

# How Ten Works

**Hall T. Martin:** [00:00:00] In this segment, we'll talk about how 10 Capital works and its fundraising program.

Happy to tell you about 10 capital.

I don't know if you know us very well or not, but we're based here in Austin, but we work around the US actually spent a lot of time in Albuquerque. I've had some companies out there that we've worked with. And then I taught a class at the Los Alamos labs this past year. [00:00:20] once a month, I'd fly out and we would go through a process of how to stand up a business with some of the technologies coming out of the labs.

So that was a lot of fun as well. But at heart, we do is run investor relations and introduction campaigns. We take your pitch deck, go out to our network and build a list of interested investors, although it's initially interested angel [00:00:40] VC family office. We have 20,000 on the list. My background is I started three angel networks in Texas back in the two thousands.

Started C10 in 2006 and the Baylor Angel Network in 2007 and Wilco in 2008. Started this company under the name Texas Entrepreneurs Network in 2009. So we've been doing it since then, 12, 13 years now. [00:01:00] And then we, um, have, uh, Just kept growing our investor network and our client base to where we're now national.

We went national back in 2017 and changed the name to 10 capital stood for the old Texas entrepreneurs network. And, but at the same time we would work with companies and investors from across the country, and they're all accredited angel, BC family [00:01:20] office. And at heart, what we're doing is running investor relations campaign.

We're finding investors, telling them about the deal, getting them interest, getting them introduced to you, and then warming them up to come in and be a part of the, Investment opportunity. All we needed to kick off is a pitch deck, but we'll look for a term sheet and a data room or diligence box later in the campaign. [00:01:40]

If you've already raised money, you probably already have all those things anyway. so also go to angel groups. If you raise money from one angel group, you can raise money from more. find a lot of people, especially from the West

Coast, East Coast, have never been to Texas angel networks, and there's six that are.

Fairly good size here that understand the value of what you're doing. And, you know, with the well, wellhead [00:02:00] monitoring that they would be interested in it from that point of view, they do look for revenue. Uh, not, not a lot of revenue, but the fact that you can sell your product and people bought it and they're happy with it, that's what they're looking for.

They just want to know that you can sell it and we're the same way. You don't have to have a lot of revenue, but. The presence shows that we're in the market and that's what we want to [00:02:20] present ourselves as, as we're able to sell our product today, even though there's more work to be done on the product for sure, we're a monthly retainer, it's three K a month for a three month commitment.

And then after that, it goes month to month. Uh, we are not a broker. There's no back end fee. We do not have a FINRA license. I looked at that early on that found I was going to lose. All my angel groups and [00:02:40] VC funds because they don't let brokers in the deal. Uh, there's, you know, their fund or their angel group bylaws don't allow no money to go out for transaction fees.

So we went the retainer model and that, that works fine for angel groups. It's just marketing is what they look at it as. And I found that the hardest part people had was just getting the introduction and getting, getting the dialogue going. And then once it was going, [00:03:00] they were able to close it themselves.

So that's, that's how we work and what we do. What questions did you have for me?

## Questions

what is the overlap between your network and Houston, Dallas, C 10, all these other Texas network, Texas Angels?

Do you have access to any that they don't have access to? Well, [00:03:20] only 3 percent of angels are in an angel group. And so at heart, I do have some people that are in C 10 on my list, but primarily I have, probably another 2, 000 in Austin that are not in CTAN. Uh, they just, I just have a much bigger network than the ANGEL groups do.

Now, ANGEL groups are worth going to because you have a group of people concentrated on it. [00:03:40] You go through the process, you get to the presentation room, you can get anywhere from three, four, 500k on the low end to one, 1.52 on the high end from an ANGEL group, a big ANGEL group like that. Same thing for CTAN.

And then there's Uh, you know, Baylor's about the same size now. They'll do 500k on a good deal. South Coast, which is in Corpus [00:04:00] Christi, there's more like they're in the 20 25 person range, so it's more like, uh, you know, 200 300 that you would get out of those guys. So for those, we're helping you go through the process.

For those that are Outside, you know, but we do have investors that are outside as well. In fact, the majority of our guys are outside of an angel group. They're, they're just [00:04:20] individual angels that write checks. There's some syndicate funds in there as well. There's micro VC funds that are in there as well.

Also, there is a group of investors in Houston that are in the energy transition space. But be candid, if you, if you have recurring revenue and you're. So if you're dealing with data and can monetize data, you would find interest from most of those groups [00:04:40] anyway, even if we're not true climate tech, or maybe we are part of the climate tech world, if you have a good story around that, that's where they're trying to go is to have a good story around transition.

[00:05:00] Yeah.

VCs, you'll find that at 500 K, uh, annual run rate, they'll, they'll get interested, but at a million, they'll start to engage to get to a million. It's going to be tough. I will say it is a pretty big gap between the angel and the VC world.

We, we talk about pre seed, seed, series A. Series [00:05:20] B. But what I witnessed out there is pre seed, seed, seed plus, seed plus, plus another 250K bridge round and then series A because the, the institutional uh, standard is going to be, uh, pretty high compared to what we we've been used to. Now, if you, you get it, that's great.

But most people come back to me for another seed plus and plus plus, because they [00:05:40] need a little bit more money to keep going. in one sense, the angels are make that easy. You know, if we're on convertible notes, they just keep writing checks. We keep signing the note and money keeps going into the business.

Nobody has to climb the valuation wall or anything like that. So, you may find that you may want to budget some C plus raises in between to. Keep the growth going because you [00:06:00] want, you want to keep that revenue traction going up, and that usually requires a little bit more money, but you don't really need a full series a round to do that just yet, and you can start to build a relationship with some of the VCs that are out there for when you hit the million dollar revenue run rate recurring, and maybe you're monetizing data that goes on top of that.

That that's [00:06:20] when VCs start to take notice, but they'll, they'll take notice of you at 500, but they're really not going to do much until you get to a million. Right. No, I agree with all that. not my first rodeo or Greg's. We've both done this a fair number of times before. And I think some of the conversations we've had with VCs and their interest is because of us personally, maybe more so than the business.

but yeah, I think you've got [00:06:40] relationships. You can leverage that for sure. And maybe get a pre seed investment from them before they do a true series. They, they like that because they can kind of check out the team and the process before they really commit big to it. If you're asking for big money on the Series A, it's just tough because they have to go call that capital from their family offices and [00:07:00] LPs.

And that's a very tough phone call today. I will say the market's going in the right direction. I do think at the end of the year, we're going to be finished with these interest rate, you know, uncertainty. It's not the fact that they won't. Keep doing that, but it's going to be much clearer about what they're going to do.

And then everybody can kind of factor that into their plans and get back to business. So I think it will be easier [00:07:20] next year for sure. But if, if I'm in your shoes, I'm probably taking the convertible note around for a second round when I finished this one, just to keep the ball rolling. Uh, cause that, that, that can be very handy, uh, to have money coming in on every month off the note until you get to the place where you can really do a full series.

so you sort of intrigued me a little bit with [00:07:40] these, um, intermediate or bridge kind of, seed plus plus, and that would be in your experience under the convertible note that had been used previously. And it would just be an extension to that note, or it would be a new note with a different cap, different interest rate.

What would that look like? You can go to your board and have them, uh, extend the current note, or you can just [00:08:00] finish the current note and start a new note. And, but typically the valuation is the same. Maybe it goes up a little bit, you know, if I had my choice and I'd be going to the market with. A 2 million raise, but I'm breaking it down into rounds, and the first round is at a very low valuation.

You're kind of past that now, because that's the hard part. And then the middle one is higher [00:08:20] valuation, and the third tranche is even higher. And that we structured that way to incentivize people to come in early. But if you already have some of the money coming in, then I would just probably stay where you are right now and just keep picking up checks.

if we're trying to raise money on a timeline, can run deadline campaigns if you break it into rounds. So each small piece, like the first 750, [00:08:40] when I get to 500, I'm going to. Start to do a deadline campaign saying we're closing in six weeks, who wants to be in and kind of move people through the queue.

That's the hardest part of this is moving people to make a decision and get on board now versus later. Now, sometimes you have a big milestone event or sell or what have you product delivery that. gives [00:09:00] people to jump forward, but most often you don't. You're just having to move them. And if you can do that with a deadline campaign that works, but you might think about when you finish this note going to the, you could do that.

You could go to them say, okay, when you finish the 5 million note, we're going to be going and doing another. 2 million raise, but it's going to be at 7 million and use that as incentive [00:09:20] to come in now, you know, as opposed to later is if you don't, otherwise people think, well, I can come in at any time and the price will always be five.

If you kind of tell them otherwise, no, it's going to be going to seven here pretty soon. Then you'll find it a lot easier to close the last 500 of this round.  
[00:09:40]

And we do have due diligence from all of those groups. So, you know, those are things that we would certainly. Probably want to promote better [00:10:00] in front of people. Well, that is one strategy. If you went to the gopher angels, what we do is go find out who their syndicate partners are. Sometimes it's geographical.

Sometimes it's by sector. We have 15 angel groups that are in the life science space that we go to and we go to the other group saying, you know, the gopher angels are in. We don't get into the details. We just say they're in and they got a diligence [00:10:20] report available. Would this be of interest to you guys?

Yes. Okay. We'll fill out the application, go through and start working our way through the process. So you can do a A networking approach to this where you're just going to more angel groups that and you use the logical affinity that might go in. It's a life science deal or it's a deal in your state or in your region and so [00:10:40] forth.

And so there, and then we have, we have the diligence report and we also have diligence reports from these other three groups as well. So it starts to show, because last thing investor wants to be is the only one in the deal. So if others in the deal, they've done work and I can get access to that. Well, now I'm going to be much more interested in coming through with it.

And then having a good [00:11:00] solid deck ready to go and so forth for the pitch and all that, going through the screening process, making sure the DLM application or Spark or, uh, Gus is up to date and correct is it can be challenging with those platforms because, you know, even three months later, it's out of date, you know, dramatically.

And so we have to go back and make sure those things are current [00:11:20] across the board. And so there's all those things.

[00:11:40] One thing we are getting into is in person events.

We used to do these at the beginning of the campaign. Now we've discovered is more effective at the end of the campaign. You have 10 guys in, you know, Minneapolis that are saying they're interested, but nobody's doing diligence and nobody's going [00:12:00] through it. We go and have a dinner in a nice restaurant in minneapolis in the private dining room with a big screen and Two two and a half three hours go through and answer every question They have and then do a close get about a 30 percent close rate on those Because we're we're usually near the end of the campaign anyway, or the round and we need to close So here it is who wants to be [00:12:20] in and a dinner really helps answer it and It solves that problem of the, uh, relationship, you know, we have to build a little bit of relationship along the way.

And sometimes if we're calling on the phone every, every week, we build it other times we're doing everything by email and we're not building it. And so

we have to get in there and they have to know who we are before we're going to. Get their money and at heart, [00:12:40] they kind of want, you know, we want to know who they are to who are these guys before we take their money.

And so the in person dinner really helps a lot. The only thing we would charge on that is food in the room, which is about 3 to 4 K and for it. 15 person dinner type thing. Nice restaurant downtown. So those are some things we can do. If you look at your list [00:13:00] of investors that are expressing interest but not closing, we do that.

The other approach is with [00:13:20] individual angels. We do what's called the due diligence walkthrough. And these are guys who say, yeah, I need to do my diligence. But at heart, they don't really know what that means. don't quite know how to do that. And so what we're going to do is send him the due diligence Box and set up a half hour call and we're going to say we're going to show you where everything is in the diligence box.

We're going to walk you through it and you open up the entity filings and [00:13:40] you can see where Delaware City, you open up the income statement. As you see, we have a growth rate of X, Y and Z and the balance sheet has no debt on it and so forth. As you're walking through, they'll ask you questions. What about this?

What about that? And you answer it right then and there. They've had these questions all along, but they just never wrote them down. They never asked you, but if you can walk them through the diligence, [00:14:00] That will surface questions. You will answer it. And by the time you get to the end, you ask, uh, so what are the questions you have?

Well, no, I think you answered everything. Well, I think, uh, at that point, uh, you've done your diligence. Uh, I'll send you the wiring instructions, the deadlines, uh, in three weeks. Uh, hope, hope you can join us. Uh, we have 250k left in the round. We have 500k of [00:14:20] interest, but you know, it's first come first served.

Whoever wants to be in can join, no problem. And you then start to close them on that. Uh, so I like doing these rounds because you get to, um, run deadline campaigns and that's really important. If you feel if I'm raising 10 million dollars, I I really can't run a deadline campaign if I only have a million in, but if I [00:14:40] break the 10 million down into three tranches, you know, two, three, and five, you know, 1.

5 into it, I'm going to be closing that round. You can then go around and, you know, effectively, you know, sign people up or not and say, now, if you don't make it, no problem. Now, it will be a higher valuation on the next round, but you don't mind paying more and uh, see if we can move people through. So Those are [00:15:00] things we can do as well with the diligence, uh, box, get it, yet figure out who those guys are when they're one off, uh, investors by themselves, they're not a big group or anything.

No, this is good stuff. Okay. And then going back to that dinner again, you guys are organizing all of that, right? As I think about that, it's really not the money that's [00:15:20] critical for me. It's more of the again, just getting getting 10 people in the room, getting 15. You know, how do you make sure they're there?

And I think that's always a challenge to say it's a great idea right up until people are bailing at the last minute, right? It's hard sometimes to just keep Keep it all together and organize. So you guys do all of that as well. [00:15:40] Yeah, we, we, we get everybody in the room. Uh, like I say, I'm finding two things that drive people in the room is a number one, most people's work is on zoom like this and eight hours of zoom really gets people interested in a in person event from time to time, once a month.

It's pretty good. And, and two, they, um, They like the nice dinner, you know, they want to get out and have a nice dinner, meet some other [00:16:00] people and do some networking so that that usually helps get people out and watch it and we're only going to do this once and then we're closing is as a part of a closing process.

It can be helpful if we're going to do this every month downtown. Well, then we kind of lose that effect because they can do it anytime. So you got to put some scarcity into it a little bit. But we have a team member that actually does that. [00:16:20] They mail out to him. We call him up and we explain what it is if they need that.

And then we Get a man, will get, uh, out of 12 people is what we mostly have been asked for, you know, because there is a cost to the food and room. Two people from the company, one person from 10 in most cases, and then you'll get one, maybe two that [00:16:40] drop out at the last minute for whatever reason.

We do try to get back in touch with them, uh, to close, but that's. You know, 10, 15 percent fallout is, is a part of it. You can't oversubscribe and get 13 in the room if you want. And that's a nice, nice room where you can get around and



talk to people. And that's one of the things you need to do is make sure you go and talk to each person [00:17:00] individually.

Uh, because later when you go back to follow up to close you, if you've talked to them, they feel like they know you, they're going to be much more likely to take your call than if they were just one in the crowd. And we were just, uh, you know, broadcasting to everybody at the same time, which is part of it, but.

Yeah, building the relationship is one of the key things we're trying to get done

what's your motivation to do a really [00:17:20] good job if you're working on a retainer?

And I'm just asking the question, just to, I'm kind of curious. Well, many of our clients come from other clients. And so if we do a good job, we'll get more clients. So follow on business is a big factor. On average, our investors after three months get about 500k worth of introductions. So we certainly can do that.

And we've been doing [00:17:40] this angel thing for a while. So I have no, no problem going out to as many angel groups as we need to, to run that program. Cause we've got a good, good solid system in place there as well. Know about half the guys you're talking about already the other half we want to know. So. That would be it.

But so I think our track record, we've been doing this for 12 years. So we're got a pretty solid team in this case. [00:18:00] And like I say, just historically people have come in and have done well with the program with it when they participate, I have people sign up and then get busy with something else. And, you know, 12 weeks comes and goes pretty quick.

And if you spend a month getting your deck ready and another month getting, uh, you know, getting out to pitch to somebody and get another month to go back and call that [00:18:20] person back. And I've had that people calling back three months later. Yeah, you can do that. But uh, after three months, you're, you're pretty much starting over now.

Who are you and what are we talking about? So if we're all timely and actively working on it, then we always get a good result. So that's about as good a guarantee as I can put on it at this point. And roughly, I mean, you've got a lot of clients, [00:18:40] I am sure. Oh, we have 21 clients and we don't take more than 25.

So we have four slots left open because there's a lot of white glove treatment on these things, as you can see. So we can only take on so many. Okay. It's pretty interesting. I wish I'd met you three years ago. So it's probably something you hear a lot of. [00:19:00] I'm sure it's like, yeah, yeah. Where were you six months ago?

Yeah. Well, hanging around.