

## Allison Piper Kimball of Wave 27 Ventures

**Speaker1:** [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin, I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three non-profit dedicated to the education of investors and startups for fundraising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website.

**Speaker2:** [00:00:44] Hello, this is Hall Martin with Investor Connect. Today, we're here with Allison Piper Kimball, managing partner at Wave 27 Ventures. Allison, thank you for joining us.

**Speaker3:** [00:00:54] Hi, great to be here.

**Speaker2:** [00:00:56] Good, so tell us more about your background. What did you do before you started investing in early stage companies?

**Speaker3:** [00:01:03] Well, I have a little bit of a varied background, I started off as a scientist and have an undergrad and a master's degree in industrial hygiene and environmental toxicology actually spent a couple of years working as an environmental and occupational health consultant to predominantly the petrochemical oil and gas and marine transportation industry. Got to have hardhat and steel toes in my car and be called out in the middle of the night to mild to forty three on the Mississippi, where a benzene tanker had run aground and there needed to be a lightning operation. So I would go monitor the employees and make sure they weren't being exposed to the benzene that they were taking it off the ship. And I ended up in New Orleans with the company I was working for. I opened an office for them. They're partnered with our sister engineering firm. And that was an amazing experience. And really within that company, my first opportunity to kind of go and be sort of entrepreneurial, starting up the industrial hygiene business there. I ended up going back to business school while I was in New Orleans, and as I graduated from that program, started looking around and seeing all of the developments that had happened in retail electricity, specifically in Texas. The new

deregulation law had been passed, so companies were trying to figure out how they were going to compete in electricity.

The incumbent providers are trying to figure out how they were going to deal with having to try to retain their customers and compete. And then, of course, new startups were starting. So I switched gears and ended up going into the electricity industry after earning my MBA and worked in that industry for almost 20 years, very rapidly growing, expanding industry. I mean, it was new, brand new. And so over the course of those 18, 19 years, I had the opportunity to participate at very senior levels in all sorts of capital structured companies. So pure startups where I would be given investor money and asked to go build a retail electric provider. In other cases, I went in and I would be taking over and like a vice president position or a chief operating officer position for a company that was already in existence that needed to go to the next step. So it just was a great experience in terms of really learning a lot about different types of businesses while I was within that space. And I ended up participating in two exits, so I was the chief operating officer for a company called Star Power that was sold to Constellation Energy. And I stayed on for about a year and a half, and I was involved with the transition of our company within that much larger company.

And then I left and became the chief operating officer for a company called Spark Energy, which we took public in twenty fourteen. So I was involved in that and that IPO and did the road show to investors across the country. And that was my first taste of being part of that sort of a process. So all of that to tell you, I came out of that thinking, you know, I enjoyed my time in electricity, but I really wanted to then focus on working with entrepreneurs for that entire career. The consistent theme was this working with entrepreneurs and startups and making companies happen from different stages. So I switched gears and at that point started doing research into learning about startup companies. And how could I work with entrepreneurs? And I had a couple of projects that I did working with entrepreneurs in two very different businesses and ended up at that point being introduced to the Houston Angel Network. So I joined the Houston Angel Network, and that really set me up with individuals who I could really learn from about early stage investing. So that's the background, and that's where it all all started from. So it's sort of an organic process that just led one thing to the next.

**Speaker2:** [00:04:59] Great. Well, so what excites you right now?

**Speaker3:** [00:05:02] Well, I you know, I'll tell you now that I have been involved in the early stage investing community for a few years. I still consider myself a novice. I'm still learning a lot about the different types of individuals who come in and invest. There are small angel investors, but then there are also larger groups, family offices, venture firms. Through my investing, I've actually become a limited partner with a couple of venture capital firms, in addition to doing direct angel and early stage investments. And then most recently, we actually led a series around my fund did for lack of a better term, find it just private money. But this process has just been a continuing evolution of learning. And what I would say excites me the most is where I'm seeing and learning more about the areas that are sort of in between accelerators and incubators and venture studios. So I'm actually seeing this evolution of real partnerships between very knowledgeable, experienced, focused venture teams that can then partner with founders that need their specific expertise, providing not just the funding, but actual active participation and technical assistance for certain things. So there are more companies, I think, evolving into that space, as the past 10 years has just seen an explosion in accelerators and, you know, and all these sorts of environments and tools that are available to help startup entrepreneurs. I see this as sort of the next step, and so I'm actively looking into those companies and wanting to reach out to those folks and learn more about how they're involved with the startup company.

**Speaker2:** [00:06:52] Great, so you see a lot of startups and investors with your work there at the Houston Angel Network. What's your advice for people investing in startups? What do you tell them to do before they write that first check?

**Speaker3:** [00:07:03] Oh, that's a that's a big question, obviously completely depends on the nature of the company and what their financial risk tolerances for the individual investor. Many of these investment groups, you know, angel networks and things do have special purpose vehicles that a first time investor can enter into with less capital at risk and participate in reviewing the companies together with the group. So if they are unsure about putting a large dollar amount into an investment at first or wanting to make sure their portfolio is as diversified as possible, sometimes joining into a special purpose vehicle, it's a good first step to just understand the process and see how things work and not have to put as much capital at risk. But in my experience, it's been wonderful having a very educated group of other angel investors

to be able to look at a deal with so that you've got the expertise and the ability to get questions answered from people who are more knowledgeable than you in their areas.

**Speaker2:** [00:08:04] Green thin on the other side of that table, what's your advice for people raising funding from angels? What do you tell them to do before they go out and launch that campaign?

**Speaker3:** [00:08:14] Well, that depends on their background and where they are in the race. I think something that a lot of us are seeing across sort of the ecosystem is, you know, the companies that come into the angel networks tend to be at a much further along position in their lifecycle than they were maybe five 10 years ago. And I don't know if that's just a function of there are more companies that are going through this process now or if they're more aware of funding mechanisms. But when you're first coming into the angel investing, I think there's a perception that, you know, you might see a company that that just has an idea and they're going to come in and pitch their idea and explain how it's all going to work and they're going to get funding. And what I'm actually seeing is because there are so many companies vying for, you know, in the case of Houston Angel Network, we only work the funnel down to only three companies per month gets a pitch. So it's a very competitive process to be able to get the pitch. So the companies that are furthest along tend to be more successful in making it through. So they do tend to need often to have already secured some initial investment somewhere proven out. Some sort of MVP demonstrated a little bit of tracks, and they tend to need to be further along than perhaps what they might have thought. So as part of our vetting process, for example, at the Angel Network you, we go through a process where we have individual members who will reach out to companies that have applied that them kind of work through. Where are they and help them with some feedback if they aren't necessarily far enough along to be really successful in working through that funnel and help them identify those areas that they might need to do some additional work before they would be ready or to increase their chances of success and getting through to present to the member.

**Speaker2:** [00:10:03] Right, well, you've been in the investing world for some time. How do you see the industry evolving from here for the angels?

**Speaker3:** [00:10:11] Well, I do think that the special purpose vehicles are of interest, and depending on how they're structured, those can help angels diversify depending on the total amount that they want to put into their sort of at risk portfolio. So I think that is something that we'll continue to see some resolution in. The other is this idea of moving into this sort of venture studio hybrid that I mentioned earlier. I think that the individual investor who has enough time to really vet all of these startup angel companies and make meaningful contributions to those. I mean, that's a finite group of people. It takes a considerable amount of time and due diligence to look into these companies at any level, much less at the very early stage that are perceived to be much higher risk. But when you start moving into the ability to fund groups that are focused on specific business models that can then identify companies that are coming out of very early stage thought incubators, accelerators or just have gone through trying to prove out their MVP, but they did a certain business model. When you compare them with these very targeted venture groups and if you can be part of that, then it helps to mitigate some of that risk and allow you to focus your dollars and time in areas where you think you can make a lot of impact. So that's where I have a lot of interest in that and continue to watch and see how that specific market evolves to help entrepreneurs move forward.

**Speaker2:** [00:11:47] Right. So let's talk about your investment thesis and your criteria. What exactly is your thesis and what do you look for to make an investment in a startup?

**Speaker3:** [00:11:58] I would love to develop a thesis. I think that would be a really excellent thing to do. Up to now, I would say there hasn't been a consistent rule of thumb that has been applied to the investments in my portfolio. It really has varied based on where I perceive the company. What I perceive in terms of the entrepreneur and the leadership team, the market potential, how strong I see the product market fit and just how the whole company comes together. If you look across my portfolio, I mean, I'm in about 15 different deals through Wave Twenty Seven Ventures, and there's very little in common across the portfolio. The other than the fact that I believed in that entrepreneur and think that that group has got something that is worth moving forward. So in terms of the scientific thesis, we're not quite there yet, but I do appreciate that there are people who do focus in certain sectors, have certain criteria that they look for in order to establish their portfolio. And I think that model works for those who are able to be that specific.

**Speaker2:** [00:13:10] Can you talk about one or two starts you funded and what you liked about them?

**Speaker3:** [00:13:15] Well, you know, how so it's interesting there is one that I founded that I actually found through attending a Sen Capital event, and that was floozy. I don't. Do you remember Susie? Yes. Yes, well, so, Brooke, watch the CEO of movie, I met her at your events, I ended up participating in a friends and family round with her after seeing her there. And over the years invested more really sort of helped mentor help think through the business model. Initially, I don't know if you recall, the movie was a dating app that focused on allowing individuals to meet to go volunteer as their first date. So even if it wasn't a love connection, at least you went and did something good in order to spend your time together. And over time, her model evolved, and it really has now become a platform for people to coordinate volunteering together. And she's developed a whole corporate model so companies can allow their employees to go collect a volunteer event together. And it's I mean, the user interface is beautiful. She's quite a marketing genius. The nonprofits love the platform. They're able to really showcase their events and large companies. I mean, the marketing department can just go on and everyone can select what they're going to go do this volunteer event together. So it really democratized volunteering, and it makes it super easy to coordinate and schedule together. So it's much more than a dating app now about the dating function is still available on there.

**Speaker3:** [00:14:52] You can change your profile and if you're single and looking or if you are just coordinating with your friends or coworkers. So at any rate, what we ran into with the model is that she did have a need for additional funding. And her technology really needed some augmentation. And fundamentally, what I saw in working with her was a need to be able to provide some technology expertise well through a completely unrelated vetting, looking at a totally different company. I was introduced to Golden Section Venture Capital and whether you're familiar with it with these folks, but Golden Section focuses on B2B fast companies and they have a technology consulting arm and what they will often do is partner with a company that they're investing in. They'll provide technology consulting as part of that investment, and it helps to move the company forward to specific horizon goals. It's typically the companies that are in their portfolio need to be significantly beyond where Suzy was in terms of annual

recurring revenue and that sort of thing. Well, as luck would have it, they were just contemplating moving into this space that I was talking about earlier. That's just sort of a step before their typical venture investments called Golden S. Studio. And in the studio, they actually do work with companies movie size and state of development and partner with them to do a raise that would include capital and consulting.

**Speaker3:** [00:16:28] And then the entrepreneur matches with additional outside investment funding from other investors. So, so we ended up being the initial company to be in Golden Section Studio, so that all just came about a couple months ago, and they're moving through the process. So here is the company that just was an amazing founder, a very intriguing business model needed to do a little bit of adjusting in terms of understanding some additional uses of the business really refine the MVP, but then now have this technology partner that can invest and bring them forward in the technology development. So I like to see those types of partnerships, and I'd like to learn more about other companies that might be doing those sorts of things. Also, because I see so many companies that do apply for funds like the Houston Angel Network or elsewhere that just need some targeted help in order to be able to really get to that next stage. And so if I'm able to learn more about these types of venture partners, then that many more companies that I could potentially marry up together and see them be more successful. So that is something I'm very excited about right now. And and that's one of the success stories that I want to share, I thought was very interesting, since you introduce me to some of you in the first place.

**Speaker2:** [00:17:54] It's great. So they raised funding the other day and reminded me of when they started and how much passion and energy they brought to the table. And it was really great to see you guys come in and help them go to the next level with their business. So we always appreciated that. So you see the challenges that startups face out there today. What do you think is the most common challenge you see among the startups that you talk to?

**Speaker3:** [00:18:19] Oh, I don't know if there is a specific common denominator across all of them because the companies are so varied and at different levels. I will tell you though, one thing that I have been more aware of recently is making sure that the entrepreneurs understand. What the fundraising is going to do to their ultimate ownership and make sure that they are able to retain enough ownership to make it worth their while the much smarter

investor than than I made a comment to me recently and said, you know, sometimes the model of the accelerator in terms of helping the company do this really big raise is not in the company's best interest. Sometimes they need to raise a smaller amount and just have more targeted experience and attention so that they're not deluding themselves so much and then ending up with not really being able to reap the benefits of this business that they built when all is said and done. And I do think that that is an important consideration for founders to make sure that, yes, you need you need the money you need. But how much is that and how can you structure it? And how can you partner with the right people to use your money wisely so that you don't delude yourself? That, I think, is the area that the more investors can understand that dilemma and help new entrepreneurs with trying to design how they're going to structure their business, the better the entrepreneur will ultimately be in terms of financially benefiting when their idea finally has a reward.

**Speaker2:** [00:19:56] Right. Then what do you think is the most common challenge of an angel investor like the Houston angel investor faces in today's market?

**Speaker3:** [00:20:05] Well, I think the challenge is there are so many good options, you just don't know how to pick and choose. I mean, you know, look, you've got finite capital. Put that at risk. And so trying to trying to pick and choose is challenging. The thing that I think is important for everyone to be mindful of is this idea of bias. And, you know, people talk about bias a lot these days, and I think they negatively talk about it. But I think that everyone should be very cognizant of positive bias, too, which is, you know, you can see a demo, a pitch from an from an entrepreneur in the very engaging or you relate to them or you can understand the problem, and they're very good at explaining their model and what's going on. And you think I really like that person, believe in them. I think they're going to be successful, but that's not always the best indicator of success. There's a lot that goes into a company so you can have a great showman that doesn't necessarily translate into a great manager, a great business leader and great execute. And so everybody thinks they have got to put my eyes on the entrepreneur. As long as I meet them, I can judge them and I'll know if it's a good investment.

**Speaker3:** [00:21:17] I think we overestimate our capabilities to evaluate. And so I caution investors from relying too much on their interpersonal review of the entrepreneur and instead back away from it and look at the facts. It's almost like, you know, the show, a voice where the

singers audition with the judges turned around so they can't see their faces. And then if they like their voices, they hit the button and turn around. We almost need to do a little bit more of that, I think, in investing because we really need to look at the facts and where the company is and all of these various factors that you want to review a company on and put less importance on the charisma of the entrepreneur. It's just something to keep in mind, you know, a very, a very engaging entrepreneur who can effectively fundraise. It certainly is a value to a company. But I mean, look at some of the big models that have very engaging folks. Look at their in-house look at these, these very engaging folks who people were mesmerized by and believe in. But some of the facts weren't there. So anyway, there's a very interesting book that I read recently on this sort of positive confirmation bias, and I think it's something to take note of.

**Speaker2:** [00:22:42] Great, what's the name of that book?

**Speaker3:** [00:22:45] So Malcolm Gladwell, which of course, he's written several books that are sort of the intersection of philosophy and business, but two in particular really talk about this concept. One is Blink, which talks about how you sort of make up your mind from your first glance and taking that deeper and then talking to strangers, which I believe is the more recent one. So I would recommend both of those if you're interested in that topic.

**Speaker2:** [00:23:10] Sure. And so you see a lot of different applications and sectors coming through the Houston Angel network. If you had to pick one or two that you think are really good immediate opportunities for investors to pursue, what would you call out?

**Speaker3:** [00:23:22] I'm sorry, what like a particular sector to invest in

**Speaker2:** [00:23:26] Blockchain, there's I there's consumer product goods, there's marketplaces, fintech, there's a lot of different sectors out there and you know, they go up and down every quarter. Some are hot, some are not. And then next month it switches around. I just wanted to see what you thought was hot these days.

**Speaker3:** [00:23:43] I don't have a good pulse of what somebody might say is hot. You know, I don't really tend to follow trends. I think that any time you're approached with any sort of opportunity to invest, you have to understand what that business is like. If you if you're

approached by something and someone says it's on blockchain, it's going to be the next whatever, but it's on blockchain. Make sure you understand what blockchain is. Make sure you really fundamentally understand how the business will make money and what it is. And I think let that be your guide. Clearly, there is some ability to look at things from sort of a herd perspective. And oh, if everyone's putting money into X Y Z and so you put it in and then it goes up in value and you pass out, there's that. That's not the investing I tend to do. I really tend to, even in this early stage area, focus on more value investing. I just have to believe in the model itself and that it's got a real market and it's going to provide value. And so I guess it's like Buffett style investing, right? But that's a very small early stage level that's that's more mindset, right?

**Speaker2:** [00:24:48] When the last thing is that we have here. What else should we cover that we haven't

**Speaker3:** [00:24:52] Think we've done a lot of coverage here kind of gone all around? I'll tell you, I, as I mentioned earlier, you know, some of your listeners are companies that are in this sort of early venture studio type space where they are coming up with a business model that they really think that they can add value to startups that are doing similar things and they want to invest in those. I'd love to talk to those companies and learn more about how they're doing that and what they're doing. And that anyone who's looking to try to go deeper into that, I would be interested in talking to and be happy for them to reach out.

**Speaker2:** [00:25:26] Right. Well, how best for listeners to get back in touch with you?

**Speaker3:** [00:25:31] I am easy. Email is the best thing for me, Alison at Blue Catalyst Group, that's actually my consulting company that is sort of a the vetting arm. And through that, I actually work with not just entrepreneurs, but also just career professionals who are changing careers or wanting to go from one business into a completely different business and need some help trying to figure out how to tackle that. That's what I do through my company, Blue Catalyst Group. So that's the best email address for me, and I'm sure you'll have it available on your site somewhere.

**Speaker2:** [00:26:02] Sure, we'll include those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

**Speaker3:** [00:26:08] Wonderful. Thanks so much for having me. It's been a pleasure.

**Speaker1:** [00:26:12] Investor Connect helps investors interested in startup funding in this podcast series experience. Investors share their experience and advice. You can learn more at Investor Connect. Talk all. Tim Martin is the director of Investor Connect, which is a 501c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.