

Charlotte VC firm targets veteran-owned startups

By: Hilary Burns • March 23, 2017



Brandon Shelton, a former military intelligence officer, says it is most important how a veteran served. He looks for entrepreneurs who lean on their military experience to demonstrate agility, level-headedness and adaptability — those are the business people most likely to succeed, Shelton says.

After leaving his former corporate job that required too much travel, Shelton set out to help veteran-owned businesses. He just wasn't sure how to go about that. He considered starting a non-profit and then decided a venture capital fund could help tech businesses expand by offering capital and expertise.

The idea to help technology startups and technology-enabled businesses started to take shape when he dug into some numbers — he found a plethora of technology startups in need of capital on top of a large veteran population in the Carolinas. The Small Business Administration also says 9% of all U.S. firms are veteran-owned. The numbers add up, Shelton says.

“I just want to talk to them and figure out what I can do to help them,” Shelton recalls thinking in 2015. “Maybe they will pay me, maybe I can get equity, or I’ll just help them. I was in no hurry.”

Shelton, who also worked on Wall Street during the 2008 financial crisis, knew firsthand how hard it can be for veterans explaining to a hiring manager how their military skills transfer into an office environment. And he was told it was a similar situation for veterans trying to raise capital.

“I just thought that was wrong,” Shelton says.

He looked around the country for people to help him lift the idea off the ground. Shelton then decided to create a network of experts and advisers that evaluate talent and develop entrepreneurs and veteran-owned businesses. He now runs one of the only venture capital firms in Charlotte.

“OK, I know where this talent is,” Shelton says. “If we have a unique ability to see them, work with them and network with them at that stage when less money is available to them, there’s a unique opportunity.”

Shelton secured early investors who believed in his mission. By the end of 2015 Shelton was testing his thesis with his largest investor. They first invested in GoodUnited, a tool that helps supporters stay connected to veterans and previously called inKind, and ProctorFree, a Charlotte-based online proctoring service.

By the start of 2016, Shelton officially launched Task Force X, a venture capital firm with a strategic advisory board of experts ready to help the fund’s portfolio companies build leadership skills, fine tune strategies and solve problems.

Today, TFX has five portfolio companies. Shelton declined to disclose how much he has raised for the fund. He is now focused on finding new portfolio companies, most of which come through referrals, Shelton says.

Shelton sat down with the *Charlotte Business Journal* to talk more about Task Force X and the potential he sees for the fund focused on veteran-owned founders. Here are excerpts:

On advising veterans:

We wanted the ability to pick the best of the best. And we knew the best of the best has nothing to do with if you were a Navy SEAL and flew a helicopter or you looked at a screen in Nevada — it doesn’t matter. It’s how you served. How did you fail and how did you adapt? How did you keep doing that? Specifically, if you think about the military from 2001 to now, it has probably changed 10 times. Ten tectonic paradigm-type shifts. In the mid-2000s, social media and Facebook exploded. Tablets and mobile devices exploded. That tilt of data in a connected 24/7 environment just layered on top of what folks in the military were already dealing with. So if you were a junior leader coming out of college or high school — whether you went to combat or not, it doesn’t matter. If you were in this environment with all of this technology layered on and the military constantly shifting, that environment dwarfs some of the challenges startups have.

On their worst days yes, they work hard and yes, it’s frustrating and yes, it’s nerve wrecking. But some of our companies when they have tough days I will pull them aside and say, “Hey, compare today versus your worst day in the military.” And they say, “It doesn’t even compare.” And I say, “How about your cofounder? Do you think this is his worst day?” He’s never been in the military. He is maybe 28 years old and this is the second company he’s owned. He took a big pay cut to come here and it may go out of business in a month. They will say, “Yeah. That’s probably the worst feeling he’s ever had.”

So (I tell them), “Now is the time for you to lead, build confidence and stay resilient. To overcome, to accomplish the mission again.”

On the start of TFX:

We thought we would take a real big pause (after testing proof of concept). We had to set up the fund — it’s all new to me but it went by fast. By the fall of 2015 before we really got going, people were

calling from just word of mouth. I was very happy to turn on TFX and get the website out because then it was a thing. I didn't want to be viewed as a poser. So 2016 was fast; we (invested in) Stabilitas in Seattle (an employee risk management and emergency notification platform).

We would prefer to invest in the Southeast from Washington, D.C., and down and over to Texas. I would say high-growth cities with a low cost of living and very dense veteran populations. Then the CEO of StreetShares, (a small-business lending platform) called me in June of last year.

On the vetting process:

We don't have huge rubrics like some guys do. I don't care what you are doing even if you're not a technology company, I will make the time. My biggest demand on time is making the time for (inbound calls). They are coming in as referrals so you should take the call because you don't know who that person's brother, wife or husband is. I try to take the call. I give them an hour and I scan and try to give them a little feedback. Then I try to make one introduction. I offer, "Hey, if you have an investor loop you put out in an email, I'd love to be a part of that." At the moment, and probably for the next couple of years, I continue to read everything.

I meet the founding team and from that point forward we look like everyone else. We look at your financials. I try to bring in experts and I have someone dive into the books. I have someone go in and look at their leadership, and after getting their documents I handpick three or four of my investors to help. We are not an angel group, I don't need their "yes" or "no." But almost all of them like being a part of it.

On the five-year vision:

Up front, I was coached in the fall of 2015 not to talk about your five-year vision. A year later in December I started getting investors saying, "Tell me your five-year vision." I didn't understand it but someone the other week told me it's because they now believe you're going to do it so they are willing to hear where you are going.

I'm going to prove the thesis. I'm going to work very hard serving these teams, making this work for our investors and proving there is a network out there with a unique ability to find, support and serve these founders. I want to scale it. Fund II, great. Fund III, great. I don't know the size and scope but we have a lot of ideas.