

Innovate PA Testimony

Good morning Chairman Reed, Representative Kampf, Representative Hackett, and members of the House Republican Policy Committee. My name is Bob Moul and I am the CEO of a mobile startup company in Philadelphia called appRenaissance. I'm also the president of Philly Startup Leaders, the largest and most active community of startup entrepreneurs in the Philadelphia region. In addition to running my own startup, I volunteer a substantial amount of my time to help foster and grow the overall startup community in the Philadelphia region and I am here today to testify in support of the Innovate PA initiative.

My last startup, Boomi Software, was a Ben Franklin portfolio company and a great example of the results that can be achieved with vital early stage funding and support. Boomi Software in Berwyn was founded in 2000 by three first-time entrepreneurs who left their full time jobs to pursue building a new startup. They were fortunate to get some early funding from a local angel investor, Mike West (who had just built and sold a successful SAP consulting practice), as well as a \$250,000 loan from Ben Franklin. Ben Franklin also participated in board meetings to help support the company in the early stages of its growth.

This early stage funding enabled the company to achieve its initial growth and to attract an experienced executive to run the company. I joined the Boomi board of directors in December 2005 and then full-time as CEO in August 2006. At that point, we made a strategic decision to take the company into a related but very new field called SaaS or what is now called "cloud computing." Ben Franklin supported us in making that move. Armed with our new strategy, we attempted to raise our first round of venture capital to build the new software – and failed miserably. So we bet the farm and built the new software anyway. Ben Franklin supported us in that decision as well – patient money is also very important to a startup.

We launched our new offering in the fall of 2007 and had a lot of interest – we knew we were on to something good. We were then able to raise our first round of venture capital from FirstMark Capital in New York City. The business did well, growing to some 500 customers in three years and caught the attention of numerous potential acquirers including Dell. It seems that integration had become one of the major barriers to the adoption of cloud computing. We were in the very enviable position of having multiple bidders and ultimately we decided to sell the company in November of 2010. An overnight success ten years in the making.

The early angel investors tripled their money and the VCs received a 5x return on their investment in just over two years during one of the worst economies we've seen in some time. Throughout that journey, and crucially early on, we had the support of Ben Franklin. Fittingly, by virtue of its warrant coverage, Ben Franklin got all of its money back several times over.

So why am I telling you all of this? For one, I think it demonstrates that great tech companies can and have been built right here in Pennsylvania. It's satisfying to know that one of the key challenges of cloud computing was solved right here in Berwyn.

I think it also highlights the importance of seed stage funding. Seed funding is arguably the most critical phase of the funding lifecycle and most assuredly the hardest to raise, especially for first time entrepreneurs. After the 2008 market crash, investors have moved "upstream" meaning they want to see traction, revenue, customers before they will invest. That's left a big gap in the availability of seed capital for startups. The availability of seed funding has a direct impact on the creation of new startups and therefore the creation of new jobs. It pains me to think how many viable businesses never saw the light of day due to the lack of seed capital. Having Ben Franklin is a crucial part of our ecosystem in Pennsylvania. The loan Boomi received may well have been the difference between success and failure.

It's also important to understand the multiplier effect from a successful exit. I'm now building my next company in the mobile software space. We've already grown the company to 14 employees in one year. Raising capital was much easier this time – FirstMark Capital was eager to reinvest and I personally made a substantial investment using the return I made from Boomi. One of the things I found most satisfying was knowing that the money Ben Franklin made from the Boomi exit would also be used to fund new startups.

But perhaps most importantly, startups create jobs. In fact startups and early stage companies create more new jobs than any other phase of business. At the time of the exit, Boomi had created 40 high tech jobs mostly in Berwyn. In one year at Dell, that number doubled to 85 and continues to grow. In fact, at a recent talent fair in Philadelphia there were some 25 startups looking to fill several hundred jobs.

So I'll close by saying how much I appreciate Ben Franklin, PACT and all others who are advocating for this legislation. I thank the committee for the opportunity to testify. I think Innovate PA is a very innovative yet pragmatic model and I think it has the potential to make a significant impact on economic development and job creation for the great Commonwealth of Pennsylvania. Thank You.