credit Initiative (SSBCI).

Participating states could choose to design their individual SSBCI programs to support financial institutions' lending or to support venture capital investing. **In 2011 and early 2012, Treasury approved over 140 different SSBCI programs for 57 participants, including 47 states, the District of Columbia, five territories, and eligible municipalities in Alaska, North Dakota and Wyoming. Of the total, Treasury approved 36 state-run venture capital programs in 30 states.**

The amount of SSBCI funds states received was based on a formula established by Congress.

The minimum state allocation was \$13.2 million. Nevada received a \$13.8 million allocation.

States were required to apply for SSBCI funds using a standard application process that included planned uses of funds, projected economic benefits attributable to the program and the projected amount of private sector leverage.

States were required to show a “reasonable expectation” that their program design and overall financial projections would achieve a private leverage ratio of 10:1 by the end of 2016.

States that applied early for SSBCI funds began using the capital by June 2011, and all participating states must use SSBCI funds for program purposes through March 2017.

Venture Capital Background

Venture capital (VC) is a category of financial capital invested primarily for equity ownership in private small businesses with the potential to grow substantially in size and value.

VC investment activity in states and regions is often viewed as a leading indicator of future job creation, economic growth and competitiveness.

According to a study by the National Venture Capital Association, companies backed by VC investments contribute disproportionately to job creation in the U.S., with 11% of U.S. jobs and 21% of GDP attributable to the companies that received VC investments at early development stages.

Economic Impact of Venture Capital; Source: NVCA

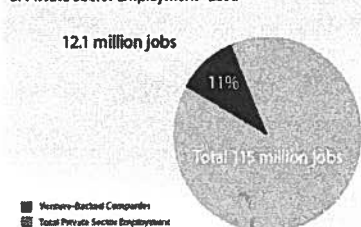
Venture Capital 101 – Economic Impact

INVESTED **\$1** **\$6.27** **INVESTED** **< 0.2%** **21%**
REVENUE of U.S. GDP

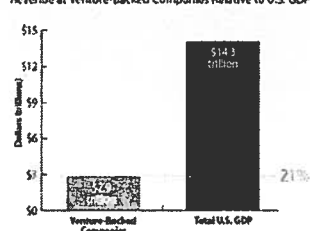
For every dollar of venture capital invested from 1970 to 2010, \$6.27 of revenue was generated in 2010.

Annual venture investment equals less than 0.2 percent of U.S. GDP. Annually, VC-backed companies have generated revenue equal to 21 percent of U.S. GDP.

Employment at Venture-Backed Companies as a Percent of Private Sector Employment 2008



Revenue at Venture-Backed Companies Relative to U.S. GDP



VC focuses more on “wins” rather than “mistakes”

The venture capital fund business model is premised on a portfolio theory that a very few investments will achieve extraordinary financial returns that more than offset the high number of firm failures in the balance of the portfolio. Even the most highly regarded VC funds often have several write-offs in their portfolios.

A fund's good reputation is earned by a relatively small number of investments that return >10X of cash proceeds relative to the original investment.

Some VC funds will fail in their quest for the "home run" investment, and many of the write-offs, with the luxury of hindsight, can look like bad decisions with taxpayer dollars.

A challenge for state VC program managers is to educate government officials at all levels about the comprehensive benefits from stimulating VC investment in homegrown high-potential small businesses in a portfolio approach.

Data on number of companies receiving VC investments annually; Source: NVCA

How many companies receive VC financing each year?

- In 2010, venture capitalists invested approximately \$23 billion into nearly 2,749 companies.
- Of these, 1,001 companies received funding for the first time.

Deal flow...a challenging course:



Outside the economic anomaly of Silicon Valley, VC fund managers afforded the privilege of managing capital from limited partner investors are extraordinarily selective in the opportunities they pursue. Most admit to rejecting 90% of business plans received after a single read.

Snapshot of SSBCI VC Programs:

Program Structures and Business Investment Characteristics

As of September 30, 2012, thirty states had VC programs approved by the U.S. Department of the Treasury (Treasury), representing a total of \$403 million of SSBCI funds allocated to venture capital.

Many states allocated funds to existing state sponsored initiatives.

Other states created new VC programs or launched previously designed programs that were dormant due to challenging state budget environments.

Direct investment funds and fund-of-funds were the two most commonly selected program structures for capital deployment, each representing just over one-third of the total SSBCI capital allocated to VC programs. Battle Born is a direct investment program.

In direct investment funds, state program managers serve in the role of VC fund managers; they actively network with entrepreneurs, source deal flow, perform due diligence, assist in the recruitment of co-investors and may set terms of the investment transaction.

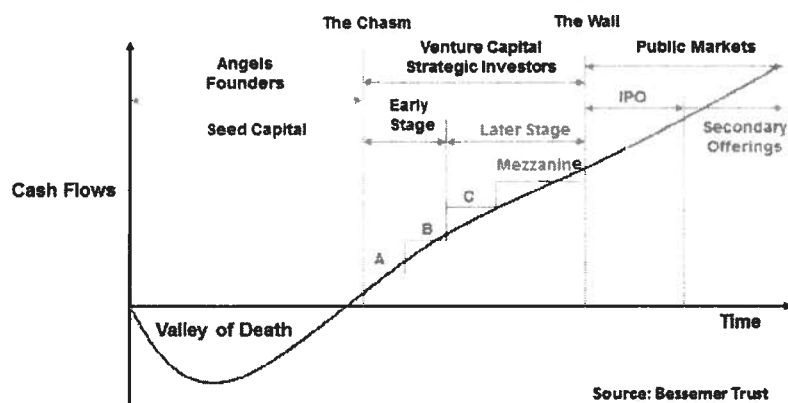
Compared to the overall U.S. market for VC investments, SSBCI state VC programs focus more on pre-seed, seed and early stage investments, the stage of investment on the financing lifecycle where market inefficiencies most often exist.

More than 65% of SSBCI VC program capital allocations focus on pre-seed, seed and early stage investments, compared to only 32% of total U.S. VC investments in 2011.

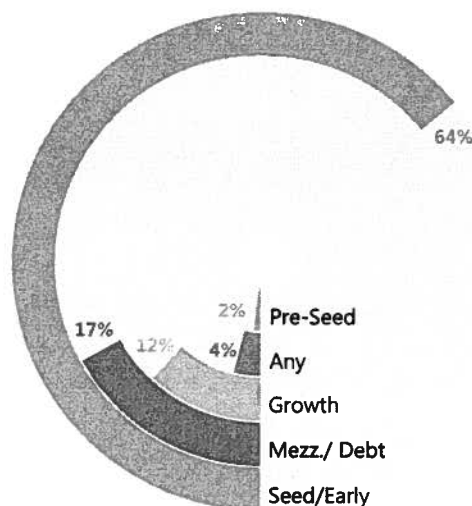
Battle Born also focuses on pre-seed, seed- and VC-stage investments.

Stage of Investing

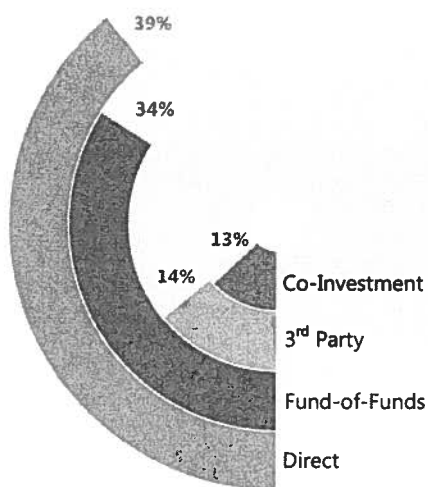
"Capital Continuum"; source: Bessemer Trust



SSBCI VC program projected capital allocations by investment stage



SSBCI VC program capital allocations by structures



Battle Born focuses on pre-seed, seed- and early stage investments and is a direct investment program.

SSBCI VC program capital allocations by state and projected stage of investing

State	Total	Stage of Investing				
		Any	Pre-Seed	Seed/Early	Growth	Mezz./Debt
Anchorage, AK	\$ 13.2			\$ 13.2		
Arizona	18.2					18.2
Arkansas	4.7			4.7		
Florida	43.5			43.5		
Hawaii	13.2			13.2		
Illinois	20.0			20.0		
Indiana	34.3	2.8		25.5		
Iowa	5.0		0.3	2.2	2.5	
Kansas	2.6	2.6				
Louisiana	5.1	-		5.1		
Maine	3.0			3.0		
Maryland	6.5			6.5		
Michigan	6.0					6.0
Minnesota	10			10		
Missouri	16.9	0.7	11	2.9	6.5	5.7
Nebraska	13.2			4.2		9.0
New Hampshire	4.5			4.5		
New Jersey	5.0			5.0		
New York	26.0			26.0		
North Carolina	10.0	10.0				
Ohio	15.0					15.0
Oklahoma	13.2		3.2	5.0	5.0	
Pennsylvania	5.0			5.0		
Puerto Rico	2.0	2.0				
Rhode Island	11.0		2.0	9.0		
Tennessee	29.7			20.7	9.0	
Texas	46.6			27.0	19.6	
Washington	5.0			5.0		
West Virginia	7.7			7.7		
Wisconsin	16.0				7.0	9.0
Total Allocated to VC	\$403.1	\$18.1	\$6.6	\$259.9	\$49.6	\$62.9
Percentage of Total		4.5%	16%	64.5%	12.3%	15.6%

Direct Investment Funds

Just over half of state VC programs use state agencies and/or quasi-state entities (non-profit / Public private partnership) to manage SSBCI funds with the roles and responsibilities of a VC fund.

The staff of these organizations meet with small business owners, solicit business plans for review, perform due diligence on investment opportunities, collaborate with co-investors. States like **Indiana, Maryland, Oklahoma, Pennsylvania, Maine** and **Rhode Island** have experience with investing taxpayer funds in pre-seed and seed/ early stage small businesses for economic development purposes but with the goal of earning “comprehensive returns”.

Comprehensive returns include direct financial returns plus indirect economic development returns.

Program leaders in **Illinois, Anchorage** and **Missouri** established new programs with SSBCI capital to make direct investments in companies.

The Missouri and Anchorage, AK teams are primarily *leading* investment rounds, typically making the first commitment of capital and establishing the deal terms that other investors would follow.

Battle Born was largely modeled after the Missouri program.