

Newsletter Q1 2021

Investors, Entrepreneurs *and everyone whose trash bins have been out more than I have this past year:*

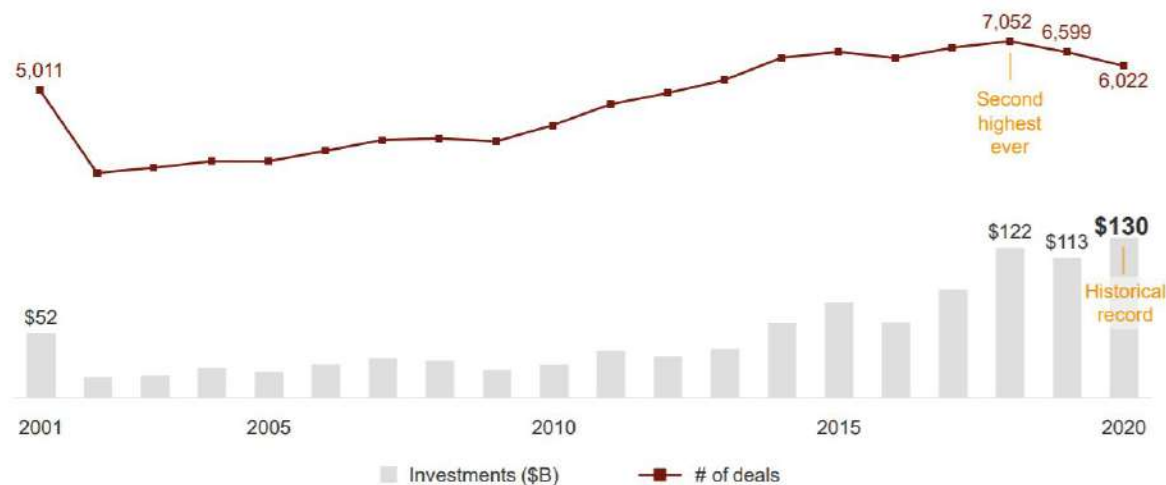
As much as I've enjoyed getting to know everyone's pets, I have to say that I'm seriously ready for this pandemic to be over.

The numbers for 2020 are in and it is now safe to say that *it could have been a lot worse* and 2021 is off to a good start at least in the venture world.

Silicon Valley Bank's Q1 2021 State of the Markets Report sheds light on the resilience of the innovation ecosystem in the face of a difficult year.



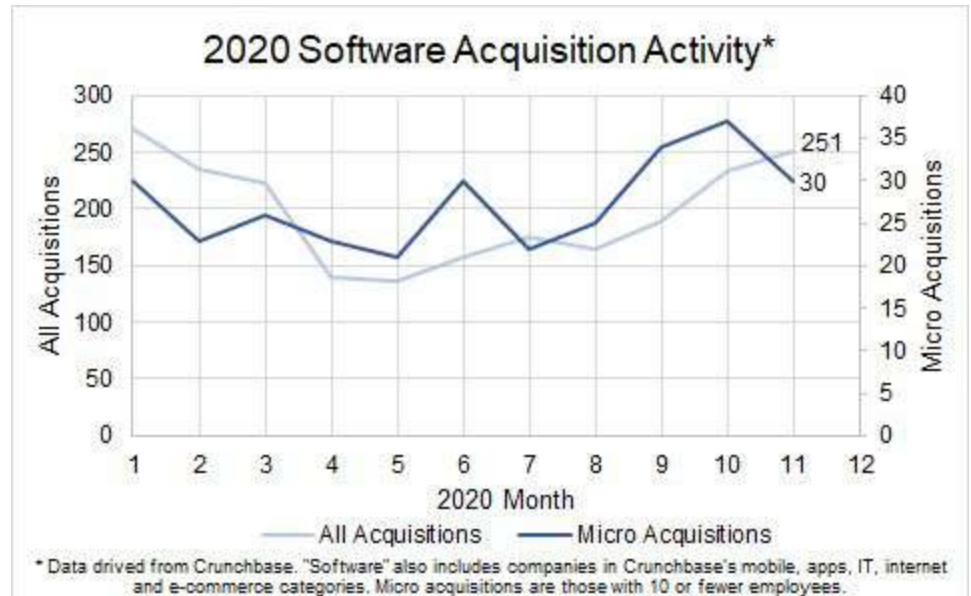
2020 funding hits new record despite the pandemic US deals and dollars – Annual



Sources cited in a WRALtechwire article last month, [What a year for NC startups](#) point out that although California still dominates tech investing, its percentage of the venture money raised dropped to less than 20% of the US pie in 2020. That decrease is flowing to fast-growing newer innovation hubs like Austin, Nashville and the Triangle.

Noted NC economist, Ted Abernathy, reported last month to the Charlotte Business Journal that while the rest of the country is still predominantly struggling, the tech sector is once again surging in North Carolina.

Cruchbase reports that micro tech acquisitions (those less than \$100M) have basically returned to pre-pandemic levels.



When the number of down rounds across the US rose to 13.6% in the second quarter of 2020, many felt that venture company valuations would be depressed for some time to come but such has not been the case. Pitchbook's [US VC Valuations Report](#) examines the return of founder-friendly terms and normal valuation multiples.

But before we get all celebratory over NC dodging some bullets in 2020 we should all pause for a moment of silence for the [365 startups that did not make it through the year](#). Each one represented someone's hopes and dreams and probably a good chunk of their life savings.

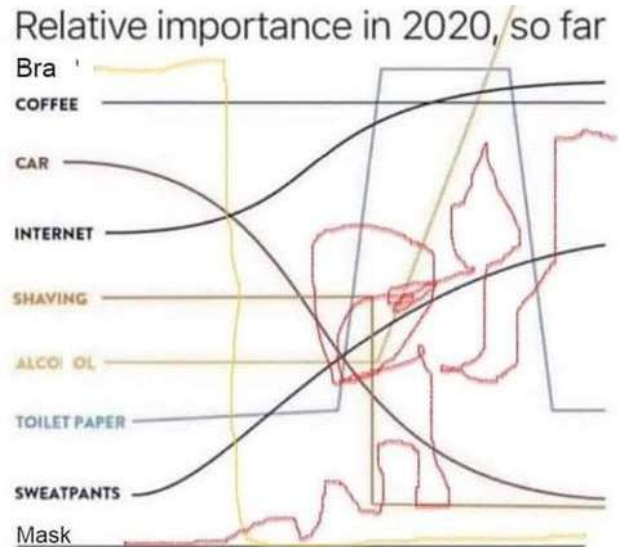
Nonetheless, even after counting its losses, according to a recent [Burgisse Report](#), the early stage venture capital (seed round) tech sector outperformed the S&P by 34.7% as well as all other market sectors with a 53.6% showing.



This graph has nothing to do with NC startups other than the fact that I think most of us entrepreneurs and investors can totally relate to it.

Our New Investments

We have made two new investments since my Q4 newsletter and several follow on investments in portfolio companies.



Late last year, we invested \$1.2M in [Pattern Health](#), a company that literally accelerates digital health innovation. This Triangle startup provides a comprehensive platform for its customers, such as universities and teaching hospitals, to commercialize their research into usable software applications. The research they are enabling can solve some of our nation's most challenging health issues. Pattern Health enables their partners to create and deploy condition-specific digital health programs quickly and economically, translating those programs into real world, highly scalable solutions that can be used to improve the health and lives of more people. *When they showed up with axes, we were not about to turn them down and quickly assigned our board seat to Tobi Walter!*





Our first 2021 investment and largest single investment to date went to Cary-based [marGo](#). Cofounders put \$1.3M into this CRM and marketing platform. Although CRM is a crowded space and the company is still pre-revenue, marGo has a seasoned management team and niche technology built specifically for massive direct marketing companies like Avon, Amway and Shaklee empowering their reps to apply sophisticated yet easy-to-use sales and marketing tools. Harnessing the power of Salesforce, marGo delivers multi-channel marketing programs within seconds through a single, intuitive platform, helping direct sellers and their organizations increase productivity, drive sales, boost replenishment and increase revenues. The company is led by HP veteran, Dean Yellets and Alex Withers. A total of \$4M was syndicated in this seed round. Tim found and championed this deal through our diligence process and now serves as our board seat director.



Current Entrepreneur Spotlight



Monica Wood is in our entrepreneur spotlight this quarter. This amazing single mother of three walked into our lab a few years ago with an idea for a technology that is now well on its way to transforming the food/brand industry as we know it. She quit her job and co-founded [Myxx](#) where she continues to lead as the company's CEO. On a small investment from Cofounders Capital's first fund, she has grown that fledgling startup from a team of two to dozens of employees and millions of dollars in revenue. Her startup is growing exponentially and positioned to disrupt the multi-billion dollar consumer foods space.

Before Myxx, Monica earned her master degree from Duke. She worked as a senior product manager and data scientist at Living Social and MaxPoint. Monica is continuously volunteering her time to mentor and inspire Triangle women entrepreneurs. She is a popular conference and startup event speaker. She serves as a volunteer TechStars Mentor and Chair for the Illuminators Nonprofit Association. She serves as a volunteer for Meals on Wheels and Habitat for Humanity of Wake County. She does a lot of one-on-one startup mentoring and still finds time to coach youth basketball for the Town of Cary. Monica was recently *nominated for the TBJ's Entrepreneur Woman of the Year*. I have enjoyed working with this first-time Cary-entrepreneur and having a front-row seat as her venture matured.

Previous Entrepreneur Spotlights: “Where are they now?”

Anil Chawla

One of my first investments as a fulltime angel investor was to Anil Chawla. I invested \$100K in his little startup and Anil was kind enough to return nearly \$3M tax-free dollars to me a few years later. The Durham-based company he founded, [Archive Social](#), has been in the news again of late for archiving Trump’s now deleted Twitter account for the Whitehouse as reported in the [TBJ](#), [WRAL](#) and the [N&O](#). After taking some time off to spend with his wife and two sons and building a beach house, Anil is busy again giving back to the startup ecosystem that helped foster his success. He is advising some of our early stage companies and recently invested in Fund I portfolio company, [MapMyCustomers](#). Anil’s wife, Varsha, is serving on the advisory board for Fund II portfolio company, [Slope](#), which provides statistical analysis tools for actuaries.



I love Anil’s story not just because he made a lot of money for his investors but also because it demonstrates how the local early stage investments we make today help to create the next generation of veteran entrepreneurs, investing in and continuing to build up our innovation ecosystem in North Carolina.

Cofounders Capital in the News

We work hard to keep our name out there as a “must stop” for all early stage entrepreneurs in North Carolina. You can read all of the past news about Cofounders Capital on the news page of our [website](#). Here are a few of the articles that included us since our last newsletter.

TBJ: [These Triangle Investors are raising millions to fuel innovation in 2021](#)



CBINSIGHTS this January once again named Cofounders Capital the most active investor in North Carolina in its research brief, [The United States of Venture Capital: Most Active VC in Each State](#)



WRALtechwire: [NC VC Review 2020 Year Blooms and Thorns](#)

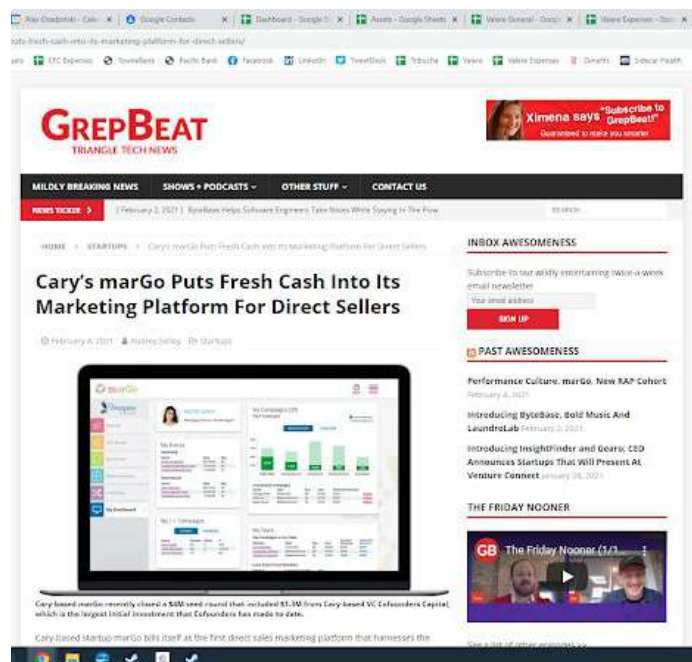
WRALtechwire: [How the Reward Stock sale to Experian Happen at just the right time](#)

GrepBeat: [Cary's marGo Puts Fresh Cash Into Marketing Platform](#) (Closes \$4M Round)

WRALtechwire: [Cary VC firm Cofounders makes biggest deal to date](#)

Our Publications this Quarter

We try to contribute regularly via articles and podcasts on topics that we feel are important to our NC entrepreneurial ecosystem. We spend all day everyday working with entrepreneurs and startup companies and feel that we have our finger on the pulse of NC innovation. You can see many of our previous publications and blog postings on our [website](#).



WRALtechwire Gardner: [Are Big Tech companies too powerful? Social Media Censorship](#)

WRALtechwire Gardner: [Pandemic Leads to Four Permanent Changes for Startups](#)

WRALtechwire Gardner: [Will Crowdfunding Replace Angel and Seed Round Capital](#)

WRALtechwire: Gardner: [What a Biden Presidency Might Mean for Entrepreneurs](#) - why VC overwhelmingly supported Biden's policies on innovation.

Our Events

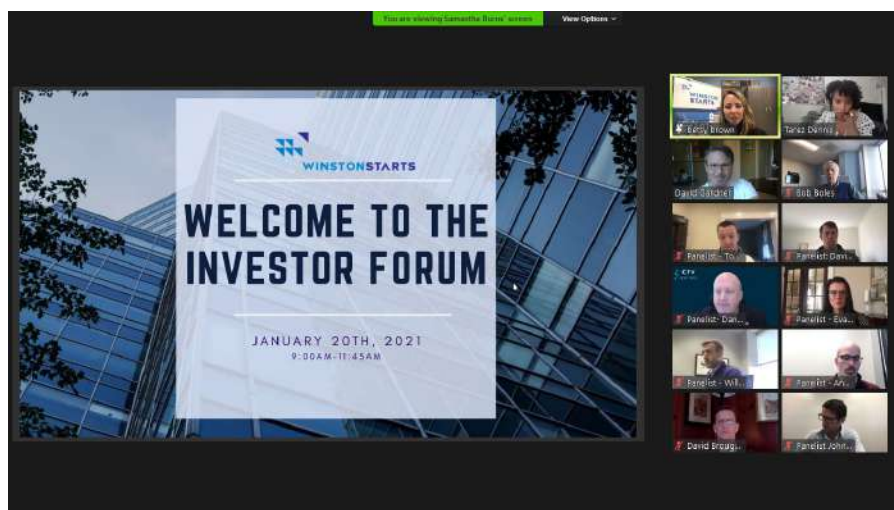
We host, attend, judge, moderate or speak at several events each month. Our goals are to promote entrepreneurship and innovation, encourage local investing and to ensure that we see every startup company in NC that might be a fit for our fund and expertise. Since quarantine, our events have been limited to those that could be done virtually.

The Diversity Movement Webinar Tim will be speaking at this event on Feb 18th on how this movement is changing venture capital. You can register [here](#).

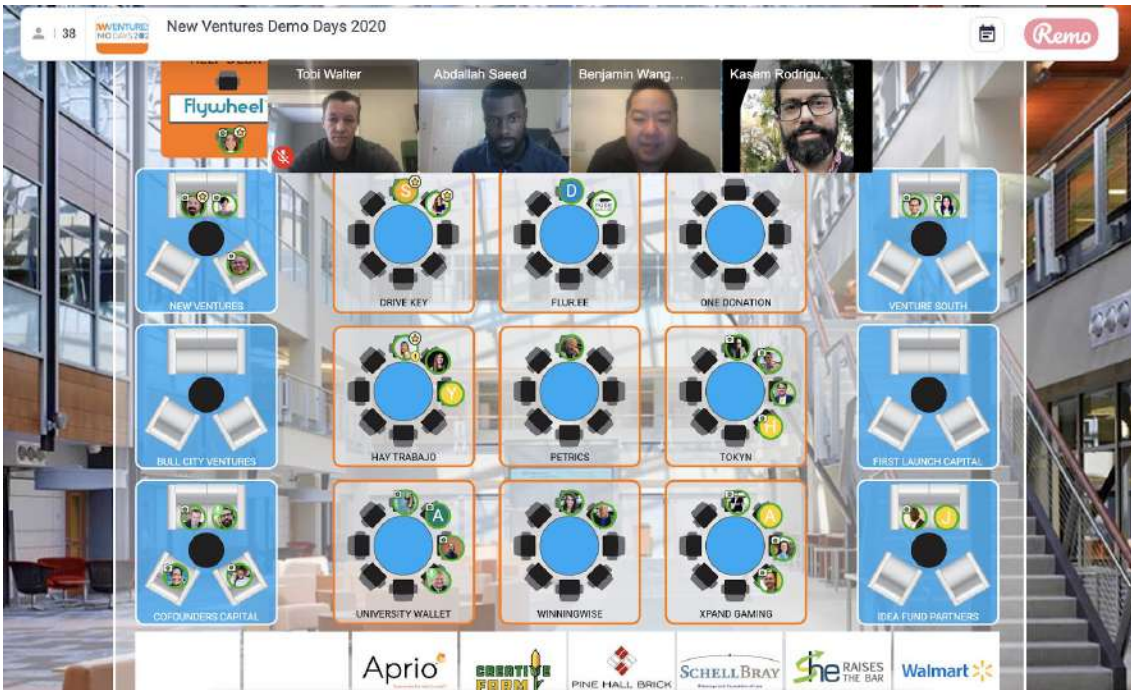
The Tony Shap Show: [David Gardner on Cofounders Capital](#). You can watch the full interview [here](#).



[Winston Starts Investor Forum](#) Tobi was a panelist last month for this forum



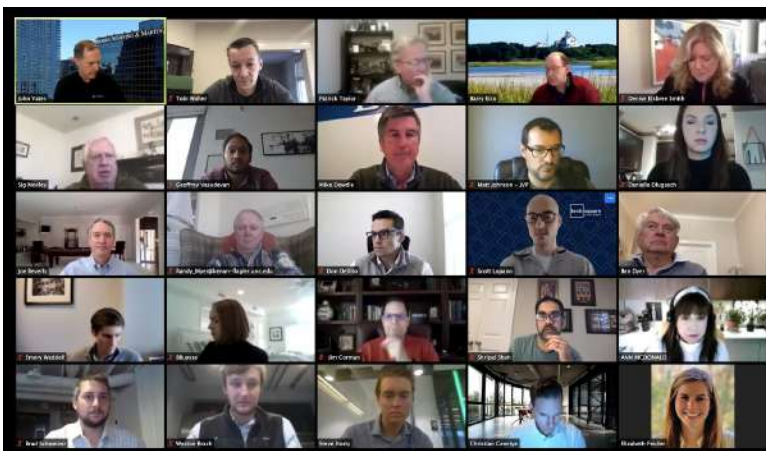
[New Ventures Demo Day](#) Tobi hosted a virtual table at this event which showcased over 200 startups...*Yes this is what our conferences have been reduced to.*



We attended the [Venture135 conference](#) and our portfolio company Slope Software presented on their InsurTech panel.

We joined an Atlanta investor syndication group which brings together about 50 Southeast investors each month to discuss and exchange their Seed and Series A dealflow.

Tobi joined the [TER](#) Charlotte Advisory Board which will start a quarterly technology executive roundtable in Charlotte this year, after the example and success of TERs in other cities.



Tobi also led a term sheet workshop for Duke's Fuqua School of Business and will help the Duke VCIC teams this year in further discussing venture deal terms.

The [global TyE competition](#) ("The Young Entrepreneur") will be held in North Carolina this year. Tobi has joined the marketing committee.

Tim served as a panelist for the **Startup Summit** Funding Sources discussion.

David Joined the advisory board for **StartUp at WakeTech**.



Tim Served on the selection committee for the presenting companies for the 2021 **CED Venture Connect Summit**

We take turns attending the monthly **Triangle Angel Syndicate meetings**.

David attends the **RTP Capital** meeting and our companies often present to this group.



NC IDEA VIRTUAL ECOSYSTEM SUMMIT

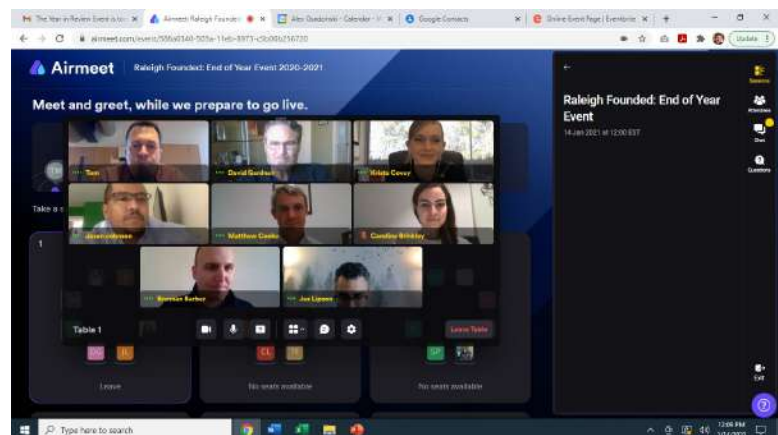
We all enjoyed the **NC IDEA Entrepreneurial Summit**.



David attended the **Raleigh Founders Event**.



David continued his **Morrisville Entrepreneurs Fireside** chats with Steve Rao.



Tim Served as a judge for the [10th Startup Runway Pitch Challenge](#)



NC Idea Mentor Madness: Tim met with and mentored thirteen companies this year.



Tobi attended the **Atlanta Syndication Meeting**.

Tim, it was certainly a pleasure talking with you today during the NC IDEA **Mentor Madness** event. Thank you for your thoughtful insight as to how we continue to grow and scale Substantial Media, LLC. Super grateful for the recommendations as it relates to customer acquisition and retention.



Greg Hedgepeth

Award-winning marketing & communications professional, higher ed leader, professor, speaker, social entrepreneur, and LEO.

Raleigh-Durham, North Carolina Area

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David spoke to the Duke Combined MBA Classes



OK this isn't an event, just an entrepreneur presenting to our regular Monday morning meeting, but I just love the expressions on my team's faces as they contemplate this investment opportunity. Apparently having your hand near your brain aids in good decision making.



Ways You Can Help

Recruiting

As always, the best way to help our startups right now is to send us candidates especially those with software development or sales expertise. There is a new section on our website called: [Cofounders Portfolio Companies Job Links](#). You can click on any of our portfolio companies listed there to see their open positions. Please share this link with any viable candidates you encounter.

Local Universities Entrepreneur Support Programs

Each of our major NC universities has various programs in place to support their student entrepreneurs. Alumni are encouraged to get involved through the support of your time, treasure or talents. I'm going to start highlighting one of these programs in each of our newsletters.

This quarter, I'd like to congratulate this semester's NCSU [Tom Miller Fellows](#). This is one that I support personally. Even back when I was a student, Tom Miller was championing Entrepreneurship at State so it made perfect sense for us to name this innovative program after him. Rather than being forced off campus after graduation, student-entrepreneur fellows working on a venture are enabled to keep their dorm facilities and use of school labs, cafeterias and even receive a small stipend for up to six months.



International Entrepreneurs and Micro Lending

This month is the 50th year anniversary of [Opportunity International](#). I was unable to host my annual OI dinner this year but if you are interested in supporting an extremely effective program for 3rd world economic development through entrepreneurship, this program is amazing and I'd be happy to discuss it with you. It is literally the "hand up" with dignity rather than the traditional charity "hand out" with shame.



With Appreciation

Each quarter we highlight one of our investors, advisors, vendors or ecosystem partners that we feel has really stepped up to the plate and consistently given the extra effort to help not only Cofounders but the NC funding ecosystem in general. This quarter there are just too many notable mentions to select just one so let's briefly talk about several.

Thank you! **Cofounders Fund I Sidecar LP's** who invested almost \$2M last month in a sidecar fund to support our Fund I portfolio companies. Also a thank you goes out to my partners who both personally contributed to the Sidecar fund and waved all Sidecar management fees. Like me, they want to see every penny of this Sidecar invested directly in our best Fund I companies.



Thank you! **Cofounders Winter Interns:** [Adaobi Onunkwo](#), [John Magliano](#), [Alexis Summit](#), [Ryan Wallace](#), [Ammar Hameed](#), [Parker Preyer](#)



Thank you! **David Rowe**, Cofounders LP, who has impactfully been mentoring one of our portfolio CEOs.

Thank you! **Federal Government** for the PPP loans which literally saved many early stage companies. Although our companies won't qualify for the second round PPP because they won't be able to show the required 25% reduction in revenue, that second round will save many main street entrepreneurs.

Thank you! **Portfolio Founders** who sent us such thoughtful holiday gifts. It feels great to support our entrepreneurs and to make money and it feels even better to do this while feeling your appreciation.

Closing

Speaking of great holiday gifts I can't sign off without a special thank you to our company founders and Tim who donated company shirts having them made into a one-of-a-kind Cofounders Capital portfolio quilt. I often feel covered up in my work during the day and now I can feel that same way at night!

