Robin Chase, Co-Founder and Former CEO of Zipcar

Figuring out what a Board is, Who is in Charge, Understanding Founder/Investor Dynamics

When I co-founded Zipcar in 2000, I was 42 years old. I had been the number two in two earlier jobs, and felt very comfortable with operations, marketing, and finance. The idea for Zipcar came from my co-founder. She was initially charged with cars and technology.

Documents for our A round (it now would be called seed), talked about a 7-person board: the founders got 4 seats (CEO + 3 others, where investors were required to vote our slate), investors 1, and 2 reserved for independents. I had never been in a Board meeting and had never run a company. Zipcar's first board consisted of me, as CEO, my co-founder, and two others: 1) our lead investor in our A round, who ran a small community venture fund and was determined to act like the stereotyped 'big boys'; 2) an independent director who had built and ran a large Real Estate Investment Trust, had been a state cabinet secretary of finance, and on the Board of a regional environmental NGO.

My co-founder, who didn't know anything about technology, was replaced by my husband, who became CTO. Zipcar launched with 4 leased cars, and my co-founder retained her original job as she was primary breadwinner for her household, and she became pregnant with a second child as well.

At our first or second board meeting, my co-founder who attended while still on child leave, brought a tape recorder. She asked if she could tape the meeting ("No"), and also took notes in a book with numbered pages. An hour after the meeting, as I got home, I got a call from the VC board member: "Your co-founder cannot be on the board and you need to fire her."

What would you have done?

Having a board of three was very efficient in the early months. We could create a meeting on short notice and also make decisions by phone. As time went on, I brought forward two or three other candidates for the board that I would have liked to include. Even though I had the right to appoint 3 more board members, each time, my two existing board members – my trusted consigliere – would say: no, are you sure? You need to be very careful about this selection, they don't seem quite right.

Are Board member's interests and your interests completely aligned?

Zipcar grew month over month at a good clip, expanded into two other cities, took on a $2m convertible bridge note with a requirement to convert in 2 years. Seven months before this term, we got a term sheet for by an $8m round. Two days before closing and 3 months before the conversion term ended, the lead investor pulled out and the deal collapsed. Three months of pain, catastrophe, malfeasance ensued. Both my Controller and my Corporate Counsel separately told me that the VC investor with inside information was trying to take control of the company and offering the worst financing deal they had seen in their career.

When I went to rapidly bring in Board members that were my due and make my vote a majority vote, an angel investor pushed back and said “This is happening too quickly, I know I’m required to vote your vote, but I won’t. So sue me.” Legally, we needed 100% participation.

Can you sue a board member or investor and ever raise money again?

Obstacle: Given my 3 highlighted issues, what might you have done -- from the outset, or at the point described — to have dealt with the multiple issues of forming and governing Zipcar ?