



Cofounders Capital Fund II · June 2022

Voiced by Tobi Walter

Fund II Investors,

It is hard to believe that we are almost at the halfway point of 2022. The beginning of the year was busy on a number of fronts - making our last new investment out of Fund II, financing a number of startups with their first follow on rounds; and in other Cofounders News having now raised $\frac{2}{3}$ of our Fund III and having had two significant exits from Fund I in May that returned more than half of our first fund. As we are looking into the second half of this year, we will continue helping our Fund II companies on their growth trajectories, raise a few follow on rounds and truly determine the “winners” in our Fund II portfolio.

This information is for Fund II investors only so please keep this update confidential and do not forward it to others.

About Cofounders (new section)

Based on some recommendations from a few of our investors, we have decided to include this section at the beginning of each investor update as a refresher on who we are and the high level details of the fund.

Cofounders Capital Fund II is a \$31m fund, founded in 2018. The fund invested in 15 seed-stage companies, primarily B2B software in North Carolina. The fund made its last new investment in March of 2021. To date, 2 companies have been acquired, and the other 13 more remain actively managed.

Cofounders Capital is currently investing out of Fund III, which has currently raised ~\$35M to date, and is targeting a \$50M Fund. The Fund will focus on B2B software companies, primarily in North Carolina, at the seed stage.

Next Capital Call

We currently have \$1.5m in our bank account which we will start using for follow on investments in upcoming financing rounds for 4-5 of our companies. Based on the timing of the next raises, we may issue the next capital in either Q4 this year or Q1 of next year. As a reminder: about 20% of your commitment (slightly reduced by the proceeds from WAAM and Contractor Quotes) is still outstanding and we will most likely call this in two smaller capital calls of ~10% each.

Portfolio Update

If you need a refresher here is a link to our website with [Company Descriptions](#)

Green - doing well, at or near plan

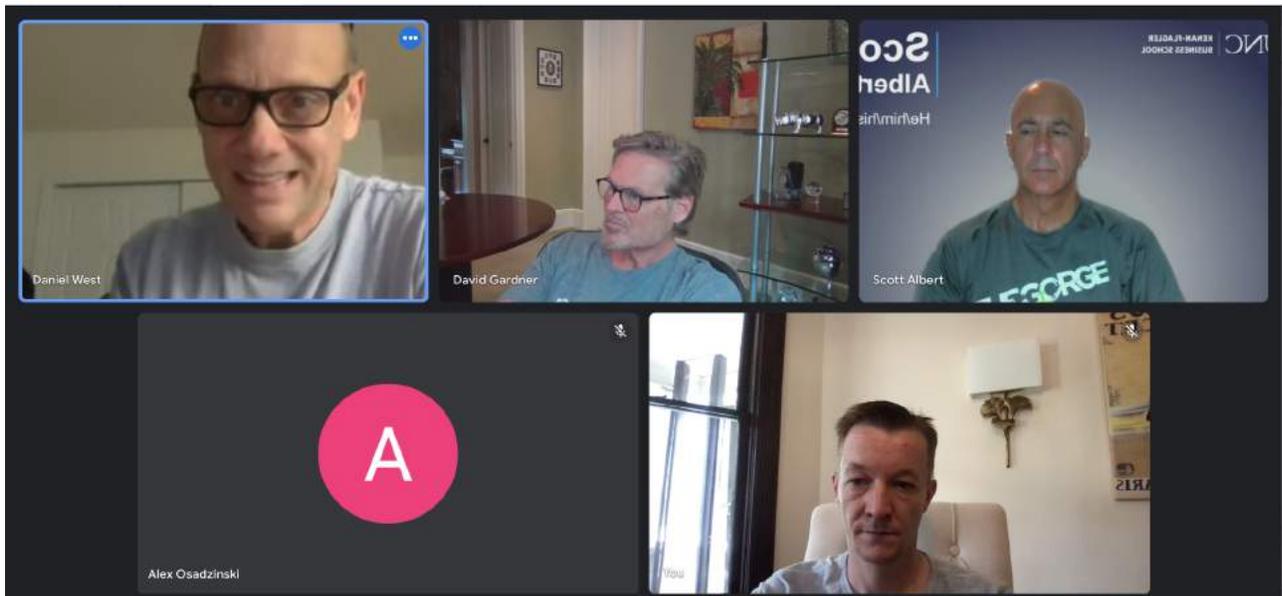
Yellow - somewhat behind plan or other trouble

Red - well behind plan and in danger of failing

Black - shut down or sold

CARENEXIS > **Yellow Yellow**

Carenexis' newest product is hitting a stride in the market - helping brands perform better in their digital marketing, by automated deep keyword research based on medical codes and products, and identifying content for organic marketing. Daniel West and team are proving out the scalability of this with brands on the one hand and retailers on the other - improving internal ecommerce sites - while looking into strategic partnerships with some of his potential biggest customers.



CEO, Daniel West, updating us on his developments and plan



> **Yellow Yellow**

RelayOne is still showing great user metrics and a good pipeline of health systems, but needs to urgently close the next customers for cash runway. The most imminent and likely is the Prime Healthcare: Cam and his team just finished up their pilot on 5/31 and are awaiting the June 10th decision - Prime would immediately be a \$200k customer and

could expand to \$550k, pushing their runway to next year. Tim is working closely with the team on these priority items and options for cash runway; until this point we need to leave the company in its “yellow” state.

WRAL: [Coordinating Surgical Care: Durham Firm RelayOne Unveils Updates to Platform](#)

REDOX^ | RelayOne

Tech smart and business savvy

OPEN CONVERSATION

How a digital health product overcame provider status quo

Thursday
May 12
1:00 pm ET

with Sarah Bottjen
Director, Redox

Reserve your seat

Cam Sexton
CEO, RelayOne



> Green Green

EasyVote’s breach is under control with little impact to the company or its financials. The team and Scott Albert are working through product strategy discussions (which additional products / modules to build) while continuing to close both cities/counties and pursuing further state deals. The company is now at \$1.7m ARR and performing well.

EasyVote is looking to hire a CTO in Q3 (so if you have CTO / VP Engineering contacts, we could use them - both for EasyVote as well as a [VP Engineering for Certificial](#)).



> Green Green

Tim went to Asheville to meet with the rest of the Board in May, and was impressed with the Company’s traction, healthy cash runway, and the revenue-driving product roadmap. April 2022 was the company’s largest cash collection month to date at nearly \$90K. The most exciting news was the opportunity to move into the “mitigation banking” space, and the valuable data that Ecobot is currently collecting from its customer base. In summary, everytime a construction project is performed the developers have to offset the environmental impact of the construction through “mitigation banking”, which could be in the form of preserving other natural areas. The “offsets” need to be transacted in the same geographical regions that the construction is being performed, and there are thousands of these zones across the US. Effectively, Ecobot is collecting information months/years before construction projects are started, and mitigation banking brokers

would love to have access to that data in order to sell the conservation areas to developers. Based on conversations we have lined up with experts in the space, including our newest Board Member, Grant McCullagh, we may be able to significantly shift our pricing and go-to-market model to take advantage of this huge opportunity.

6 Park News: [Wetland Studies and Solutions, Inc. adopts Ecobot](#)

 AutomationIntellect > Yellow Green

We are turning Automation Intellect back to “green” after a couple of good quarters in hitting sales numbers and exceeding plan again:

Two of our largest accounts are expanding to additional plans, the sales pipeline is very full and we are confidently beating the Q2 forecast. Automation Intellect has one important hire to make that you may be able to help with: [Value Realization Leader \(Customer Success\)](#)



The Automation Intellect Team is growing!

Element is continuing to perform well and on track to hit their numbers - with over \$3.3m in ARR now. Some “elephant deals” (\$200k+) that are currently in the pipeline could even change the forecast up.

University Business: [Community colleges leaning on tech to boost recruitment efforts](#)



Ardis presenting at this year's CED VentureConnect

The sales trajectory of Slope is still a bit choppy; after a good month in April with 4 new deals (~\$100k ARR), May was slower again, however with good news on the performance of a pilot with Cavanaugh MacDonald that would be a \$300k p.a. customer and could expand to



\$800k-\$900k. Tim is now working closely with the team and our friends at Tech Square Ventures who lead Slope's last financing round on a financing plan for the end of the summer, with a chance to move to cash flow positive with that Q3 injection.



As part of the product expansion that we mentioned in our last update (expanding into payment and A/P workflows) and for additional runway of one year, CureMint is currently raising a \$2m convertible note. This product expansion will allow CureMint to capitalize on the now over \$4m of spend going through their platform every month and significantly up the revenue per office which will allow for increased customer acquisition budgets and revenue velocity. Tim is working closely with Brandon to find the right investors for this round.

TBJ: [Durham firm striving to update the dental industry launches \\$2M raise](#)



Pattern Health is closing on a fresh \$2.5m financing round! Led by the Joyce Family Office, this financing round will help the team through the next couple of years and likely to a cash-flow positive state. As events are coming back this year, the team is working on their tradeshow and conference schedule to meet more of the academic medical center decision makers in person again and foster an exchange between existing clients and prospects. [Allen Spizzo](#) from the Joyce Family Office will join me on the board of Pattern Health and we look forward to working with the team to make these next two years the best the can!

A screenshot of a Facebook post from Pattern Health. The post header shows the company name "Pattern Health" with 947 followers and a timestamp of "1mo". The main text of the post reads: "Developing and implementing novel virtual care programs doesn't have to be difficult and costly! Our configurable #digitalhealth platform offers a head start with all the necessary building blocks and security features needed. Check it out here: <https://loom.ly/-dxXeTi> #innovation #research #virtualtrials". Below the text is a promotional graphic with a dark blue background. On the left, white text says "We accelerate digital health innovation from research to real-world impact." On the right, there is an illustration of a smartphone displaying a medical interface, with various icons like a pill bottle, a stethoscope, and a cloud floating above it. At the bottom of the graphic is the Pattern Health logo. Below the graphic, the text "Our Digital Health Platform - Pattern Health" is displayed in a light blue bar.



Unfortunately, there is no good news on marGo - additional customers have been delayed and with a cash out date in the next 45 days, the team (entrepreneurs and investors) are looking for any back up plans for soft landings, early acquisitions, or additional financing. Cofounders is not planning on putting any additional money into marGo at this time. Through our experience, it is important to focus time, energy, and reserve capital on the portfolio companies where we can be impactful, and we cannot put marGo in that category.



Certificial is working on onboarding customer #2 and #3 (Paramount Pictures / Viacom and Profile Gorilla) - both \$1.5m p.a. customers at full roll out and working on the next big deal to close, which will likely be Avetta that could exceed those customers ACVs.

We just added a small funding amount to this company on a SAFE together with a venture debt line from Live Oak Bank to make sure this company is capitalized through 2023 and can swing for the fences.

As you can see below - tradeshows truly are back and Certificial is making a lot of use of those!



Yahoo Finance: [Certificial Ranks Among Highest-Scoring Businesses on Inc. Magazine's Annual List of Best Workplaces for 2022](#)

Insurance Business: [Case study: Certificial's Smart COI Network](#)



The event market unfortunately remains choppy with people switching in between in-person, hybrid, and virtual events. The ViewStub team was able to book some good event revenue in March and April but has been down a bit again in May. The good news is that customers using the ViewStub software have been very happy with their experience, and we think that we have a valuable technology that will be attractive to partners in the space.

Tim is working with the team and his other board member on fundraising, strategic partnership options for the company through the summer as the ViewStub team continues to hone in on their customer profile and repeatable sales processes.



Biospatial is performing well - the team secured additional state coverage since our investment with MN, PA, DE and is getting traction with a few health systems. David has worked with the CEO, Jon, to identify a great CRO candidate that we are currently making an offer to and hope he will come onboard shortly to put real sales muscle behind the health system market for Biospatial.

TBJ: [Triangle investors see opportunity in Durham firm's analytics platform](#)

WRAL: [Durham startup biospatial closes \\$3.4 million including funding from local investors](#)



Closing

With our Fund II portfolio now complete, the next 1-2 years will truly be about triaging those portfolio companies and identifying our winners that we should focus our time and follow on capital. The first few winners are already emerging in the portfolio and we feel very good about the Fund II portfolio we have built.

Since there are more and more articles, presentations and research circling around potential dire times ahead in the macro economic climate, we wanted to give you our first perspective (and more importantly what we make out of that): while no one has a crystal ball, it should be very clear cut that the “great times” of 2021 have come to an end where capital was very freely available and ‘cheap’. We have iterated numerous times how we bank on “demonstrable ROI” companies that tend to fare better in recession climates and companies that can then also take advantage of those climates - mostly, more available talent pool and less new competition popping up. The line from a recent Sequoia Capital presentation that we iterated to our portfolio companies says ““When capital was free, the best performing companies were capital consumptive. As capital has gotten expensive, these have become the worst performing companies.” We are making sure that our companies are well capitalized through potential tougher times in fundraising and make sure we are utilizing the capital very efficiently. Just this week we encouraged all of our CEOs to shift their strategies as a result of economic uncertainty, and plan on working with each of them individually to make sure we have a sound plan in place. More to come!