HTRF EP23

Hall T. Martin: [00:00:00] [00:00:20] [00:00:40] [00:01:00] [00:01:20] [00:01:40] [00:02:00] [00:02:20] [00:02:40] [00:03:00] [00:03:20] Wow, thanks for joining. Oh, I can't hear you yet.[00:03:40]

Guest: There we go. Better now?

Hall T. Martin: Yeah, I can hear you now. Yeah. Thanks for joining.

Guest: Good. Yes. Thank you for, uh, for your time. Of course, I'll, um, I'm, I'm making an imposition on yours. So thank you very much and, uh, hope you're doing well. I got your name through, uh, Mirae.

Hall T. Martin: That's right. That's [00:04:00] right. Uh, we used to work together at National Instruments and, uh, she said you're interested in talking with me.

So I said, sure. I'd be glad to talk to anybody that you recommend and, uh, looking forward to catching up with you.

Guest: Yeah, no, again, thank you very much. Really, uh, really nice to be able to, to tap into your brain for a few, uh, for a few minutes on a, on the Friday afternoon. Um, yeah, so [00:04:20] I, um, uh, I know Mireille, she now, she no longer lives in Austin.

She lives in the Caribbean. Uh, I'm sure you're aware of that. Yeah. We are fellow Dutchman or Dutch people, I guess. And, uh, so that's how our, our link link got established. I, uh, I myself have been in Austin for for much less than the two of you. I think [00:04:40] I've been here since 2017. And, um, I come from the world of I'm originally trained as an architect.

I come mainly from the world consulting world. That is what used to be called customer experience before everything went online and became UX UI and And, um, Uh, everything became digital. I'm still one of these people that, [00:05:00] um, uh, at least once upon a time tried to marry both the digital and the analog worlds in terms of experiences.

And, uh, that's, that's kind of where the, the, the, the line of work that I've come from.

Hall T. Martin: Oh, that's great. That's great. That's great. So what are you working on now?

Guest: Yeah, so well, that's that's something I'd like to discuss with you. I, um, [00:05:20] about a year ago, a little over a year ago, I ran into an old classmate of mine from college, college days.

We both went to a small liberal arts college in California. It's called Occidental College. irrelevant for the story, but, uh, we, we reconnected and we found out, um, that we both had an interest in actually, um, well, [00:05:40] first we had to take a note. Let's, let me put it that way that a lot of our contemporaries were kind of at this, um, at this apex in their, in their careers and their lives where, you know, they, they had, um, uh, had success of sorts, usually, uh, at least most of the people that we spoke to.

And then there was also this kind of nagging thing like, ah, midlife's [00:06:00] coming. And I'm, I'm, you know, is this what I'm doing, uh, both in life and professionally, is that what I want to continue doing? Or, you know, everyone sort of keeps hearing about, um, uh, uh, increased longevity and sort of, uh, some people find out that they still have three or four more decades to go.

And everyone starts scratching their heads like, okay, so. What does that mean? [00:06:20] What do I want to keep doing what I've been doing for the rest of my life? Or is there a potentially a change in, uh, in order, uh, of some sort? Um, and that might be guided by, you know, things like, uh, uh, mortality, things coming to an end in other ways, careers, jobs, layoffs, uh, what have you, still just, uh, [00:06:40] people going like, okay, I've been doing this for 30, 30 years and, uh, I'm up for something new.

So we spoke to a lot of those, those types of folks. And, uh, it led us to, um, uh, uh, starting a company it's, it's up and, uh, it's called more. [00:07:00] Um, and, um, it was originally conceived as a, uh, a community for these folks to, um, to come together to meet up and actually through interactions and thinking things through with others, um, uh, to come to new ideas for their lives or their, uh, their, their, their, their careers.

Um, the career [00:07:20] portion of that has actually, uh, really taken off. That's sort of the most tangible piece of the offering. Um, where it's, it's kind of like this, um, this book never, um, what is it? Never search alone. Uh, the crew, I don't know if you've heard of this. It's, it's basically based on sort of. If you're, if you're going to look for something new, make sure you have a cohort of people that can support you, [00:07:40] that you can talk to and exchange ideas with that sort of idea.

Um, we've done that too. And that's been, that's actually been, uh, been quite successful if you will, uh, to date. The other bits of the offering, um, principally things like trips and, and, um, and retreats where people get [00:08:00] together, whether that be on a, on a, on a yoga retreat in Costa Rica or around the corner, um, in Austin, or, um, my partner, my business partner lives in Marin County in California.

Uh, shall we say in Napa or something? Um, for a long weekend. Um, that has been a little bit slower. It's also [00:08:20] lower margin, but it's, it's definitely a very tangible part of the offering that we've, uh, that we've had. And then finding the right balance, right. Between online and offline. Um, what really engages people that's, that's just been a journey of sorts.

And, um, uh, you know, we're learning all kinds of valuable lessons there. Um, [00:08:40] My question to you, or the point I'd like to raise with you, Hal, just tapping into your experience, I know you come from a slightly different, uh, uh, slightly different perspective on things, at least professionally, I'm supposing. Um, I do know that, or at least Murray told me that you are, uh, very good in sort of, [00:09:00] uh, at least pointing people in the right direction when it comes to things like financing, uh, attracting capital, that sort of thing.

Sure. Now we have kind of a grand vision, as does everybody, I suppose, who starts a business of, um, let's make sure we, uh, uh, uh, start this, uh, this business as a C Corp, uh, that we want to attract capital of [00:09:20] sorts. We're actually finding out, we found that out rather quickly that Probably things like, um, capital, uh, capital providers like, you know, private equity or VCs.

This is not the type of play that they're necessarily interested in from for multiple reasons. We're probably going to have to attract capital with, with, um, with other types of [00:09:40] parties. And, um, um, whether those be, you know, whether it be seed capital or even just, you know, someone with, who's got deep pockets and really believes in this sort of thing, um, would be interested to, um, to sort of jump in on this.

Um, I guess what I'd like to ask you is what would be your take on, you know, running into something like [00:10:00] this from, um, from a capital provision standpoint, if you will, and where would you suggest that we, that we look?

Hall T. Martin: Uh, so I always start with the exit and work back. I figure out how does the investor get paid back, and then I go from there.

So if you had to tell me how are we gonna pay people back? Are we going to sell [00:10:20] the the business to somebody else and pay them at the end of it? Or are we going to never sell the business but they can get a piece of the revenue that would be a source of funding? If we, or we could say we really don't have enough to share the revenue with other people, then we start talking about getting money from the customer.

Prepayment or discounts or whatever, but they had to [00:10:40] pay up front to help get it up and running. So what's the exit here? How would someone get paid back?

Guest: Yeah, I think it would be, um, it's interesting. Originally, you know, especially my business partner who comes from the financial world, he's like, Oh, we're going to get VCs in here and they're going to, uh, get loads of money in.

And, uh, [00:11:00] you know, we'll see how much, how much of our shares we'll, we'll, we'll give to them. Um, I have never really approached it from that standpoint. That said, we do have one thing in common, which is. Neither one of us is in it to become a millionaire. We do this because we want to help these people. Um, uh, sometimes too much.

So I would say, um, [00:11:20] um, almost unhelpfully. So, but there's definitely the idea of, look, we just want to make a nice living off of this. And, um, other than that, uh, our aspirations are actually to, to, to serve, if you will. Now, what that means in terms of answering your question is probably to, um, Um, either get a stake or some sort of, uh, uh, share the [00:11:40] revenue.

Hall T. Martin: Okay. So, yeah, so that's, that's when, if you're going to share revenue with people, then it's a type of debt and you go out and you look for investors who want to put money in and they want to get a piece of the revenue going forward. Restaurants are like this retail like this. I mean, we're just not going to sell that restaurant to Google for 10 X [00:12:00] anytime soon.

Uh, when it comes to end of life, it just. Ceases to operate, uh, but at the same time, it's not that hard to stand up and run because it's not a mystery how restaurants operate. And for your deal, I'm not sure there's a lot of mystery there either. If you're doing, uh, selling a service or product for a fee, [00:12:20] uh, that's, that's pretty straightforward.

The thing you can also often get into is that, um, you can get into Um, having, you know, providing free services, but then you're using the result of that to get, uh, another customer to actually pay for it. And this is where we get into use of data. For example, [00:12:40] I can go run a free service and provide a free app that has information, but I'm selling the data to other people who want to sell to those people.

They'll pay me money for the data. So that, that can be interesting. Uh, I can offer a free service, but. I have this, uh, financing tool that helps them pay for the service, uh, for premium [00:13:00] services or whatever. And I get a piece of the financing that goes into it. So there's second and third order revenue streams you can get into, but assuming we don't use those, we just go straight with it.

We're going to go out and sell our service to people. And uh, I need to know a bit more about the service, but one of the things we use is what we call anchor clients. I want [00:13:20] to sell a standard service, maybe 100 per product to my customers, but I want to stand it up first. And the way I do that is I find somebody that wants a unique or custom version of what I'm doing, and they'll pay me, you know, 5, 000 if I build it for them in a custom, unique way.

So I take 5, 000 for them to build that [00:13:40] unique service. But as I build it, I'm setting it up so that I'm going to be able to create my product. I'm going to get it manufactured. I'm going to get it, uh, a software SAS stood up with all the right software. So we look for three anchor clients, each paying a triple the standard rate to have a custom version, [00:14:00] but we're using the money to go build it.

And then at the end, we have a standard product that is sold for a standard price that everyone else can buy. Don't know if that applies here or not.

Guest: Well, in a way, I think I get what you mean, and I thank you for suggesting it, uh, we are definitely thinking about, okay, what's the balance here between, shall we say, consumers and, [00:14:20] and, and corporate clients?

Um, and yes, there may be sort of a horizon 1, 2, 3 play where, uh, first you would start with direct to consumer, to whom it, Seems to, uh, appeal to some degree, although we, we are testing, okay, people really willing to pay for what we have in mind, uh, between subscription and sort of pay as you go [00:14:40] service.

But then when you migrate to the corporate end, um, that's actually where we see something like you're mentioning, uh, potentially happening where, um, uh, a larger corporate actually says, look, why, why don't you actually start, uh, uh, As you say, building a product for us that we can apply to a portion of our, of our [00:15:00] employees, for instance, you know, the 50 plus year olds who have trouble motivating, uh, or motivating themselves to come through the door on Monday morning.

Um, what can we do for those people? That's where it starts to get interesting, at least from our, in our limited point of view, I think. Um,

Hall T. Martin: Yeah. So a corporate client can pay a very nice price, but they want something [00:15:20] very specific to themselves. They weren't going to buy a standard product anyway. Okay. So we're going to take a contract out and we're going to take the project and break it down into four steps.

The first step, you need to pay me 25 percent upfront and I'll start working on it. When I get 25 percent through, you pay me for another 25 percent and I'll get halfway there and so forth and so on. So, you know, They, [00:15:40] they, they, you're hitting milestones or seeing it develop. They have confidence that they're getting there.

They didn't put too much money at risk, but as you develop it, you know, you, you will accomplish the task and now you've got the product stood up and you can then turn that into a standard product more easily. I sometimes find it takes two or three clients to get all of the pieces you need. Uh, I used [00:16:00] to work for a company where we would have partners that built systems out of our tools, and they would go get three, three anchored clients.

And at the end, they would have a complete system. Because sometimes there was some uniqueness that we couldn't reuse, and we had to fill in a standard piece later with other things. And the beauty of that is you get customer that is telling you [00:16:20] exactly what they want. Uh, they're testing what you're giving them.

So they'll tell you where it works or not, and then there'll be a great reference afterwards. So when you go to market, you've got a successful group of clients that, you know, said, this is a good thing as well. You also learn why, why can't you just go on the market and buy that? Well, it doesn't exist or what's out there is not [00:16:40] working.

And so now, you know, your competitive advantage. So all of these things come out of that process, uh, which is great because you don't have to go search out and try to figure out what's going on. They're just, they're telling you what they want. You do need to write out a statement of work and an architecture and all those things, which is good, good practice.

But, uh, still it's, uh, in some ways it's a lot easier to figure out when you do it [00:17:00] that way. I was surprised at how many SaaS platforms actually started that way. They were a digital marketing agency. A customer came to them with a problem. They couldn't find a solution on the market. So they built one and then other people were asking for the same thing.

So that, that model works a lot,

Guest: right? Yes. I guess one little, uh, uh, uh, complication in that story [00:17:20] so far. So good. I think, I think what you're saying is, is, uh, is, is spot on. Um, one.

Hall T. Martin: I think it froze there. I

Guest: think we, uh, no, what's it, what's a good way to bootstrap it versus, you know, when do you actually start thinking about [00:17:40] getting, uh, uh, money. And we by ourselves are, um, are struggling for instance, to take on employees and sort of, you know, people who, who could work for and with us, uh, uh, bar, you know, giving, giving out, um, uh, equity, which is also, you know, sweat equity is, uh, is seen differently these days than it, than it used to be.[00:18:00]

Um, and, um, So I guess other than friends and family, what would be a way to, I guess, I guess I'm, I guess we're sort of answering the question as I, as I, as I speak it out, perhaps is, um, would that building an app, something like building an app, would that be a way to actually[00:18:20]

know, willing to, Put all our, all our savings into it.

Hall T. Martin: Well, it helps to have a little bit of money from your side to go in to start with absolutely zero, you'll, you can do that, but you'll spend a lot of time just [00:18:40] trying to do very basic things like standing up a website, which really shouldn't be where your energy goes.

It should be on your intellectual property, not basic stuff that you can pay for. So that's one thing. The other is, is sometimes you can take a consultation angle to this. I once coached people who wanted to go into the HR systems business and they didn't [00:19:00] have any money. So I said, become an HR systems consultant and go around and install HR systems for companies because you know, all the packages, you know, all the language, you know, how, how it uses and so forth.

And they tell you, okay, we're going to use this package. You then go get that package and install it for them and train them on how to use it and so [00:19:20] forth. And after you do two or three of those, you become pretty good at that. And the value of that is you now learn everything about the industry, what's available, how the users are using it, what challenges, where the package succeeds, where it fails, and you just provide consulting services, you know, fee for hire to go and do whatever they need.

Sometimes these things take a lot of [00:19:40] manual effort to stand up. Sometimes they want to train five, you know, 50 people on it and they, they'll outsource it to you to go do the training. So you build some training material and you go do it. So I find some consultation type work in and around the space that you want to get in.

Don't, don't find consultation work in a space you have no idea, no, no interest in is not creating any [00:20:00] value, but I find if you approach it as a consultant, while that's not scalable, that's a great way to get basic information and basically. And then of course you build a network of people that are in that space and you know what the channels are and the partners.

And so it really lays a lot of groundwork for building a scalable business later.

Guest: [00:20:20] Yeah, I like that suggestion. That's, uh, it's basically pulling forward what we had imagined would come a bit later, but I can see why that makes sense. Also, if anything, from a just getting from generating some income point of view.

Okay. I've got one last question that perhaps that's the most, the one most on my mind [00:20:40] at the moment, um, in our collective minds. Um, we are two, um, so we're both 50 percent shareholders in, in a, um, in a C Corp. And, uh, as it happens, um, last month, My, uh, partner, uh, he's the CEO for official purposes. Not [00:21:00] that it matters that much, but, um, he, um, had a lot of health problems.

He first went to the hospital with, uh, what turned out to be about a pancreatitis two weeks later, went back to the hospital. Uh, with a heart attack. And, um, of course on the personal [00:21:20] front, that's been, you know, just first and first making sure that he's okay. And, and, and all the rest of it, um, he actually suffered a widow maker, one of those heart attacks, you know, 5%, uh, uh, uh, chance of survival, like a big one.

Um, as it happened, this was his second one, the second one in eight years time. Um, and what I [00:21:40] didn't know, he had also had problems with, uh, with his pancreas before, um, all to say hall. And this is where I'd like, maybe give us a, like a little bit more show, say personal advice, um, This partner of mine, he is now, he's, he came through fine.

He's, he's, you know, uh, he's still there and, and, and he's alive and breathing. Um, however, he is going to [00:22:00] go, or have to go on a, um, a rather intense trajectory of, um, uh, cardiac recovery, doing all kinds of exercises and what have you, seeing all kinds of specialists and blah, blah, blah. Um, his mind is off the business.

His mind is on him, of course, survival. Um, [00:22:20] what to do from here. Uh, very angry at himself, right? Having launched something he really believes in with me, but now finding himself sort of unable to put in all the sweat and the work and the effort. Um, on my end too, it's kind of like, he's kind of taken off.

He's on his [00:22:40] own planet, if you will. Um, I don't blame him for it, but that's effectively what's happened. And, um, I find myself sort of thinking, gosh, What do we do here? Um, um, uh, Yeah. Um, where should I begin? He's talking to, to other people who [00:23:00] are making it, making all kinds of suggestions to him. Like, well, if you can't do it, I'll jump in there and this and that, but that leaves me as the other sort of shareholder and the other stakeholder in this, in this, in this thing.

Uh, kind of like, all right. I know I can't just continue the business on my own. That's, that, that would be asking way too much. Um, [00:23:20] any ideas?

Hall T. Martin: Typically you, if they're not able to complete the task, you buy them out and say, okay, I'll buy your, your 50 percent of the shares. But Uh, we'll, we'll give you a piece of future revenue for the shares that you have and you have to agree upon what that's worth.

And when we get to a place we can start paying out after a [00:23:40] couple of years, we'll, we'll turn it on and you'll get money back for then. Uh, equity is, is illiquid at this point. Uh, you could go out and try to find someone that will buy him out, you know, they'll put money into the business or into his pocket to take, uh, take out his half of the shares if he wants to, but he's got to, uh, you have to find [00:24:00] someone that will come in and be a part of this.

And typically what you do in these cases is you You, you vest shares up front. When we start the business, we don't just get half the shares each. By the way, 50, 50 is really not a great, uh, number to start out. We were pointed that out. But what you do is you say, okay, we're going to [00:24:20] vest the shares. We get it over a three month period.

And we have your period. I should say, uh, actually first year is no, no vesting and thin the next three years or, uh, every month you, you best your shares. And so you get some, so if you start, you could go back and retroactively best your shares and say, if we started a year ago. Well, [00:24:40] then you, you, you haven't really earned any shares yet.

And if you're stepping out and not able to do it, well, then, you know, that those, that 50 percent of the cap table can go to someone to take your place. And this is very common with investors. They'll come in, unvest founder shares and say, well, this product is supposed to take three years. We're going to invest your shares back and we'll let you [00:25:00] invest it over every month over each.

Uh, over a three year window, and if you leave a year into it, well, then there's two years worth of equity left to go pay someone who hasn't left yet and can come in and pick up to do the work. So that's a, that's a common way of doing it if it wants to do it. How long you guys been doing this? [00:25:20]

Guest: Well, I mean, uh, we've been, we haven't actually traded for that long, but we have, uh, and you're right, just to conclude, yeah, you should go back to the vesting schedule.

Um, I have to look it up, but we did give ourselves pretty much a year of sweat equity. Um, and, um, so. [00:25:40] That's what we're at.

Hall T. Martin: Could just be a straight up negotiation. What do you think your year is worth? I think it's worth a hundred K. Okay. I'll give you a hundred K of revenue. You know, we'll start that two years from now with what revenue and revenue shares typically are around two, 3 percent of top line revenue.

And you just start getting paid out year two, uh, 2 percent of top line revenue until they [00:26:00] get their a hundred K back. Uh, so you could do a ref share agreement and, you know, the more revenue we have, the faster this gets paid back, less revenue, the. So he's that incentivizes them to help you get to revenue faster as well with whatever way or whatever he can do with it.

Uh, but that's one way to do it is just get, get [00:26:20] Tim a cash out plan and start doing revenue shares. I actually started revenue shares from day one. If we sell a 10 K contract, you'd get 2 percent of that. And, but don't be talking about 20 or 30 percent that, that you can't run a business doing that. Uh, revenue based funding.

It's. It's two, three, 4 percent at most, never, never above five, because you do [00:26:40] have to run a business. And, but that would be one way. And so he gets a path out of it. And, uh, but it's not going to be a super fast path at this point, unless you wanted to pull money out of your pocket just to pay them off and go forward from there.

But that's a pretty rare case too.

Guest: What what might some guess revenue for us? We're still [00:27:00] we're very low revenue. Um, so it's it's hard to look at revenue guidance. I would think. Are there any other options?

Hall T. Martin: Well, well, so the 2 choices I give him is 1. Let's do a ref share agreement. Get 2 percent of any revenue until you get 100 K back.

[00:27:20] The big revenue is not going to hit for two or three years. So you're, you're going to get small checks or maybe they're quarterly just to keep the admin down. Uh, or I tell you what, I'll give you 50 K out of my own pocket and we'll just call it even that way. So if you want to get paid right away, uh, we'll just do 50%, uh, discount and you can walk away with a 50 K [00:27:40] check and you just sign over all your shares to me, that, that kind of agreement.

So people that want money fast, they usually give up something for it. People that are patient. You get your full earnings or whatever that is. Again, you have to negotiate these things out at some level and, you know, it, it, you can use discounted cash flows. You can use other tools to figure out [00:28:00] how much money you might make off of it.

But same time at the end, you know, it's going to have to come out of revenue. Uh, you can't raise, it's hard to raise funding to give, give to someone that's exiting the business. The investor is putting money in once you know the money's going to go grow the business, not pay off a previous shareholder in some way.

Guest: Yep. Yep. Okay. [00:28:20] Yeah. I have a feeling it's going to go towards that, uh, that cash payment, but, um, all right. Yeah. No, that, that structures my thinking.

Hall T. Martin: Okay. I think that's

Guest: it. Um, I think that's it.

Hall T. Martin: Cool. Yeah. We'll get catching up with you and let me know what we can do to help. It sounds like you got a good plan there.

And so looking forward to next steps to see how that goes. [00:28:40]

Guest: Well, yes and no. We'll have to see how this story unfolds, this last, this latter story. That's really, uh, you know, sort of putting a little bit of a damper on anything, on everything, excuse me, particularly in the short term. Um, there's just not much we can do.

Uh, we're in a bit of a holding pattern at the moment. Right. But, um, you've given me some things to think about here to, um, to, uh, [00:29:00] to move forward at least.

Hall T. Martin: Okay. Well, great. Wonderful. Good luck with it. And, uh, have a good weekend.

Guest: What if I may ask just real quick, what, what keeps you busy these days? What, what is, what are you getting involved with mostly just for me?

We still

Hall T. Martin: help startups raise funding. So we, we live every day, the funding, uh, process, and we work with companies raising from angel [00:29:20] VC family offices. Equity funding is mostly what we do. I have done revenue based funding and some other tools, but mostly it's equity is where it mostly lives. And, uh, We're just out there growing our business and, uh, you know, seeing a lot of having a lot of fun with entrepreneurs, raising funding.

Guest: Yeah. What kind of, are there, is it still tech heavy with your [00:29:40] background or?

Hall T. Martin: It's about half, half technology, of course, AI and everything. And then the other half is now life science. Life science has come up strong.

The cost of starting a life science business has dropped dramatically. And everybody's choosing a novel target to try and take to market.

Cause the exits can be spectacular there.

Guest: Yeah. Yeah. I'll bet. Wow. Yeah. That's a whole different animal. [00:30:00] All right. Well, listen, I very much appreciate your perspective. I'm mindful that it's almost weekend two for a long weekend. So let you go ahead and get closer to that, but really appreciate getting to know you.

And, um, hopefully you'll, you'll find it. Okay. If I, uh, once in a while, check back to New York. Yeah, sure. There's more we can do going forward.

Hall T. Martin: Catch up. [00:30:20]

Guest: I'd appreciate that. All right. Thank you all. Have a good one. Take care of you too. Bye bye.