

Transcript of Kirk Otis

Hall T. Martin: Hello, this is Hall Martin with Investor Connect. Today, we're here with Kurt Godis, president [00:00:40] of Koretsu Forum, North Texas. Koretsu Forum is a global investment community of accredited private equity angel investors, venture capitalists, and corporate institutional investors. Koretsu Forum is a worldwide network of capital resources and deal flow with 53 chapters on four continents.

Koretsu Forum members invest in high quality, diverse investment opportunities. Kirk, thank you for joining [00:01:00] us.

Kirk Otis: Of course. Thank you for having me.

Hall T. Martin: Could you share a little bit about your journey and some of your key experiences that have shaped your career?

Kirk Otis: Yeah, sure. Um, first I, I grew up in Ohio and, uh, started a Price Waterhouse and I got there and I, on, on the very beginning, [00:01:20] um, this is, I was, I guess, 21 years old, uh, Price Waterhouse had just started a new group called.

management advisory services, which combine their regular audit service with tax and a consulting practice. And so I jumped in and so from the very beginning I was [00:01:40] helping entrepreneurs Um, with their finances, with their strategies, uh, board materials, you name it, and that was, that was right from the beginning of my career.

Hall T. Martin: So what motivated you to pivot your career towards supporting early stage ventures?

Kirk Otis: Well, like I said, [00:02:00] it, it probably, probably wasn't a pivot. I, I started there. Um, but, uh, from Pricewaterhouse, I ended up, uh, going and getting my master's degree at SMU here in Dallas. And, um, During that phase, I was working for a large conglomerate downtown.

And as soon as I finished up my MBA, I [00:02:20] was asked to, uh, take over the head finance role at a joint venture they had created in Cleveland, Ohio. And, uh, so in a first, my first management role, I was effectively the CFO. Uh, of the company was, uh, was of a company that had fewer than 100, 100

[00:02:40] employees and, and just a handful of customers now as part of a large conglomerate.

So it had systems, but in terms of having a different culture, um, in management style and, you know, all the things that you kind of see in an entrepreneurial company, uh, existed in this joint venture.

Hall T. Martin: Well, as [00:03:00] someone who has navigated both startups and large corporations, What insights can you offer about the differences in approaching transactions and investments in those different environments?

Kirk Otis: Well, you know, that's very interesting. In a larger corporation, there's ongoing revenue. Uh, there's, there's cashflow that can meet the obligation. [00:03:20] Um, it tends to be more debt oriented rather than equity raises. Um, there's large asset base, uh, and in the company itself is about all the functional areas Um, covered and, you know, and it's various silos and you end up spending a lot of time with subject matter [00:03:40] experts, they're not necessarily communicating or on the same page.

So a lot of your time ends up being spent trying to get people coordinated, um, thinking about things appropriately. Uh, worried about what the big issues are and not some sort of detail that doesn't matter. Um, in a, in a venture, in a [00:04:00] entrepreneurial led company, Um, you don't have a lot of those elements.

You, you, you kind of lack a lot of the expertise and, and, uh, experience that you might have in a large company. But, uh, you've got people that are, Much more coordinated or they tend to be much more on the same page Uh and decisions [00:04:20] occur a lot faster Um, but you also from a financial perspective you don't have Large amounts of cash flow necessarily because a lot of the companies are are just trying to get their first revenue Um, and you know, the fundings tend to be more equity based Um, and things don't don't have [00:04:40] uh, A debt service component to it.

Hall T. Martin: Well as president of crests in north form north texas How do you approach supporting a wide range of entrepreneurs and ventures?

Kirk Otis: um, well, fortunately with the uh large investor [00:05:00] base at uh, At Karitsu, there's a subject matter expert in just about any topic or domain you can imagine. Um, and, uh, and so you're able to reach out and call on people, um, that really want to help, [00:05:20] that actually can help.

Um, and, uh, you know, the, the domains might be things like finance, Um, intellectual property, but you know, there's also the, the actual technical aspect of it. So it might be a particular medical technology or a cancer therapy or something like that. And, uh, [00:05:40] you know, you just try to get, uh, the right people on a team to, to look at the opportunities ultimately.

Hall T. Martin: Well, Quincy form is known for its rigorous company vetting process for investments. Can you explain this process and how it benefits both investors and entrepreneurs?

Kirk Otis: Um, sure. It's it's [00:06:00] multiple layers. Um, kind of the entry point is a web based application. A number of questions that talk about the business model and the strategy.

Um, frankly, when I tell people to submit, I suggest that they Um, keep a copy of their [00:06:20] answers and kind of polish them because they're the kind of material that, um, end up in say like a one pager for a company. Um, and so it was quite useful to think about it that way. And, uh, um, it's an opportunity for a company to make sure that it's articulating its strategy and what its value proposition is very [00:06:40] clearly.

Um, that's where it starts. Um, there's a couple of people that look at those. Inbound opportunities and they, they select 10 of those firms that they think are probably the best suited for Karitsu. And then we have a screening committee that meets once a month, um, to rank list [00:07:00] those 10, we put them in three buckets.

You know, this isn't appropriate for Kuritsu for any number of reasons. It might be the business model, it might be the stage of the company, or it might be, you know, our, our belief of how mature the company is. Um, and then, uh, there's, there's a, a bucket of companies that we [00:07:20] think is interesting, but they're just not ready to present.

And so we'll Circle back and let them know what things they need to be working on and then ask them to resubmit once they're ready. And then there's the other category says, you know, essentially, yes, we want to get them, uh, in the broader, uh, investment community, uh, with our members. And so then the next [00:07:40] layer is, uh, with the, uh, uh, members of Karitsu that have the opportunity to, uh, look at them and they get to decide whether it's interesting enough, That they might invest and would like to participate in diligence or, or if they'd be willing to participate in diligence.

And then from that, we [00:08:00] form a diligence team and, uh, spend, you know, a considerable amount of time putting together a diligence report, which as you know, Hall is one of the elements that, uh, differentiates, uh, Kiritsu as well is the depth of his diligence. And, and I, I tell, uh, prospective investors [00:08:20] all the time, you know, As you go and you talk in the community about Karitsu, you're likely to hear people say something about the diligence process and the robustness of the diligence process, which, which is quite extensive.

Hall T. Martin: So you've raised significant venture capital for startups in the past. What are some essential factors that investors look [00:08:40] for when they're considering funding opportunities and how can optimize best position themselves to attract investment?

Kirk Otis: Well, I think number one is, you know, the quality of the team.

I think, uh, and you know, you hear that a team is important in a lot of businesses and [00:09:00] I don't think it's probably. I don't think there's any segment in our economy where it's more important in the earlier stages of a company. You need to have the people with experience, breadth of experience, and, you know, you can really see that companies that don't have that [00:09:20] experience, um, struggle in some regards.

They, they also can make up for it in energy. Um, and they can certainly make up for it if they bring in, um, board members or board advisory, uh, board advisors to, to augment, uh, a team that might be less [00:09:40] mature or, um, have less experience in a particular domain. So, um, it's not that you have to have tons of experience.

It's just that makes for a better team. And if you don't have tons of experience, then you need to surround yourself with, uh, people in a broader context that do have that experience.

Hall T. Martin: Well, given your [00:10:00] involvement in international transactions, could you share a memorable experience or lesson learned from navigating the complexities of cross border deals?

Kirk Otis: Um, I I'd say, you know, I don't know if it's broadcast in the international community so much about the [00:10:20] interest of Americans to work quickly in transactions. Um, we tend to have a very legalistic view and want to move through a transaction very quickly, come to agreement and finish it off, and I'd say that the Europeans.

[00:10:40] Um, and I've done transactions in, um, Ireland and the UK, France, um, and, and Italy, oh, and Denmark, and, and they tend to be very slow and methodical, but their agreements, are a lot of times much [00:11:00] thinner, um, and, uh, lighter and, you know, speak in more business terms as opposed to legal terms. So the documentation process is lighter, but the negotiation time frame seems to be longer.

And then if you go to Asia, they use [00:11:20] American style like agreements. So they'll have a much heavier, uh, Documentation process, but more so than the Europeans, I would even say, um, they try to use time to their advantage and things just move incredibly slowly. And, you know, I don't know, I would love to kind of get a [00:11:40] perspective on, say, an Asian company doing business with another Asian country and whether, They use time as a leverage point, or if it's just something they use against Americans, but that, that to me would be the primary, uh, um, thing I'd bring to the table here.

Hall T. Martin: Yeah, that's great. Well, Kurt, could you describe the typical profile [00:12:00] of early stage company investors in Koretsu Forum, particularly those in North Texas?

Kirk Otis: Well, we have access to a number of people from a number of backgrounds and domains. There's medical, legal. Um, a lot of [00:12:20] technology folks, um, there, there's domains that we don't, haven't attracted that much, uh, um, background of, which we can certainly use, for example, in the, the medical field.

Um, and, um, I would say that most of them are, uh, [00:12:40] come from an entrepreneurial brack background, um, as opposed to a large company perspective. Um, naturally a lot of entrepreneurs came out of large companies, but, but I'd say most of them have had, um, some, some measure of success as an entrepreneur, which makes them particularly interested [00:13:00] in helping others.

Hall T. Martin: Well, in your experience, what motivates these investors to get involved in early stage investments? And what are they looking for in potential ventures? Well,

Kirk Otis: I think it's. A large part, their desire to get engaged, um, to help out entrepreneurs, uh, with their, with their [00:13:20] passion.

Hall T. Martin: Right. Well, based on your experience, what emerging trends do you see in the early stage investment landscape, especially in North Texas?

Kirk Otis: Well, I think, um, you know, from my perspective. I think the opportunity [00:13:40] is to fill a funding gap. Um, I, I think the door is wide open in terms of domains. Uh, but there, there's a number of angel networks that are in the, you know, seed capital earlier stage, um, you know, call it a hundred, a hundred thousand to 500, 000 [00:14:00] raise maybe.

Um, but beyond that, there's, there's a considerable gap between that and, uh, the, the venture community. We've kind of suffered over the last 10 years and, and seeing a number of the venture firms, um, close up shop. And so it's created this [00:14:20] gap in the capital structure of funding stage of various companies.

And so to me, that's the opportunity is to, to fill that gap from a finance perspective.

Hall T. Martin: Lastly, Kurt, what last thoughts or advice would you like to share with our private equity investors and early stage entrepreneurs listening [00:14:40] today?

Kirk Otis: Well, if you, uh, I think you'll find Kiritsu to be a little bit differently.

Positioned and other angel networks. So if you have some angel experience or, uh, have some personal experience investing, I think that you'll [00:15:00] find our deal flow to be more mature further along than what you would typically see, um, solid opportunities. Um, so that's, that's one thing. And, uh, before you decide whether it's for you or not, what you really should do is come and, uh, um, join us for a, a session or [00:15:20] two.

So, you know, understand the process and see the quality of the, um, companies and see the kinds of people that you would be potentially working with, uh, uh, to fund, uh, companies and, and, and get them, uh, The capital a need to, um, pursue their, their dream, really.

Hall T. Martin: Well, so what advice would you give [00:15:40] listeners interested in learning more about Kiritsu forum or attending a meeting?

You know, how can they get involved?

Kirk Otis: Sure. Well, they can give, send me an email at, uh, coyotes at Kiritsu forum. net or give me a call and I'll be happy to Um, or reach out to me on LinkedIn. It's Kirk Otis. Um, and the phone number is [00:16:00] 972 768 8568.

Hall T. Martin: We'll include your contact details in the show notes. I want to thank you for joining us today and hope you have your back for a follow up soon.

Kirk Otis: Great.

Hall T. Martin: Thanks. Appreciate it all. And we'll cut it there. Did you have any changes from your side, Kurt?

Kirk Otis: I don't know.

Hall T. Martin: Probably. Now I didn't hear [00:16:20] anything that was out of, out of turn or whatever. Everything was creaking door

Kirk Otis: and the, uh, car horn probably wouldn't be good.

Hall T. Martin: Yeah. Yeah. Sometimes you get some background noise in there.

I always know who, uh, if I'm interviewing somebody in New York, because they get at least two fire sirens, sirens going by during the half hour interview. [00:16:40] New York. Yeah. How do you know? Cool. So I'm going to have Fernando pull out the 32nd quote and I'll just send it to you when it's available and copy Cindy as well.

And then we'll post this, um, not this Friday, but probably next Friday, the Friday after, uh, And we can post earlier if Cindy needs it [00:17:00] faster, the interview itself and then we'll use it with the one force.

You have any questions for me?

Kirk Otis: Yeah. What did you think?

Hall T. Martin: Uh, no, I thought it was good. I thought good information. Uh, it was different from Barry and Brian, which is good. We're giving different perspectives and answers on the questions. That was good. You [00:17:20] want variety. Uh, I like it. It's kind of shortened to the point I've, I've had some people make them very, very long, you know, an hour later, we're just getting through the third question.

And then I've had people make it super short where I literally get five word answers to every question. And so we, we have up the podcast seven minutes after we start

Kirk Otis: a new record, you thought it was [00:17:40] an okay balance.

Hall T. Martin: I thought it was good. Medium. I liked it. You know, I'm, I do these espressos, which are very short to the point because in pitching, that's what we're always doing is boiling it down to the essence.

Uh, so I, I lean to the short side. These questions were a little bit long, uh, compared to what I normally put in mind. That's fine. Again, it's a, it's a [00:18:00] variety thing that helps us. But like I say, I think it's going to be good content. We can use it for other things. And some people put it, put it on their, their, their emails to, if you want to check, check me out, you know, here's, here's the interview.

Uh, most of the VCs do that.

Kirk Otis: No. Okay.

Hall T. Martin: But

Kirk Otis: I don't [00:18:20] know who, who's it was. It was talking and recording.

Hall T. Martin: Okay. I didn't really hear that through. I had the doorbell ring on my side. Then it just didn't pick it up. Okay. All right. Was there anything else you wanted to catch up with on now or no?

Kirk Otis: I can't think of anything. [00:18:40]

Hall T. Martin: I've had about five people sign up for the prefix dinner.

Uh, I sent them, Don Petty was the one that was out. He, he wasn't interested in prefix. Everybody else said they were, you know, Lawrence, Devong.

Kirk Otis: Well, that was funny because his email said, tell me if it's on or not. So I can.

Hall T. Martin: Yeah, basically, you know, [00:19:00] your dude, he, he doesn't like the deal is what, if you read the email, he does not like the deal.

Kirk Otis: Well, good. Then you don't want him there. Cause he's

Hall T. Martin: coming. You know, if you don't like the deal, you're not going to be invited. You're not going to burn

Kirk Otis: it. I got the impression. He wasn't interested in Karetsu at this time.

Hall T. Martin: Well, I asked that question as well. Are you interested in Karetsu? And he says, [00:19:20] no.

And so. Great. We can take him off. Right. And then Tim Mata, we can put in the sponsor category. So we'll be adjusting our spreadsheet a little bit with the results. Have

Kirk Otis: you talked to

Hall T. Martin: Tim yet? What's that?

Kirk Otis: Have you talked to Tim yet?

Hall T. Martin: Uh, I emailed him and he wants to do a call in about a week. He signed up on my Calendly.

Kirk Otis: Okay.

Hall T. Martin: So I haven't really [00:19:40] talked to him. You saw my

Kirk Otis: note, yeah?

Hall T. Martin: And it's for the second half of the year. And it's sponsorship.

Kirk Otis: You, you saw my note back to you? Okay.

Hall T. Martin: So, you know, it's, now I don't know if these guys know it's 12, 000.

Kirk Otis: Well, what it says is 12, it's regularly 12, 000, but on the first [00:20:00] year, um, we often discount.

Hall T. Martin: Okay. Well, we'll have to have that discussion because. I'm not sure he's thinking that number.

Kirk Otis: I tried to ask Howard what that number was and he wouldn't tell me.

Hall T. Martin: Okay. Well, when we get a serious interest, we'll, we'll dig into it and it looks like it's going to be in a few months, but we have some people [00:20:20] signing up.

So it looks interesting. So we'll see, but we are getting more shots on goal with these guys with the dinners, so I plan to keep doing more of these. Well, so we can get, you know, some traction going with, you know, just more FaceTime with them. The more they, they talk to us, the more they're going to be interested in signing up, I think.

Kirk Otis: Well, and [00:20:40] the more they talk to us, the more they realize that the next step is to sign up.

Hall T. Martin: Yeah. Yeah. If you want to be a part of the group, you have to sign up here and we need to start creating something inside the forum that people really want to get to, and right now it's just, you know, Bow Wow is a good example of that.

That gets people there because it's a good deal. [00:21:00] Plain vanilla deals, you know, nobody's signing up for that, but we had to figure that out. Like I say, if you have people who've gone through two of them so far, we can start to weigh on them. Hey, you know, love to have you, but you know, you gotta, gotta sign up at this point.

Right. And I can, the only, the only one that

Kirk Otis: fits that I think [00:21:20] is Barry Bolin.

Hall T. Martin: Yeah, I'd send Gary the message and see if he's ready.

Kirk Otis: Oh, he dropped out.

Hall T. Martin: He's not, he's not coming? You're not joining?

Kirk Otis: He's not joining. He can't. He doesn't, he's kind of between jobs and nervous.

Hall T. Martin: Okay. All right. Uh, okay.

Kirk Otis: I think that [00:21:40] ultimately, you know, he wants to hang out.

He wants to, he likes the whole idea.

Hall T. Martin: Yeah. With the cool kids. No, you can't. You gotta pay your fee.

Kirk Otis: Why? Exactly. Um, and you know, but he doesn't have, you know, you need to really think that you realize that you got 25, 000 [00:22:00] minimally that you're going to put in every year. Right. And he just can't justify that at the moment.

Okay.

Hall T. Martin: All right. Well, I was just curious about that. Well,

Kirk Otis: I had that good discussion with him yesterday. So, okay,

Hall T. Martin: good, good. Okay. Um, cool. Well, you get back to it and we'll work on this for here. Thanks so much for taking time. All right. Thank [00:22:20] you.