

TABLE OF EXPERTS:

**BUSINESS
STARTUPS**

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COREY SCHONHORST

Being a small business owner himself, Corey Schonhorst, through his marketing and consulting firm Inside the Circle, has assisted numerous local businesses in the St. Louis area to build their brand since he opened his doors in 2009. During that time, he has also had the opportunity to collaborate with corporations such as Make-A-Wish Foundation of Missouri and American Red Cross. Through years of previous work experience, he has mastered how to use multiple advertisement mediums to the advantage of his clientele's market and needs. When Schonhorst is not busy researching new advertising strategies or overseeing his part-ownership of the Student Loan Debt Agency, he enjoys performing at local comedy clubs, creating new cooking recipes, and spending time with his sons, Blair and Tyson. As a St. Louis native, of course he is a Cardinals fan, but his favorite team to watch is whichever his son is playing on.



RANDY SCHILLING

Randy Schilling is the president and CEO of BoardPaq, a leading provider of paperless board meetings. Schilling is also the founder of OPO Startups, a co-working center for digital startups. Located in historic downtown St. Charles in the newly renovated Old Post Office building, the 10,000-square-foot facility provides regional startups with affordable workspace and access to mentors, potential investors, programming, educational resources and a community of local entrepreneurs. Schilling is the former CEO and founder of Quilogy, a Microsoft nationally managed system integrator, which was located in historic St. Charles, Missouri. Schilling founded Quilogy in 1992 under the name Solutech Inc. with a personal investment of \$5,000. Under Schilling's leadership, the company grew to over 500 employees and 16 offices. Prior to founding Quilogy, Schilling spent two years in the St. Louis office of the management consulting firm Grant Thornton. Schilling earned a bachelor of science degree in electrical engineering from the University of Missouri - Columbia in 1985 and a master of business administration from the University of Illinois - Springfield in 1989.



AL LUDWIG

Al Ludwig has a diverse transactional practice representing clients ranging from large, publicly traded companies to individuals and sole proprietorships. His expertise includes transaction structuring, operational diligence, development and compliance, mergers and acquisitions, commercial contracts, startup business planning, and the dissolution of ongoing businesses. Ludwig provides strategic planning and problem solving support to new and established businesses. As an active member of St. Louis' startup community, his clients have expanded into new ventures in a variety of industries and locations. The fast-moving nature of technology startups makes responsiveness and efficiency essential elements of any startup representation, and Ludwig's wide range of transactional experience adds value to startup owners at all levels of development. The insight he brings both to startups and to companies doing business with startups allows him to provide novel and effective solutions to the problems commonly encountered in the startup world.

TABLE OF EXPERTS: BUSINESS STARTUPS

PHOTOS BY DILIP VISHWANAT | SLBJ

What is the state of startups in the St. Louis region?

Randy Schilling: We have a great support system to help people get started, and I think that part's working really well. I think there still is this gap after that initial funding where a lot of startups seem like they are still trying to figure out, do they continue to try to raise money or do they go get customers? And I think a lot more of them need to focus on getting more customers. If we can figure that part out, the rest will be a lot easier for a lot of them.

Corey Schonhorst: From a marketing standpoint, most of the people I deal with are startup businesses. I think the environment's good and the initial incubation is fantastic. But with younger people in these startups, I try to influence them to put a little more money into branding and growing a name rather than just starting up and then being limbo. Everybody has this energy and these ideas, but we have to direct the idea and we have to execute the plan to get the customers. St. Louis is a great place to start a business, my hope is that it becomes a great place to maintain a business.

Al Ludwig: We're still waiting on that big break out. The one that stays in St. Louis and continues to grow at an exponential rate.

Randy Schilling: What's really exciting is there are a lot of people taking at bats, so there's a lot of people at least coming up to the plate. They're taking some swings, and that's what you need. They're not all going to get home runs, but eventually I think you'll see some of those happen if we can start to get them to focus a little bit more on customer acquisition. I think that will go a long ways to see some of them grow up and get to that next stage. The support system, what's going on with Arch Grants, Capital Innovators, Cultivation Capital, the Lewis and Clark fund, those things are huge. So now it's about can we get these companies to the next stage. And I think that's where the rest of the ecosystem needs to start helping out. Corporations, universities are incredibly important pieces of that. In the B-to-B space, where I've always played, I was always taught working with Microsoft and others, that there are only three reasons people buy from you: You're going to increase their revenues, you're going to cut their costs, or fill some compliance need. And if you do one of those three things, you'll figure the rest out and the customers will come.

Al Ludwig: One of the advantages we have here in the Midwest is that our runway is so much longer because the cost of living is so much lower and the availability of space and other resources is greater. So you have the Silicon Valley model where people think that they need to keep going



out and raising funds early, but that's not as necessary here.

Randy Schilling: We're also creating a lot more service startups, whether they be a marketing or legal or graphic designer firm or software developers. There's a lot of those folks here at OPO like Dustin McKissen who has McKissen + Company, and is a top 10 LinkedIn blogger. He writes a weekly column on Inc.'s online site. Bob Miano from miano.tv, who does YouTube video ads for us at BoardPaq and a lot of other folks. Jeff Dinter from 3mbassy does social media work for us among others. I think that's been a pretty exciting development. When you're a services company, it's a little bit easier to get the customers and the revenue flowing. But now we need to get that happening with the product guys.

So what needs to happen?

Corey Schonhorst: I'm biased. I'm big on marketing. I think every city is a micro version of the United States as a whole. And the reason our economy is where it is, is because there's no longer a middle class. And that's who spends the money. So creating these new jobs and then having these people work with other startups and everybody collaborating creates more jobs. The more startups we have, the more people are going to take chances and say, "It's my time." And now all those people are creating organizations like the OPO and T-REX and sharing best practices. It's exciting to see what it's going to do for our economy. I think it's going to be a great market here in about 10 years.

Al Ludwig: In a lot of ways, the presence of the startup ecosystem and the

community, or lack thereof as the case may be, becomes a self-fulfilling prophecy. As the startup community grows, it grows into the business community — it all becomes one thing. Those resources and those opportunities become more and more available to take the next step. All of those things feed into each other. So I agree, 10 years, hopefully sooner, we'll have a really robust ecosystem.

Randy Schilling: I do think that the ecosystem is providing that networking that was kind of missing before. Whether it's happening at Venture Cafe or demo days with all the accelerated programs, those are getting people to meet and discuss things, and I think that's really been helpful. At OPO, we do startup Wednesdays events where people are collaborating more. And I think that's a greater opportunity to grow.

Corey, what's been your experience?

Corey Schonhorst: With my startup? A rocky one. There are challenges that you don't assume. I think the biggest benefit I've had was finding a good mentor. Finding someone in my career field who walked that path who could save me the detours. At Inside the Circle marketing advertising, we create everything from taglines and slogans to websites, storyboards for television commercials, radio commercials or the layout for a print ad. But the thing that's really spurred me on was finding a mentor. And I think that's really important in anybody's field. Especially nowadays. There's such a gap between my generation and two generations above that. People used to teach their kid a trade

and that would be the family thing. And then came technology. How can you teach what you don't know? So my experience has been heightened greatly by finding an exceptional mentor and having him guide me along the way and prevent me from having to take as many detours. I also feel that sticking to your guns when things are at their hardest is paramount for success.

Did you find your mentor through one of these collaborative efforts?

Corey Schonhorst: I found him by chance. I've done a lot of networking, and I hired an assistant. And that assistant knew him previously, and said, "I think you guys might get along," and it turned out to be a real eye-opening experience and a wonderful friendship and mentorship. The passing on of knowledge has been crucial to my company's continued growth.

Randy Schilling: With OPO, the collaborating with folks down at T-Rex, with Dan Lohman who has PushUp Social, and he had Lab 1500 on Washington Avenue, and Ed Domain has been incredibly helpful. They took me up to Chicago and we visited 1871 incubator. And that was extremely helpful. I had launched Quilogy, an IT consulting company, and that went really well. BoardPaq came out of things I was doing around boards. But OPO, I had no real experience doing this type of business. And so networking with others around the region was very helpful. And then getting involved with Ginger Imster at Arch Grants and Judy Sindecuse at Capital Innovators was very helpful in making sure that OPO got off on the right foot. It's been a wonderful experience.

Al Ludwig: As a non-entrepreneur, I came into my profession at the time when startups in this community were coming alive. So I've grown with a lot of these startups as clients. And I think any entrepreneur will tell you that failure is part of the game. I've had some experiences with clients who found that one bad accident or turn of bad fortune can take you out of the game. The entrepreneurs who are really successful have the resilience to keep trying and keep going, and that's facilitated in a lot of ways by planning and having, if not an exit strategy, sort of a Plan B or at least a rainy day fund or something along those lines. So the leaders who have that resilience also tend to have the idea that, "this may not be the thing, but I'm not going to quit."

What advice would each of you give to someone considering a startup?

Corey Schonhorst: Know your market. Know your niche. I think a lot of people get a little extra cash, or they've had four or five people tell them they make the best chili in the Midwest, and then they think, "I'm going to start a restaurant." And what they don't realize before going into it is the planning needed. A sandwich

doesn't cost just \$8 to a business. There's a lot more that goes into it. Having a good plan is so crucial as is knowing your market. Even more crucial is having the proper amount of reserve capital for your growth period. It's not just about what you love, it's about how can I translate what I love into what everyone loves? That's knowing your market.

Al Ludwig: I think identifying the market is exactly the right way of looking at this. It's not simply that your chili is awesome and everyone's going to buy it because of the merits of the product, but is there a need for chili in the first place? And taking a tip from our side, TuckerAllen was an example where an underserved need for estate planning services was identified. With that said, I would also suggest that you should know what you don't know and seek advice on the things in which you don't have expertise. If it's through a mentor, if it's through networking, if it's through teams of professionals, wherever, understand where your strengths are and don't try to do everything. Being an executive is as much about delegating and managing your time and making big picture decisions as it is in being in the weeds. You're going to get overwhelmed if you try to do it all and don't follow the advice of people who may be better experts in a particular subject. I think every business lawyer will tell you that there have been countless times where somebody's come in the door, and if we had just gotten to them three months, six months or a year earlier, we could have saved them exponential amounts of money. You're going to spend so much more time cleaning things up than you would if we could have just done them right the first time. And that's one reason I love startups. Because oftentimes good startups, especially people who have done it before, understand they're not going to know all the details, and they're going to follow sound advice.

They're going to listen, and we can solve their problems before they ever occur.

Randy Schilling: Definitely the No. 1 rule is surround yourself with great people. So whether they're on your staff or whether you hired great counsel or great marketers, great accounting folks are really critical. I play in the tech space, and I've always been blessed and fortunate to have a great chief technology officer. Every seven years there's an innovation wave typically in technology. So looking for those trends to enter a market. For BoardPac, the opportunity came about with the release of the iPad and Cloud services in early 2010, which happens to be the same year we sold Quilogy. So that allowed us to enter the market leveraging technology. Quilogy was really built on, prior to the Internet, technology called client server computing. And so you go back to the PC back in the '80s and so forth. So looking for those entry points in the market and leveraging technology is how a lot of the technology firms succeed. And I think that's a really important lesson. And then there's the old Loretta Lynn saying, "In this business, you have to be first, best or different." She was talking about country music, but that applies to any business. And if you keep that in mind, are you first to market? Are you the best in that market? What's your differentiator? And if you can do all three of those things, you've got a great chance.

What role do area corporations play in the development of startups?

Corey Schonhorst: They field the market in business to business. Certainly, my targeting for who I'm going to use as the next partner for marketing is not decided by anything other than the "Who do I want to work with?" That decisions is usually made by deciding what the market

calls for and who could be a major competitor. So having corporations around helps the small businesses grow, in the respect that they know there's a market for that type of company. You have the other businesses around to use as a model. A gentleman told me years ago to look at the QT business model because it was a great one. The way they hire their people and train their people is wonderful. And scaling things down from a corporation is a great way to model a startup. Learn from corporations and take that knowledge to better run your business. The corporate environment also shows you that not one person can do it all and you have to be able to delegate responsibilities, as well as trust others to carry out specific task, so that you (the owner) can focus on growing the business. Corporations constantly look at growth and expenditures to increase profits and grow in size. A startup company should do the same.

Randy Schilling: I think the large corporations, the Regional Business Counsel, the Regional Chamber, can have a tremendous impact. The Regional Chamber, for example, takes business leaders on trips to visit other communities to learn best practices around startups. I think there's still a big role, especially in the tech companies, where large corporations all have CIOs, chief information officers, who have a whole laundry list of projects they have got to get done and they can't get them all done. What a great opportunity for them to engage with the startup community to tackle some of those projects. Maybe what we need is reverse demo days where you have CIOs pitch, "Here are the problems that we have," and have the startups in the audience listening to what the problems are.

Al Ludwig: I love the idea of a reverse demo day because it's part of building a

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AL LUDWIG,
Lewis Rice



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bigger business ecosystem.

Randy Schilling: I think even the domain expertise that they bring to the table is even more important. Most of the more successful startups tend to be folks that do come out of corporate sector who have some domain expertise that they developed while in that corporate environment that then they pull that niche out and go pursue their passion around that. I think that is a great recipe for an entrepreneur or a startup.

What role does higher education play?

Al Ludwig: Higher ed will always serve a unique role because you have dedicated research going on that wouldn't necessarily exist in the marketplace. And out of that comes the spirit of innovation, out of that come the experts who now have experience doing it. From the legal side, we see a lot of patent applications coming out of higher ed, and that creates an opportunity for businesses that nobody may even have known existed before.

I think the biggest benefit I've had was finding a good mentor.

COREY SCHONHORST,
inside the Circle



Randy Schilling: And, certainly, we've seen our large universities, Washington U., SLU, UMSL have been very instrumental with what's happening with Cortex, including their direct investments. That's huge. For us in St. Charles, Lindenwood has played an important role in terms of resources, whether it be their staff, or providing internships. Internships are big, both from the design side but also from software development and coding. And so there's a pipeline of young talent to be tapped to help out these startups that don't have a ton of money right from the start. I think the universities could also participate in what I would call speed networking with their MBA students and their STEM students, the science, technology, engineering, math majors. So help with the IT-type creation, but then you also have sales and marketing and business development expertise from the MBA school. So working with the deans of those programs could be very instrumental in helping the startup economy in St. Louis.

Corey Schonhorst: I'd say the people factor is certainly something I agree with. I leaned on my interns quite a bit when I was starting up because it's free labor and they get great experience out of it. Maryville University is right down the street from where I am and I have a direct line on the next generation of people who want to do what I want to do. I can tap into that and I can go to their job fairs and I can speak to 80 people and find a candidate rather than filtering through resumes and trying to do it one at a time. And it's been a great resource for me in my field, especially the technology side of it, as typically the younger generation's technology insight is far greater than my own as they are gaining that knowledge in institutes of higher learning.

Al, a lot of companies are formed in Delaware. If a startup is planning a business in Missouri or Illinois,

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should it consider incorporating in Delaware?

Al Ludwig: This question comes up a lot. We do have a robust infrastructure of corporations and LLCs in Missouri and Illinois. But there is certainty out of Delaware — it's the state where people most commonly form entities. So particularly when you're looking at investors, like east coast investors, they will want to put everything into a Delaware corporation because when there is a dispute, they know exactly how things are going to shake out. They know how the courts are going to interpret certain provisions. We in St. Louis have that comfort with Missouri and Illinois, but an out-of-town investor might not. So what I tell individuals or new businesses is there's really no reason to go with Delaware immediately, and you can always change later. But there may be a point in the future if you're seeking that round of really high-raise capital, that it becomes important for you to cater to the investor's needs.

Corey, if you had to do it all over again, what would you do differently knowing what you know now?

Corey Schonhorst: I would lean on people more early on. I originally tried this in 2007 and was not able to get traction until 2009. I took a lot of bumps on the head and I tried to do too much. I think that a lot of people starting have that same mentality that no one's going to believe in your dream as much as you, so you have to do everything. But it's essential to assemble a great team whether it's

something you do well or not, you have to use your largest strengths and be able to depend on others for their strengths. You have to trust your team members. It's difficult working with friends and it's difficult making new ones out of partners. But take the time. It's worth it. You lose a lot less long term if you take the time to find the right people to build up with. I'll use an analogy that I use often for sports. Michael Jordan came back and played for the Wizards. He did not win a championship with that team — you can be the greatest athlete on the planet, but unless you surround yourself with a good team, you'll never be able to win. And always,

always be learning. I was a little hard headed when I was a younger guy, and I didn't want to listen to some people's advice. One thing that I've learned as I got older is to humble myself. If your cup is always full, you can't put anything else in it. So I personally always try and take away a lesson from people I meet on a day-to-day basis, no matter their education level, experience, what field they're in. I feel like I can learn something from anyone at any given time.

Randy Schilling: I've had a great ride with both Quilogy and then BoardPaq and OPO. I would say probably the

most joy I get is giving back. And probably doing that sooner instead of waiting as long as I did. When I started in Quilogy, I was so focused on opening offices and building the business, I didn't get involved as much in the community. And being from St. Charles, my wife and I are both from here, just the satisfaction and the enjoyment of OPO and seeing others grow businesses is extremely rewarding. So getting involved in the community earlier would have been something that I would have benefited from.

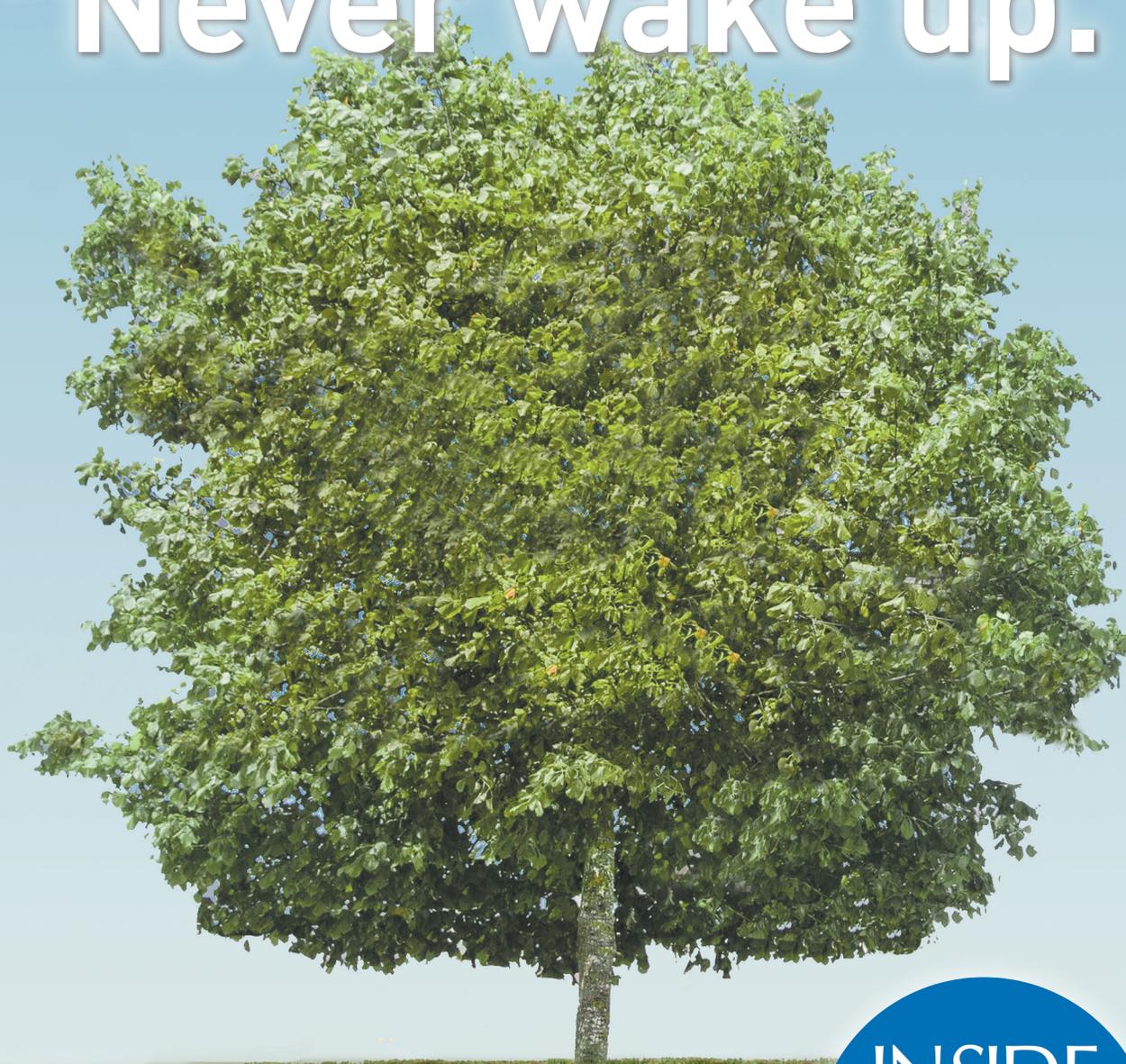
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RANDY SCHILLING,
BoardPaq

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How early does an owner need to start thinking about an exit plan?

Corey Schonhorst: I would say before you start. Your plan should include your entire plan, including an A and a B. "Is my exit strategy retirement and sale of the company?" And if not, "do I have an exit strategy if the company doesn't work?" Because either way, you're going to be left holding the bag at the end of the day. And whether it's full of gold or full of nothing, it's in your hand. So you

should have an idea of how you want that to turn out before you start.

Al Ludwig: I'd say as a lawyer, on day one. You can't ever start too early on exit planning. Your startup planning should include an exit plan, should include contingencies. Again, I think entrepreneurs are always 100 percent in. They're looking to the next step and I'm always saying "Slow down. Think about, when this goes wrong, how is it going to go?" Nobody wants to hear that, but it is the right question to start asking yourself in the beginning.

Randy Schilling: I think it's a hard thing to do. Because I think as an entrepreneur, you're following your passion. When I sold Quilogy, it's like one of your kids. And so letting go of something like that is not an easy thing to do. I agree that it should be planned, but it doesn't always happen that way. I didn't have an exit plan for Quilogy when I started. But circumstances change. You get large payrolls, a lot of customers, you have a lot of demands, you have your family, and all those things change as you grow your business. And so it's very hard to do. But I think advice-wise, certainly, having an exit plan at the

beginning is very beneficial and maybe you need to have multiple options.

What are the leading startup industries today, and what do you expect will be the leading startup industries of tomorrow?

Corey Schonhorst: It's going to be a lot of technology, without a doubt. I feel technology based on consumer-to-business interaction and business-to-business interaction will be a leader. I feel that the hardest thing we have to deal with on a day-to-day basis, and I think we can all relate to this, is customer service. Whether it be a waiter or a waitress in a restaurant, someone I'm talking to on the phone about my cable or cellphone, human interaction has become exceedingly more difficult, as well as how we interact has become far less personal. I think technology is amazing and wonderful and it makes our lives easier in many ways, but I think that the human disconnect factor is really detrimental to our business economy outside of technology-based industries. So, logically, we will begin to remove the human factor even more to make it more automated to compensate. It's sad in many ways, but in this day and age people seem to prefer dealing with software not other people.

Al Ludwig: I think tech and automation are always going to be increasing. There is always a push to remove human error or a human factor from the equation. In some ways that can be very beneficial, but, we're all facing the loss of the human judgment aspect in that, too. I would also say continuing development in medical technology and engineering technology and basically enhancing the human ability to create, are always going to be places where money will flow, where there will always be opportunity and there will always be businesses built around it. So I would expect to see medical tech in this town particularly to continue to grow at an exponential rate.

Randy Schilling: Yes, I would say absolutely the STEM field. So science, technology, engineering, math. Innovation is really continuing to drive the economy. What it cost me to start BoardPaq was significantly less than what it was to start and run Quilogy. I used to have to have a floor full of accountants to do billing and invoicing and payables and receivables. And you had to have a whole sales force to go out to do face-to-face sales. All that has changed with the Internet and with innovation, it's 10 times less to start a business today than what it was 10 years ago. The use of the Internet to do your accounting online, to do your marketing online, to do just about anything you need to do in business, there's a web service or a cloud service or something you can do to get something up and going. The entry point, the barrier to entry is a lot less if you leverage technology. So certainly innovation is going to continue. You see what's happening with the electric cars and energy, and what's going on with Amazon, and I think that's what's driving everything right now. And it's driving everybody else nuts, but that's part of innovation. It's what makes it exciting and fun, and it's great to be a part of it.



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