Investors,

Here's what's going on at Cofounders including information on our newest investments, status of current investments, press on our portfolio companies and a heads up on our next capital call.

**Next Capital Call > NOW!**

With two new investment this month our fund checkbook is about empty.  We have a very full pipeline of excellent companies so, as anticipated, a call for capital will be going out this month and be due by the end of September.  This will be our first and only capital call this year.  I plan to call **20%** or your total investment commitment.   You will receive an official capital call notice from our accounting firm with the specific amount due from you within the next few days.

**New Investments:   [ParkMyCloud](http://www.parkmycloud.com/?utm_expid=106927225-14.g0R18NtnRBGLvhDfSrUvIw.0" \t "_blank)**

We are finalizing documents for a $350K investment in ParkMyCloud.  The company provides sophisticated tools for managing virtual cloud-based servers.   The virtual server market is one of, if not the fastest growing market segment today.  This deal is a little unusual in that the $2M valuation is higher than we typically pay, but the company's technology, capital in, team, and revenue all validated this as a good price.  Although we met the company in the Triangle several months ago at a pitch competition, it is actually headquartered in Washington DC.  Tim and I spent time with them in DC as part of our due diligence and interviewed dozens of customers and industry insiders.  We are leading this $1M round with other investors.   Let me know if you have IT contacts at companies with 40 or more AWS virtual servers that might be interested in a demo.

**New Investments:   [TesserHealth](http://discover.tesserhealth.com/" \t "_blank)**

We are also finalizing documents this month for a $300K investment in Tesser Health.   I have been looking for a company like this for well over a year.   Tesser has technologies to help large, self-insured employers analyze their employee benefits claims and find opportunities for savings . They focus on employer's pharmaceutical spends, and offer solutions such as switching to a generic medication or changing pharmacies.   Unlike the other companies we analyzed in this space, Tesser's technology is much more comprehensive and actionable. It automatically engages the employee by offering cash rewards for making the suggested change.  These savings can be very significant for employers who realize an almost instant ROI.   The team is lead by Dr. Ali Khoshnevis, raised in Greenboro, NC.    We are migrating the company away from direct sales to a broker sales channel model.   Let us know if you have contacts doing benefits management who might be interested in learning more about this offering.

**Events**

I have attached a deck here about Cofounders Lab that I delivered at a Chamber event a few weeks ago.  It is full on interesting facts and pictures about he work we do here at Cofounders.    We continue to speak at about one event or school per week promoting Cofounders and increasing our deal flow.  Sometime we get free shirts!

**In the Press this Month**

I'm certain that some of our portfolio companies will inevitably fail but it will not be from a lack of good press. 

[Forbes Magazine- Factivate Spreadsheets Could Improve Many Companies’ Productivity](http://www.forbes.com/sites/matthunckler/2016/06/16/factivates-online-spreadsheets-could-improve-many-companies-productivity/)

[N&O Fokus Labs Raises $300K](http://bit.ly/28JeWwt)

[ABC Channel 11 News on RewardStock](http://abc11.com/travel/website-turns-credit-card-points-into-travel/1393587/)

[WRAL Techwire on FokusLabs](http://wraltechwire.com/startup-fokus-labs-raises-300-000-to-commercialize-wearable-tech-/15795225/)

[News wire: Factivate Releases Their SaaS Analytics Spreadsheet Template](http://www.newswiretoday.com/news/159552/)

[VentureHacked Interviews David Gardner about Cofounders Capital](http://venturehacked.com/#/article/success-as-astartup-or-investor-advice-from-the-most-active-angel-investor-in-nc)

[N&O article EmployUS Launches New Service](http://www.newsobserver.com/news/business/article89627682.html)

[Consumer Eagle: FilterEasy Closes $4.2M Round](http://www.consumereagle.com/filtereasy-4-21-million-fundraising-thaddeus-tarkington-submitted-jul-28-d-form/57956/)

[SandHill: ParkMyCloud Reduces AWS Cloud Spend By 60%](http://sandhill.com/article/parkmycloud-spend-optimization-tool-slashes-aws-cloud-costs-by-60-percent/)

**Portfolio Update**

As I mentioned last month, with each update I will also update my opinion as to how well each of our portfolio companies is performing.     As a reminder...

*Green- doing well at or ahead of plan,*

*Yellow - near or somewhat behind plan,*

*Red -  well behind plan and in danger*

*Black - dead, write off.*

**FilterEasy > Green**

These guys are still doing well but it does not look like they will hit their lofty $10M revenue run rate goal this year.  After many interviews we hired our first professional VP of sales who will be leading our B2B sales and channel partnerships.   We are also now in promising discussions with Duke Energy.

**Canopy >  Green**

Canopy is exceeding expectations.  I am extremely please with Hunt's leadership and analytical approach.   Opportunistically, we were able to acquire the residential division of Greenscape Lawn Care for no cash and minor equity.  The company continues to expand rapidly and we are already discussing raising another round from outside investors to enable even faster growth.

**Factivate > Red**

Still red unfortunately.  The pivot to pre-built BI spreadsheet templates has happened, but sales are still very weak and cash is down to 4-5 months of runway.  Juan is giving it his all but I'm not sure if we are going to be able to cost effectively garner customers from the SMB markets.   There is still time for a punt.   We have scheduled several calls with major marketing companies like HubSpot to discuss integrating our technology as part of their down market strategies.  We shall see.

**EmployUS >  Yellow**

The company was slow to figure out this pivot and getting its product to market but the company has now migrated to a new offering of internal referral management for major HR departments.   I need to go on more sales calls with them before I can say for certain if this is the right pivot, but it feels right.  The company is low on cash but we are negotiating a very large private labeling deal with 1-Page which could more than bridge the gap.

**RewardStock >  Yellow**

I'm moving RewardStock from green to yellow.  The product is solid.  We did a lot of GUI work this month to improve user experience but the sales have just not gone viral as we hoped.   We are working on co-marketing relationships with credit monitoring companies and travel blogs to see if we can increase exposure.   

**Testive > Yellow**

I am extremely disappointed in Testive so moving them to yellow.   The company has achieved about a 2.5X growth rate this year but it spent nearly $1M in the process.  Expenses were way to high and the company unexpectedly ran short of cash.   Some of this was not Tom's fault.  The SAT was delayed several month right after Tom scaled the company up significantly in staff preparing for this launch.   He also had to walk away from the Kaplan licensing deal which, although I support his decision, took several hundred thousand off our revenue.   Some major house cleaning was in order so the board fired the CFO and the CMO and moved Tom from CEO to a product manager position.  Along with the other investors, we are going to have to put some money in to help the company through this transition.  I don't like doing this, but I'm certain that the company's fundamentals are solid.  It cost us around $250 to acquire a customer and an additional $300 to deliver our service.  On a $1,300 average sale that's a great gross margin. Also, for every three sales made we get one more customer via word of mouth without any marketing cost.  There is no reason (other than poor management) that this company should not be fueling its own growth through profits.   I think we can get this one back on track.      

**Savii Care > Green**

The Savii team is working out of the lab and even with the typical Summer sales slump they are functioning close to plan.  One big concern is new customer adoption.   They are closing sales but their solution is not getting fully deployed within accounts, which tells me something is wrong with our implementation process.   I'm confident that we can fix this so I'm keeping Savii at green for now.

**Fokus Labs > Green**

I'm been thrilled with the early success we have had with Fokus Labs.   We sold over 50 units of our ADHD devices last week.  We are also looking at having some components made in China to significantly reduce costs.   Most significant, we have a very good shot at getting a $1.25M SBIR grant.   I was also able to get a commitment from the Kenan Institute for a matching $200K grant, all of which is non-dilutive funding.

**How you can help**

If you have contacts with any major apartment building property/leasing mangers I'd like to speak with them to gauge their interest in a new venture we are vetting.   Several of you have participated in focus groups over the last few weeks which we really appreciate.   See my comments under the Tesser and ParkMyCloud deals for other ways you can help.

**Closing**

Unfortunately there are no add-on opportunities with the two deals we are closing this month.  Please get your capital calls in as soon as possible once you receive your notice and amount.  We've never had so many good companies at the vetting stage.   Feel free to call anytime should you have questions or like to review any of our due diligence.