

The Venture Capital industry continues to transition, as the number of deals being funded has declined since last year while the overall amount invested has increased. The National Venture Capital Association (“NVCA”) predicts that if this trend continues through the end of this year that 2017 may witness the highest amount of dollars invested in the past decade while the number of VC deals completed may be the lowest since 2012. The primary reason for this is the effect “unicorns” (companies valued at \$1 billion or more) have had on the industry, as investments in these companies continues to inflate deal value and valuations of later-stage companies. For example, in the 3<sup>rd</sup> quarter of this year, SoftBank invested \$3 billion in WeWork, which accounted for 17% of overall investment in VC backed companies.

As for early-stage investments, which is VCapital’s primary market, the number of deals funded decreased in Q3, 2017 as compared to Q2, but the activity is still quite robust on a historical basis. The increase in the number of startups looking for funding has afforded early stage VC firms, like VCapital, the ability to be more selective when looking at potential deals. We continue to see strong deal flow at VCapital, as we have reviewed approximately 900 deals this year.

Our present portfolio companies are making continuing progress. As we discussed in our last letter, **simMachines**, which develops artificial intelligence software, is making excellent progress. As detailed in their Quarterly Report ([simMachines Report](#)), the company believes it is the only machine learning company that can deliver “Predictions with the Why,” a very powerful tool for many business organizations. The company’s recent \$1.7 million three-year contract with American Express has the potential to increase to \$11.2 million per year, and they also established a partner agreement with Dentsu-ISID (the fifth largest ad agency in the world) and have three agreements with Axicom for various services. The company projects 2018 revenue of \$2.6 million but believes it may be able to increase that to \$4.0 million, and predicts that the revenue back log at 2017 year-end will be \$1.6 million. In the last twelve months, the company’s head count has doubled from 12 to 24 employees, with some of the more notable hires being a Chief Customer Officer and two Solution Architects. Finally, the company is currently engaged with a number of investors regarding a \$4.0 million capital raise. VCapital will likely recommend investors participate in this offering.

**Intensity Therapeutics**, which is developing a new approach to fight cancer, continues to test its product in humans. Thus far, no negative safety issues have been identified in the patients who have received the drug compound. While these tests are primarily focused on safety elements of the drug, the first patient treated saw a fairly dramatic 50% reduction in tumor size with just 1/75th of the normal amount of the chemo-therapy being administered. The company has added additional test sites, and expects to complete surface tumor safety testing by the end of January 2018 at which time it is expected that human safety trials will begin for deeper-body tumors. A copy of Intensity 3<sup>rd</sup> quarter report can be found here ([Intensity Report](#)).

**Synap**, which is developing CRM solutions for customer success teams, has changed its marketing focus and is now developing solutions for the financial services industry. The company has seen quite a bit of interest from this market and will continue to pursue business from this vertical. Recent product developments include an Outlook add-in and reporting improvements. The company recently secured a contract worth \$72K/year, and has thirty active potential deals worth \$375K/year. As mentioned in our last report, the company was not able to secure the capital it set out to raise, and as a result had to trim



staff and make other cuts. In addition, the company attempted to raise additional funds and also explored being consolidated in a “roll-up” transaction, but neither of these came to fruition. The company believes its most promising path forward is to merge with a company in the customer success or financial services software industry, and is currently negotiating with two interested parties. A merger will preserve shareholder equity and help position the company to continue working to fulfill its product and market vision.

We are happy to announce that on November 20, BVC and VCapital investors funded a total of \$1.2 million for an investment in **Camras Vision**, a company developing a new device (the Camras Shunt) to treat Glaucoma which is superior to existing prescription drugs and surgical treatments. Investors may still invest in this opportunity as we are holding it open through the end of this year. We are also continuing to raise funds for **Padcaster**, which produces and sells products which transform iPads and smartphones into mobile video production studios. The company is on a \$5 million revenue run-rate with gross margins of 65%. Thus far, BVC and VCapital have raised nearly \$1 million for this company with a goal of raising \$2.0 million.

Our new book, “Building Wealth Through Venture Capital,” will be published by a major Chinese publisher, Critic Press, in May of 2019. The book is now offered on over 25 websites throughout much of the entrepreneurial world.

We appreciate your support and trust. Please let us know should you have any questions or comments. We hope you have a joyful holiday season.

Sincerely,

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