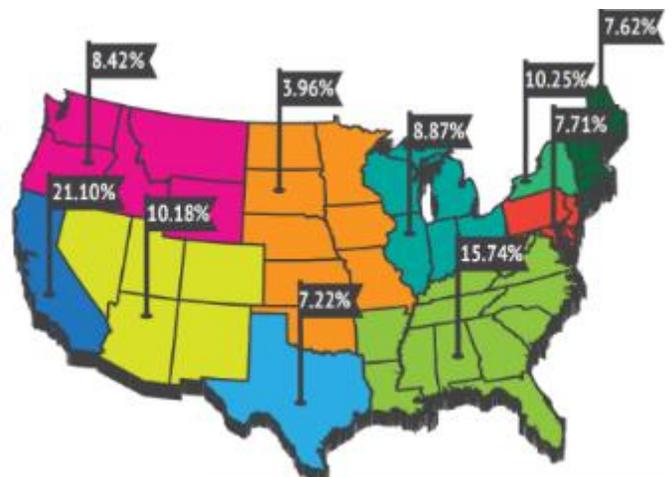


Newsletter Q3 2021

Investors, entrepreneurs and everyone agonizing over wearing a mask again:

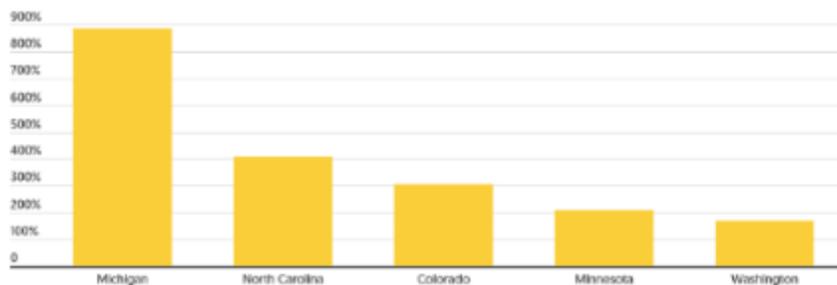
Someone once said, “technology has never moved this fast, and at the same time, will never move this slow again.” In the world of innovation and startups, the third quarter is shaping up nicely with a [reported](#) 25% of Americans saying they’d like to start a business one day. Deal flow is massive and business is booming on all fronts even with Covid variants resurging. Several [reports show](#) venture investing up by 157% year over year in the last quarter. At just halfway through 2021, there have already been over a thousand VC backed company acquisitions according to [Crunchbase](#). And...according to the [New York Times](#), the valuations on those acquisitions are higher than ever! And...NC is getting its share!

The 2021 [Halo Report](#) is out and breaking down all kinds of data about early stage investing over the previous year and guess what? Next to California, with 21% of seed and pre-seed deals, the Southeast came in a not-so-distant second with nearly 16% in done deals. That’s over twice the investment deals of any other geography.



Fastest-Growing States For VC Investment

U.S. states with largest percentage growth in venture capital investment between 2016 and 2020, per Crunchbase data. Only includes states with at least \$1 billion in venture investment in 2020.



crunchbase

When it comes to the growth rate of all venture capital investments over the last four years, according to [Crunchbase](#), NC is second only to Michigan, growing at a whopping rate of 400% over that time period i.e. faster than all other 48 states including California.

Acquisitions!

We were happy to add two more profitable acquisitions of portfolio companies to our 2021 list this quarter. Fund I companies, Employus and ParkMyCloud were acquired respectively by Hireology ([Hypepotamus](#)) ([TBJ](#)) and IBM, as part of the Turbonomics merger.



Employus Founders, Ryan O'Donnell and Matt Cotter celebrate with the Cofounders Team

Immigrant Entrepreneurs

This month Cofounders Capital signed a [letter](#), put forth by the National Venture Capital Association, along with thousands of other venture capitalists and major corporations encouraging lawmakers to allow DACA immigrants to remain in and work in the USA. Innovation and entrepreneur lobbyist group, ENGINE [reports](#) that over half of unicorn (\$1B+ valuation) companies in the US have at least one immigrant founder and that 86,000 US jobs will be lost if DACA entrepreneurs are forced to close their companies and leave the US. We hear repeatedly from our CEOs that open positions remain unfilled month after month and that they can only hire those who can legally work here. The letter asks lawmakers to not stand in the way of those willing to pay a fair day's pay to those willing and eager to do a fair day's work.

Cofounders Capital Selected by US Department of Commerce Trade Missions Program

Cofounders was selected this month by the US Department of Commerce to participate in its [Trade Missions Program](#). This initiative is designed to encourage foreign corporations, family offices and individuals to invest in venture funds in the USA. The US ambassador to specific countries will be curating individuals for us to meet regarding opportunities to invest in NC ventures over the next few months. Our first meetings will be in October with investors from Mexico City.



Intelligent Giving Social Invitation



Allow us to be the host for you and a guest to enjoy a fun evening of excellent food, libations and intriguing conversation as we once again take a few minutes to ponder the differences between intelligent, efficient and impactful giving philosophies versus other good intentioned efforts that tend to promote dependencies and entitlements. Literally hundreds of people have attended this event in past years and this year is your turn to see why.

We'll start off with heavy horderves and a variety of wines, champagne and traditional (as well as some not-so-traditional) tap, casks, soured and barrel-aged craft beers. You will be socializing with thoughtful and sophisticated patrons of humanity followed by a brief talk which is usually followed by some discussion, more socializing and more sampling of your preferred beverage.

Although we will be discussing programs to help third world entrepreneurs, this is not a fundraiser and nothing is for sale. You can leave whenever you feel that your belly and heart are full. If you've attended before and want to attend again, please do, but bring a friend with you and make sure to [register using this link](#) so we can prepare for your arrival.

Date: October 7th, 2021 at 6:00pm

Location: Fortnight Brewery 1006 SW Maynard Rd, Cary, NC 27511

End of an Era

It was a bittersweet day last month as we closed our free startup accelerator in downtown Cary. This partnership with the Town of Cary has been mutually beneficial for the last six years but the Town needed its space back and we need to focus all of our time now on our portfolio companies. We still make time to meet with and help startup entrepreneurs but we will no longer provide free office space and daily mentoring as we did prior to the pandemic.

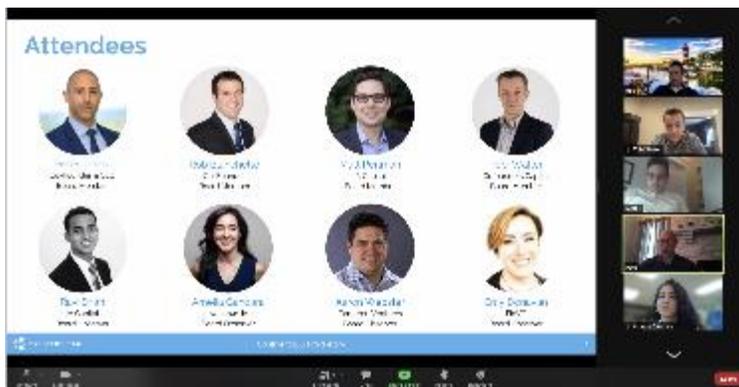


Our New Investments

Cofounders invested \$1.4M in [Certificial](#), a B2B company with an online service for stakeholders to track insurance coverage. WRAL [reported](#) on our largest investment to date. Along with Nationwide Insurance, Cofounders led a \$5.8M round as reported in the [National Insurance Journal](#).



Below left is Tobi's first Certificial board meeting and to the right is Tim and Tobi in Florida conducting diligence with the [ViewStub](#) team which is scheduled to close this month.



Entrepreneur Spotlight



After serving for five years in Afghanistan as an Army Ranger and receiving an Army Commendation Medal for “sustained acts of heroism and valorous actions in combat”, [Brandon McCarty](#) understood the importance of leadership. Returning to the states, he wanted to lead his own team of startup entrepreneurs. He earned an MBA from Pepperdine and got some sales experience under his belt before launching his own startup. His Durham-based startup offers a [product](#) to centralize sourcing, procurement and accounts payables for dental organizations. Cofounders Capital led his seed round investment of \$1.15M in April of last year. Since then, Brandon has consistently grown his company from virtually no revenue to over \$400K, and over \$2M of customer spend going through his platform every month. This month, he had a first closing of \$1.5M of a \$2.2M A round led by Venture South, Front Porch Ventures and Cofounders Capital Fund II.



CureMint is gearing up and hiring this month. Outside of work, Brandon donates his time as a board member for the non-profit [Corporate Giving Connection](#). He was profiled in [CIO Review](#). For this North Carolina startup entrepreneur, it's all about accomplishing your mission and that's why he's in our Q3 Entrepreneur Spotlight.

Previous Entrepreneurs: “Where are they now?”



To be honest, [Ryan Wallace](#), was not one of our entrepreneurs but he sure worked a lot with them as one of our interns from our last cohort. Our startup ecosystem is also about supporting actors like Ryan who just took a position with Cypress Growth Capital in Texas according to the [Dallas Business Journal](#).

Our interns do critically important work for us while gaining difficult to garner venture experience. Tim has been tracking all of our interns for the last five years and many of them now hold key positions with major investment groups and venture funds around the country. These contacts are becoming increasingly helpful to us as they help our portfolio companies raise follow-on rounds. Ryan is another

example of those who are giving back to the ecosystem that helped them get started. To be fair, Ryan is not the first intern to land a high-profile VC job.

Adithya Iyengar (2016) - The House Fund

Daniel Coley (2017) - American Cancer Society's BrightEdge Fund

Bryan Ashley (2017) - Bain Capital

Patrick Gomez-Menzies (2018) - Action Potential Capital

Tyler Sipala (2018) - Strategic Investments at BCBS

Steve Hasty (2019) - Circadian Venture Capital

Stellan De Santis (2020) - Curi (Fund Investments)

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.

Cary Mover and Shaker A big congrats to Tim who was selected as one of [Cary's Movers and Shakers](#) last month. You can read the entire article [here](#).

Business North Carolina 100 Power List - David was included again this year in the [list](#) of the 100 most influential people in North Carolina..

[Element 451 Growing Fast after \\$3M Raise](#)

Meet THE 2021
**Movers
& Shakers**
Presented by
COASTAL
CREDIT UNION
Thursday, July 22
5:30 p.m. to 7:30 p.m.
at Chatham Station

Tim
McLoughlin

partner,
Cofounders Capital



Hosted by
CARY
MAGAZINE

Our Publications and Podcasts 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 podcasts on our [website](#).

WRAL Techwire: [How the first half of 2021 has shaped up](#) - Gardner

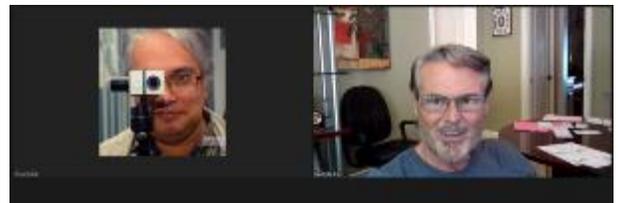
WRAL Techwire: [Are VC overpaid, yes and no](#) - Gardner

Mass Venture's [Aspiring VC Series Podcast](#) - Click here to watch Tim's interview

First Check Podcast Tim continues to host new episodes of his 5-star rated podcast, *First Check*. If you have not had a chance, check it out [here](#). Last month he did a live broadcast from Raleigh Founded, where they had a podcast marathon. His part starts at the [3hr 30 min mark](#).



[Unicorn Nest](#) podcast did a deep dive interview with David regarding what to look for when investing. Read the entire interview [here](#).



Leading Entrepreneurs of the World

Podcast: David was interviewed on this podcast.



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. We were just starting to do live events again when things shifted back to mostly virtual.

Cofounders Capital EOS Accountability Seminar. Allen Cobb conducted this insightful seminar for our portfolio CEOs. Rule 1# "Multiple people can be responsible for something getting done, but only one person can be accountable. The moment two people are accountable, nobody is accountable"



Wilmington Entrepreneur Talk Featuring Techstars Amos Schwartzfarb

Tim spent June 8th down in Wilmington attending this talk and meeting with many entrepreneurs he had met via zoom during the lockdown.

Leading Entrepreneurs of the World Conference
David was a featured speaker twice during this [June conference](#).

RAISE Forum Atlanta - Tobi served as a judge for this event.

[Nordic Innovation](#): Cofounders served once again this year as a reviewer of Nordic startup companies wanting to move their technology and innovation to the NC.



[UNC VC University Live](#) Panelist Tim joined former Cofounders entrepreneur, Jon Hayes, as part of the panel on June 14th.

NC IDEA Mentor Madness On June 29th Tim was a mentor for the new cohort of companies in the NC IDEA Labs program and met with 9 companies to give them feedback and advice.



[Diversity, Equality and Inclusion \(DEI\) Webinar](#) On May 18th one of our Fuqua MBA interns, Alexis Summit, presented her findings on the current state of DEI within Cofounders Capital and our portfolio companies. The presentation was based on surveys she performed across each portfolio company and presented to our LPs and executive teams.



Venture Summit Tim was a judge and panelist at the Venture Summit Virtual Connect for Young Startups. He participated in a panel on *“Negotiating a Winning Term Sheet”*



NC Idea Tobi served on the investor panel for this virtual event and as a mentor for the [Pax's Spring '21 Cohort](#) pitch scrub.

[Engage Investor Reception](#) , [gBeta Pensacola](#), and [Launch.co](#) were all events Tobi participated in last quarter.



Hawaiian Entrepreneurial Ecosystem: David was approached by an economic development group in Hawaii this quarter and has volunteered some time to advise them on building up their entrepreneurial ecosystem to mimic what we have in the Triangle.

[Launch IO Accelerator Pitch Day](#) David participated in and judged this event

[NCSU Garage](#): David spoke to Garage entrepreneurs at NCSU.



Ways You Can Help

I know we tend to say this a lot, but our companies have never had a more difficult time recruiting especially in the area of software development, sales and sales management. You can find all of our portfolio company's jobs listed at [Cofounders Portfolio Companies Job Links](#). Please share this link with any viable candidates you encounter.

With Appreciation

We'd like to thank our summer interns, [Shri Kolanukuduru](#) and [Raahil Madhiwala](#) who will be wrapping up their time with us this week. Our other intern, [Katrina Zrubek](#), will be staying on with us through the end of the year. Shriyansh and Raahil are from UNC and Katrina is from Highpoint University. We often receive one to two hundred resumes for our internship positions. These talented young people really are the best of the best and a critical part of our research and diligence processes.



Closing

Although Q3 is booming, a resurgence of the pandemic could seriously set us back again. If you are like me, you're feeling very frustrated this week with the avoidable but seemingly never-ending pandemic. Mainstreet businesses and startups are particularly affected by shutdowns and isolation. Let's all take care of each other and do our part to end this pandemic as quickly as possible. Just like a startup, it takes a team effort.