



Stanford eCorner

To Raise Money or Not, Part 2

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Video URL: <http://ecorner.stanford.edu/videos/2393/To-Raise-Money-or-Not-Part-2>

A VC firm would provide a bit more name recognition," says Jeff Seibert, founder of Increo Solutions, Inc. Just out of college, he believes it provided him and his partner Kimber Lockhart with a lot more credibility to the companies they wanted to sell their product. Tristan Harris, founder of Apture, relates how they first earned angel capital, then used the name recognition to gain their first customers, which then led to the company's series A round of funding.



Transcript

So, we ended up raising money actually before we graduated our senior year. And so, you could say it was both very early but it also wasn't really because we had been working on projects that I said for about a year before that. And so, at that point we had a very solid idea of what we wanted to do and what we were pitching to them. It was early, though, in the sense that we didn't have paying customers at that point. One of the reasons we did decide to go raise money from VC, and we actually raised money from Draper Fisher Jurvetson, who sponsors this, is that we had a lot of solid connections to VC through ETL itself and then also through the Mayfield Program. And we felt because we were actually targeting companies, we wanted to do basically enterprise innovation software. But in order to approach them and sell that, we wanted to have someone behind us, someone backing us to give us some level of credibility in the space. I don't know if this is true or not, but we felt that a VC firm would provide a bit more name recognition than would an angel. And so, that definitely helped us in one case for sure but who knows if it would have been the same, otherwise. Yeah.

In the end, was it helpful to have that name behind us? Certainly. Was it instrumental in being able to negotiate the deals for purchase with the companies we're negotiating with when we were considering being acquired? Absolutely. Was it necessarily critical for us to have gotten business customers? I can't tell you that. We raised \$500,000 of basic angel money. One thing that's interesting about who we raised from is it actually came from the father of a friend of mine from Stanford, who is an angel investor and had done a number of companies himself. He was an entrepreneur. He was a VP at SGI and was a VC of a large private equity firm. I think that speaks the credibility of the Stanford network - where his daughter thought very highly of our team. And that basically gave him what he needed to invest in the company and trust us early on and let us raise the amount of money that we raised. It took us a month.

Josh has pointed out it takes time to fund raise. When we started, it took about a month to set up all the meetings. And Bo, who is our angel investor, actually set up meetings with the president of AMD, the CEO of VMware, who actually invested in the company. Paul Moritz, the family behind the Boston Globe, the Taylor family, they invest in the money. It took a month to set up all those meetings. In one week we just like phone call after phone call after phone call. It was just nothing but phone calls for a week. And we raised our angel round on a convertible note. We can talk more about those financial instruments if you guys are interested. And then, that was enough credibility.

We felt we needed that because we really needed to be more a technology company. So, we had a lot of technology to build. We needed to hire more engineers. We needed to pay our interns. We actually brought on our founding interns under the

promise that we would pay them, having absolutely no idea if we actually would be able to do so. So, for the first three weeks we actually paid them with or loaned them money from our own bank accounts. And then, we actually happened to raise our angel money after that. And then, after the first year we accumulated the Washington Post and New York Times and Reuters as customers. And that was enough basis to raise our series A of \$3.5 million from Clearstone Venture Partners.