# Transcript of How to raise funding 04

[00:00:00] Ever wondered how to forge genuine connections with angel investors and family offices, or how to ignite that spark of excitement in potential backers? In this conversation, I discuss my strategies and methods to help startups secure investments with an emphasis on building personal relationships with angel investors and family offices.

I also reveal how companies can generate a sense of urgency and excitement about [00:00:20] potential investors. Take a listen.

**Hall T. Martin:** I guess we'd love to hear a little bit more about 10 Capital and happy to sort of have Adam and myself introduce ourselves. Sure. So we, we form capital. We help startups raise money from angel VCs and family offices. We help angel groups find members. I was helping Drew for a while, help [00:00:40] find members for the New Mexico angels.

He's got over 200 people now in the group. So he, uh, he, he has enough, I think, but I'm here in Austin helping CTAN find members. And we're obviously setting up Koretsu chapters here in Texas, if you're familiar with them. There, we just got one up in Dallas and we'll be starting Austin here in January and Houston next year.

[00:01:00] So it's a lot of fun to help put angel groups together. My background is I started three angel networks. I started C10 in 2006 and the Baylor Angel Network in 2007 and the Wilco Angel Network in 2008. So I met a lot of angel groups in that process. And, uh, over time just kept building up my network that we went national in 2017.

So [00:01:20] Texas Entrepreneurs Network turned into 10 Capital. Jake, Texas is about 10, 15 percent of what we do, not a hundred percent. So we work across the country and that's why we're going to Albuquerque and other places is to help start us find funding and so forth. So that's, that's a little bit about us.

We're, we're basically a retainer model. You know, if you'll need help finding more investors, you [00:01:40] come to us and we help them go through angel groups that we know, we also go through. VC funds, if it's a fit, uh, most of our deals are angel and family office, especially in this current market climate, but there are still good deals being done by VCs as well.

And at heart, we're going out to our network saying, here's a great deal. And then through online webinars and [00:02:00] tools, we're meeting with them. Once we get enough interest. And now people are looking at the deal. We then come back and do in person meetings. We did 31 in person events a year before COVID. And then coming out of COVID, everything was online.

We were doing seven to 10 online events per month. And, but now we're getting back [00:02:20] into the in person side, but we're doing it on the back end when people are. Ready to write a check, but haven't written a check. We go out and we do a dinner meeting to bring everybody together, answer everybody's questions, and then see if we get a good close rate, usually around 30 35 percent in those cases.

So what used to be on the front end of our process is now on the back end because COVID [00:02:40] kind of turned things around because everything up front now is going to be online, you know, introductory is always online because Who's going to get on a plane to go see if it's going to work out or not. Let's go and, uh, talk to him online.

If it's going someplace, well, then we'll get on the plane to go meet with people. So that's kind of how we work today. Our fee is three K a month for a three month [00:03:00] commitment. And after that, it goes month to month. So if you need help with it, funding, finding more investors, we can always help of course.

What do you entail? I mean, I guess what, what happens after we retain you? Sure. So if, for example, you signed up today, it's three k, uh, per month, each month. And it's a three month commitment because it, it takes that much to get [00:03:20] onboarded and get a group of investors on in and then go through the process of pitching and closing them.

And then, you know, some people are raising more. And so they, they keep going. I've had people in the program over 2 years because they did their seed and their seed plus and then their a and then their a plus. And, you know, they just go from 1 race to the next. So some people do that. But [00:03:40] if you signed up today, we would have an onboarding call tomorrow.

We would then, um. Basically try to get to, we're trying to put an intro mailer, introductory mailer together email to send out to our network because we want to build an initial list of interested people. Get 50 to a hundred angel VCs and family offices clicking in on that. Sometimes it's people we want to [00:04:00] know.

Uh, other times people, we don't know who they are, but the idea is we're building that list and then inviting them to come out and hear you pitch in our online. Events, uh, just an hour ago, we finished an hour and a half AMA session. We also do a quick pitch. We also do a, uh, 10 life science syndicate event each month where we investors are, I put two [00:04:20] investors on the panel to ask questions, typically VCs.

And then I have 10, 15, uh, angel family offices in the audience. And we pull everybody at the end to see who wants to meet with you and learn more. And we share all these results on a campaign tracker as a shared Google doc that keeps track of all the investors. Who came in from the events who came from the mailer who came from [00:04:40] introductions and so forth.

And sometimes people bring me a list of investors that they, uh, are trying to close, but they, they have not, they can't get them across the finish line. This market, that's, uh, that can be quite a few. People are just very careful about what they do. And so we start looking at doing in person events. We see where they're located and start.

Figuring out [00:05:00] how do we go out there and pick them up? One thing I found is at Rand Angel Networks is that you have to build a little bit of a relationship with the investor. Uh, yeah, there are some 25K checks that will just sometimes come over the transom, but for the most part, investors want to know who they're investing in and you want to know who they are.

So when people get an introduction from us, we're expecting them to call them up and follow [00:05:20] up to close them. And it's every week, every other week, you're calling up with an update, building the relationship. You know, it takes seven touches to close a sale. So it takes seven touches to close an investor.

So we do, we have to go that extra mile to do that. We also have custom events or special events where we bring a thought leader coming in, talking about what's going on in your space. We just [00:05:40] did one of those, two of those last week where we had surgeons and others who are specialists in the space talking about why this technology was working well for them and what was going on in the industry to show that this is where it's going and.

Content always has a way of bringing more investors into the room than just having a pitch. So we find those are very [00:06:00] interested. The other one that we find very effective is what I call the investor update meeting. Uh, you have, uh, currently maybe a quarterly report you're sending out to your current investors.

What we'd like to do is turn that into an online presentation and invite our prospective investors to join your current investors in the one hour zoom [00:06:20] session to have you guys go through and. Talk about what's going on. And the benefit of that is you're showcasing the team and what's currently happening.

You're giving it a short report on the business and Adam's giving you a short report on the finances and the perspective of investors get to see the team in action and get the latest and greatest information about what's going [00:06:40] on. Also, they hear questions from existing investors that can be very enlightening.

And then sometimes we ask an existing investor to talk about why they invested at the end of it. So that can be a very effective, uh, tool that we do at least once a quarter, if not more often, uh, where we can. So those are the kinds of things we do. We're helping position your deal, get out in front of new investors and more [00:07:00] investors.

If we think it's a good fit for angel groups, this one probably would be, we would go through that. Most, we get a lot of people from the West coast, East coast that really haven't been to Texas or the Midwest. And so all the angel groups here are wide open for that. And we go through and fill out the application forms and go through that group as well.

So those are some of the things we do. As we go through it, we [00:07:20] figure out who's what, what's working, and we then double down on that. We don't have to do everything, but we try to figure out what, what can we do to try to raise the funding as well. Uh, so we had to look at your deal to see how can we, uh, move more people in.

How many people do you have on your investor prospect list? You've talked to them, but they haven't closed. [00:07:40] Oh, like, I don't know, probably 500. How many of those have you talked to? Probably 500. Um, no, I mean, yeah, we have a warm list of about 650 out of which. You know, probably 150 are defunct or no longer, [00:08:00] you know, there, and there's about 500 or so, maybe 450 that we have spoken to at least, you know, one point in the journey in this journey.

Sure. Well, one issue I found is VCs are toughest to close because they just don't want to make their limited partners do capital calls. And at heart, they've got [00:08:20] a big portfolio and they're trying to keep, keep that part of float. So. Those are the hard ones to go after. The easy ones to go after are the angels.

And so that's what I do is go after the angels and family offices and say, let's go out and see if we can close 25, 50 K checks. And if you're raising six, 700 K, you know, that's not that many to go through and set up some in person events to [00:08:40] go out. If at this stage from here to the end of the year, we can set up two, three events to.

Go and bring them together. We'd analyze the list to see where they are. Now, we can always go out to our network and build another list, but that takes 3 months to build that list and then do in person events or 2, 2 months. And we can do some of that in parallel because you can. We have [00:09:00] up until the 2nd, we go to December to do these things.

And what we're doing is finding where they're located, putting the geography on it, and if there's a cluster in Dallas or LA or New York or Bay Area or Austin, we go to them and say, Hey, we're going to have an in person event. We're going to be there. and what we found is that in this environment, people.

Like having in person events, they're on zoom all day like [00:09:20] I am. And at the end of the day, they like to go and meet people and they also like the nice restaurant. So those are some of the things we could do to go and try to get them in a room. And it's basically a closing process. It's a two to three hours where you go through every slide in the deck.

You answer every question in the room and you go around and meet people. And that's how we get around a 30 percent close, right? So that's what we're looking to [00:09:40] do is get out and start meeting people. If there's a smaller number of people, maybe a lunch, or maybe going to a city and having three or four coffee meetings to, to try and close what's your experience in going out in person to these guys We haven't ever really done it in person.

It's always been virtual. Um, so we closed our whole seed round without like [00:10:00] virtually, and then eventually a year later met our, actually met in person for the first time, our, our anchor investors. What year was that that you closed? We closed in February of 2021, the, the seed round. Yeah, well, during the pandemic, you know, money was flowing pretty easily.

I think we could do that in [00:10:20] today's market. I find it's harder, uh, people more careful and if that personal in person relationship can sometimes break through and get people over the hump. And you know, we can figure out from those who come who are the most likely candidates to put money into. Uh, the other thing we do is what I call the due diligence walkthrough.

[00:10:40] Uh, if you're dealing with a lot of angels in this case, how many, how many of those 600 are angels you think? Maybe about a hundred of them. Okay, well, you know, VCs have a very rigid process or for diligence and some family offices do as well, but angels rarely do. And so what you'll find is they stall out not because [00:11:00] they aren't interested, but because they have questions, but they're not sitting down taking time to write out their questions and send them to you.

Uh, so I guess another question I ask is how many of those 100 have you talked to on the phone? I mean, on zoom calls a lot. Well, just, uh, pick up the phone and call them, uh, out of the blue. Just boom. Here we are. [00:11:20] What, uh, how many, how many calls have you made? None. Okay. I've never, I've always felt like it's really weird, like rude to just sort of pick up a phone without scheduling and first and call and call somebody, but perhaps that's my journalism training.

Well, in our program, we, we, we email, we want to reach out to him every week, every other week. And so we send him an email. And if we [00:11:40] hear back and they schedule a call, that's great. If they don't, we're picking up the phone and we're calling them and short five minute calls. Hey, just want to give you a quick update about Anthem.

They just signed a contract for 200 seats and it's worth 800 million to us, whatever those numbers are. And then, um, by the way, we're still closing. Are you interested in the round? And you, you know, this is less than three minute call. [00:12:00] The guy says, yeah, I'm thinking about it. Uh, okay. Now you're on the list or he's telling you, no, I'm going to, I'm not going to be able to participate on this round.

Okay. Now he's off the list. And the value of a phone call like that is you get to get feedback and now you know what to do with them and what the next step is. And we have a process we call the funding funnel where we're taking everybody through and we're calling them and we're [00:12:20] getting their number.

They're interested in how much 50, okay. I'm in for 50 K and then we. Next step is we're going to send them the term sheet and here's what it is. Convertible note, price round, whatever. And because people have always asked what exactly would I be signing? Well, here it is. You can just see that the next step is you send them the diligence box and you set up a call and I want to walk you through [00:12:40] the diligence box and we'll show you where everything is and what you're doing is going through and you say, as you can see, we have a Delaware C corporation, as you can see, the cap table has five entities on it so far.

And we, we own 30%, something like that. And then. You walk through all the other documents, you know, making commentary, but along the way, they'll ask you questions. And when they ask you questions, [00:13:00] you answer it right there. This is what's missing from the email or the, the not replying is you're answering those questions that are holding them back.

And you're, this is. Closing basically you're going through and answering and when you get to the end of the diligence box You ask do you have any other questions? They say no Well, I guess we've done our diligence then and you send the wiring instructions and you start to move [00:13:20] them in Uh, you can get into advisory shares and incentive shares I'll give you two warrants if you sign up this month at least 50k I'll give you one more to sign up next month at least 50k and i'll give you no warrants after that So this is a short term offer only Those who want to come in, you know, come in and for people you really want, [00:13:40] you know, that's, that's worth doing, uh, for others, it's just getting them on the phone and walking them through the process.

That's, that's what we have to do at this stage. You have to get out there and really talk to people and that that's closing. And like I say, it's easy to start these calls with zoom and we do that. That's why people do it, but it can be hard to close and you're not the only one. It's, this is [00:14:00] true. It's true for everybody.

You have to get out and talk to them face to face, get them to say, yeah, I'm committed and then next thing you know, you're walking them through the process and we can help a lot with the phone calls too, if we need to. But fundamentally we just have to start calling in the dinner meetings. Makes sense what I have.

You know, 10, 15 people in the same city. Okay, let's all have dinner. And then they're looking around and other [00:14:20] people are looking to invest. And then they, they, they jump into, they, they need to know that they're not the only one other people are investing. And so we have to kind of show who those others are as well.

what's important is the repetition. You know, it takes seven touches. So we have to get those touches in. To give the information they can only absorb so much at a time, answer the [00:14:40] questions, show other people in the deal and convince them that this is, this is where it's happening and so forth.

Uh, another technique we use is there's 750 left in the round, but you take the 500 and you add up. What the interest and committed is. That's, it's gonna be quite a bit here. And so if everybody's an angel and it's everybody's 25k, [00:15:00] okay, 600 times 25 is a big number, but we only have 750 left. And you start saying you're running a deadline, you know, by the, by the end of, um, November, we, we're going to be closing this.

Give yourself two weeks in December to do the wrap up. Who wants to be in six weeks is a good timeframe for it. And then you [00:15:20] say, uh, we have 750 left, but I got 4. 5 million of interest coming in on the deal. Who wants to be a part of it? And that, that starts to signal that other investors are swimming around this thing and looking at it and so forth.

And people start to say, well, I better be in on it, but they have to have access to all the documents. They have to have the term sheet and they have to have the diligence room and [00:15:40] that they've kind of looked through it and so forth. So these are the steps we have to take in closing is to put something like that in there.

We have actually another 300 soft circled already with our insiders from this so it's not a full 700k or 600 whatever it's it's more like it's even easier than you say i've got 300 in i've got [00:16:00] 300 committed and then i've got uh you know 1 million in interest and then So, and then you're sending out these updates showing that as we get closer to the end, the gap is closing and we're, we're picking up checks and things are happening in there, but you have to tell that story to the investors.

They don't know how [00:16:20] much is circling. They don't know who's coming in. They don't know how much is left and they don't see this window closing. And that's when they starts to be gone on that. This is going faster. And you're looking for 25, 50 K checks from angels. That's the easy one. That's more transactional VCs are going to be tough to do.

Cause they've got their four, six, eight week, you know, they had a four week [00:16:40] process in most cases, but then they'll tell you there's three, three deals in front of you. So, you know, it's not going to happen anytime soon. So I'd pull out the angels and set a, you know, set a target for closing those guides, figure out where they are located and we can help with that if you want, you know, how to put this together, how to mail out and so forth.

Which investor [00:17:00] channels work best for both health tech startups? How can AI integration revolutionize healthcare? Now let's dive deep into the intricate process of raising funding for health tech startups.

We discuss the importance of setting smart valuation markers to create scarcity and motivate potential investors. we touch on how growth milestones relate to funding rounds and [00:17:20] discuss potential for integrating AI into healthcare models.

Check it out.

**Hall T. Martin:** it sounds like it's a healthcare play, but it's so maybe it's coordinating the physician and specialist and the patient or how exactly does that work? Yeah, so it can connect all of them. So it's our sweet spot is post orthopedic surgery. So, [00:17:40] Orthopedic practice that owns their physical therapy.

That's our ideal customer. But yes, it can take the patient right from post surgical monitoring right into physical therapy monitoring. Okay, well that sounds cool. What kind of revenue do you guys have so far? We just started, so we've only done about 10, 000 in [00:18:00] sales over the first couple months. Um, we've got some big clinics, though, that have, uh, our pilot sites, our customers, and then they're fully, they start fully enrolling in October, which is this month.

Um, so those, we got a couple, two large sites in Michigan. We've got about 18 clinics now piloting. Or doing demos or trials and [00:18:20] we got a bunch of new clinics. We're onboarding in Texas, Philly and Pittsburgh. So we're just starting to scale.

as far as, um, AI, do you have any AI as part of the technology? No, that's what we're using the, uh, we're looking to raise the money to use that for. So we've got, we've got the, the tattoo, we've got the, the algorithm and the patient portal. [00:18:40] And the next kind of phase, the next version of that is AI to automate image acquisition and to provide live feedback for the images.

Because we do a lot of, in our backend, we have to do a lot of adjustments to get the algorithm to work. Uh, so we wanna automate that with ai. And then we also wanna add, [00:19:00] automated image acquisition, which could involve video with ai. then with the last use of funds is building the clinician portal, which we don't have yet.

The clinician portal will really allow me to scale. Right. Okay. Well, the two things that get funded very well are AI and biotech. And you kind of, at heart, you're kind of in both right [00:19:20] now. You're building into AI and you're in the healthcare space. And so, and healthcare is just a perennial. It's always there.

So never going away. It's a big market. People are always buying. So it's always getting funded. And then AI is the new technology. If you're part of that world, people are seeing outsized productivity gains from it. And so in this case, it's more of a [00:19:40] roadmap slide than it is a historical thing, which is fine.

We need to do that a lot. Are you monetizing data in some way or another? We, we will not yet, but that's certainly the value of, you know, our goal is to get to an exit, right? So as we, As our data grows, our value will certainly grow as we can look and we can use that [00:20:00] data with payers and providers, mostly payers.

And then that will, you know, have a huge boost for us, right? So we'd like to see a roadmap slide on, uh, data monetization. We're going to stand up the platform now. And then in a year, we're going to monetize the data and we're currently capturing all the data and clean well structures set. So we're prepared for [00:20:20] this and we're seeing where it's going to go and what people will pay for it.

And it's just another revenue stream. It's another reason why people would invest because we're part of that world. And then typically we're adding AI on the back end of it because AI needed a lot of data here. AI can do a lot of other things for us with LLMs and those type of things [00:20:40] where we can do image recognition.

We can do many other things with it without all the data just yet. But with data, you know, people are using it for patient management and, diagnosis and prognosis and all those things. So, uh, anyway. Yeah, it sounds like you have a lot of the right elements that our investors would be interested in for sure.

Okay. [00:21:00] And so the cost, you said the cost were 3, 000 a month, three month commitment. Um, and then you would, you would, of course, you can't guarantee anything, but you would think, you know, probably take us six, seven months to raise a million bucks. Yeah. It's like I say, every, every three months you get around 500, 000 worth of introductions.

Angels are writing 50k [00:21:20] checks, high net worths, a hundred family offices, two 50 VCs, one 50 to 500. There are VCs that would be of interest once the AI is there. But in this timeframe, I don't think it's going to probably be the best place to go. It's probably going to be the first two that we go to focus on it and angel groups would be a good, good thing to go after.

Cause I think they [00:21:40] would get excited about it. Where are you based? So I'm, I'm based in Burlington, Ontario, Canada. Um, the company is a Canadian company, which is a concern, which isn't a big deal, but it's a concern for some people because of the tax, uh, implications to that. All right. Well, we have quite a few Canadian companies coming through.

I [00:22:00] don't really find angels have any heartburn over that. VCs really want to see Delaware Sea corporations, angels, some do, some don't, that type of thing. What is the legal entity? Uh, Inkwell Health. It's, uh, extra provincially incorporated. Okay. So, so, yeah, so that's why this would be more of an angel thing [00:22:20] than a VC thing for sure.

Uh, so, yeah, but like I say, we've had quite a few, uh, Canadian companies come through and with the right technology and the right traction, you know, they get funding and so forth. So this can be pretty interesting for them. Okay. Okay. Well, what's next step? I take it there's probably an agreement you, uh, typically send or...[00:22:40]

Uh, yeah, I'll send the, uh, uh, short write up of how we work and the sign up, uh, link. And then you put the first payment in, like I say, we'll next day, we'll have an onboarding call. We'll, we'll send you a more detailed proposal later today or tomorrow. Uh, if you want to read more about it and talk to your team and so forth, and so we can get you, but it's a pretty fast [00:23:00] startup.

If you had the deck and everything's ready to go, we can just use that. We look for a deck, a term sheet and a data room. The deck is the only thing we really need right up front. And if you're raising funding, you're, are you on a convertible node or a safe node of some kind? We do. We do have a safe, uh, we do, you know, the voting and non voting equity subscription [00:23:20] agreements.

Um, so that's all right. Term sheets, that's ready to go. We have a data room, it's pretty basic, uh, because you know, I don't have a CFO or anything yet, which would also what we're using the funds for. But I do have a data room too, with all the information in it. Well, one of the things we like to do is take the raise.

If you're raising 1. 5 and break it down into rounds, in [00:23:40] this case, it may be, uh, you may do three rounds or two rounds, uh, 500 K for the first round and 1, 000, 000 for the second round. And the, the first 500 K is that the 5 million valuation you have now. And for this next 1 million, it's going to be, um, uh, 7 million.

And you [00:24:00] create a little bit of scarcity for that upfront money. So people coming in and say, Oh, well, the price is going to go up and better get in now. And you can, you break it down into three rounds, 500, 500, 500. And it goes from five to seven to nine. And the value of that is it lets us run deadline campaigns.

When you get 375 out of 500, you put out the message to the [00:24:20] investor saying, Hey, there's only 125 left in this round. When it's done, we're going to the next evaluation. And of course you're making progress with the sales, the team, the product and so forth. So you can at heart, justify that a little bit.

And you're basically moving people through the process a little faster. And we like, we like to track interest and committed as [00:24:40] well as invested. Cause as we go after our network, we're going to get a lot more angels and family offices and VCs coming in.

And like I say, we put a number on them and if there's interest there, they're talking with you or they're, they're coming to meet you in the breakout room of our events online, and you know, they're interested, we, we count that and we, we roll it up and we say, okay, [00:25:00] there's. You know, 375 in there's 125 left, but the interest committed is, uh, 800 K and it's first come, first serve.

And, uh, when that money's gone, you know, we're going to go to the next round. So I guess in thought, just structuring it a little bit, you don't have to make decisions today, but think about structuring it so that we can run those deadline [00:25:20] campaigns and we can drive people a little bit more specifically into around because we're changing valuation over time.

Yeah, no, I really like that. It's really, really smart and we can even say, you know, Hey, we've raised 375 in that first 500. So you got to get in pretty quick to get that 5 million valuation. Then the next [00:25:40] 500 is at seven. The next is at nine. I really, really like that. That's really smart. Three rounds at 500 each is fine.

You do have to make sure you're hitting milestones that, you know, we're going from here to there. And this is the difference from here to there with, uh, the revenue, the pipeline, the team, uh, the product and, uh, the, the, you know, the other attractions that you [00:26:00] have there. So, but usually that's not a hard case to make.

If you're going up 2 million, it's, you don't have to have a whole lot to justify that as in the space. But we can, we can help with that as well, but it's something to think about. We can, you know, do, do some more work on that front, but that's what we do is try to generate a list of interests and then [00:26:20] close and then go, and those who don't make it in, well, they're, they're now on the next round and we're doing another campaign and, you know, showing, showing how we got all these things.

We accomplished all these things in the last two, three months.

And mostly you're all focused in medtech, biotech or do you have like, like, are you everywhere? Well, I would say half our deal flow today [00:26:40] is, uh, life science, med tech, uh, health tech and biotech. And then 40 percent is other tech, uh, fintech, enterprise software and the like. And then 10 percent is everything else, which is consumer product, good alternative energy, climate tech.

We're starting to see some more of that coming in. We had a lot of EV chargers and batteries come [00:27:00] through. Uh, so, but it's, it's. Fairly weighted toward the health tech side and probably that's just because the current economy we're in health tech is like I say a perennial it's always there so it's a little bit bigger percent than it used to be used to be like 25 percent now it's 50 percent uh when the market changes and goes back the other way we'll [00:27:20] probably see more tech come up other tech come up as well