

33 Questions We Asked Ourselves Before Starting Pace Capital

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9-12 minutes

The first 10 months of [Pace Capital](#) we didn't pitch a single LP for investment. The effort was entirely inward as we attempted to assemble a partnership and lay sound foundation. A mantra that originated during that time and persists today is, "Don't optimize for outcomes, optimize for alignment." Health willing, forming Pace at this stage in our careers is a 30+ year commitment. For such a long range decision, it was essential that we get to a more granular understanding of each other, our fundamental values, our communication plane, our relative investment frameworks, what we wanted to build, and perhaps most importantly, what we valued in future partners. Because the cost of a false positive in partnership is so high, we didn't want to form the partnership via probabilistic decision making, but rather we committed to setting the bar at certainty. With a goal of getting to 4-5 perfectly equal GPs at Pace, we saw real advantages to beginning in a formation that most closely resembled our steady state (i.e. a team of 3 or even 4), so we explored those configurations very actively. A LOT of time was spent in different combinations and permutations. It's a totally non-linear path to conviction around partnership (venture or otherwise). At its most basic level, there is no substitute for time spent, and getting a requisite number of reps in together is simply a requirement. But not all time spent is equal. We found tremendous value in unstructured group meals and coffees, etc., but also went through a series of much more structured exercises in order to accelerate our understanding of how any combination of GPs would impact the ecology of the firm as a whole. One tool that was born from that process of particle collision was a structured set of discussion topics. After some number of more informal discussions, we'd all get in a room together, often over multiple sessions, and each of us would speak to every point on this outline. It was designed to surface conversation around topics that might be difficult or not likely to occur organically, and the only goal was to surface alignment or misalignment within that group. After hundreds of conversations with potential partners, and thousands of hours spent, we learned that the best thing we could do for the future of the firm was to stand it up. So 5 months ago, Chris and I decided to begin our fundraise for Pace Capital as the first 2 customers of a platform that will decidedly come to service additional GPs over time. We don't have any attachment as to when that might happen, but it's a priority for us. Recently, a number of people have asked how we conducted those early conversations, so I thought I'd share the discussion topics. Below is our Structured Discussion Topic Outline. Hopefully others going through something similar might find it helpful 😊

1) Work style

- how do you spend time and decide where to spend time
- where on spectrum of collaborative vs independent?

2) Team

- What do you want and need in a partner(s)?
- What can't you tolerate? Pet peeves?
- How big a group do you want to be a part of?
- What does a team look like in year 1, fund 1, fund 2, etc. How would you staff?

3) Budget

- where do you spend the money?
- What's worth investing in? (office, admin, research, contractors, software development, platform, press, events/programming)

4) Economics

- beyond an equal partnership, how do you think about sharing carry with staff
- what kind of salary will make you happy/comfortable?

- what are your economic goals over what time frame?

5) Superpowers and strengths

- what are yours, and how can we accentuate and build around them?
- what are our strengths as a team?

6) Brand

- what brand do you want to build?
- How do you want to be understood by founders, other firms, lps, etc?
- What channels do you like to communicate through to build and reenforce a brand?
- What type of behavior is decidedly on brand vs off brand in this context

7) Absolutes

- what will you never do and never tolerate from anyone on your team
- what will you always do and demand from everyone on your team

8) People

- who are your closest thought partners and collaborators and why?
- mentors?
- who doesn't like you and why? who would you consider adversaries?

9) Ethics and Behavior

- Have you ever had any issues in the realm of sexual harassment, inappropriate work behavior, legal issues, or has anyone ever challenged or questioned your integrity in a way that might come into focus in the future?
- What if any policies or infrastructure would you want to create to ensure a healthy and ethical work environment?

10) Fund size / structure / strategy

- What stages and shape of assets do you think it's important to be setup for in the early days and the end state?
- Multistage vs Early Stage vs Growth vs Crypto
- Generalist vs Thesis Driven vs Vertically focussed and how does this change from fund 1 to say fund 4 or 5 if at all?
- What size fund do you feel most comfortable managing in fund 1, 2, 3, 4. What does this arc look like. AUM goals if any and why?

11) Decision making

- Consensus vs Single sponsor or something in between and why?
- Ideal process of a deal from investment thesis through firm decision?

12) Values

- What are the values that you want to define your firm?
- Things the firm and everyone in it will live by and stand for?

13) Concerns / worries

- what do you think is going to be hard both initially and down the line?
- Where do you think you are weak and where do you think we are weak as a team?

14) First 365 days

- what are the most important things for us to do?
- is it make great investments? engage the right supporters?
- if we do x, y, and z what will be a great first year in business?

15) Motivations

- why are you doing this vs joining another firm vs some other career option?
- what gets you out of bed each morning?

- is winning important to you?
- what role does money play in your ambitions?
- how do you measure the impact of your work?
- Who's opinions of you matter and why?

16) What's the ideal relationship between a firm and it's limited partners?

17) What's the relationship you want founders to feel to you personally and your firm?

18) How do you win a deal? along what axis?

19) What is the balance between crypto narrative and the rest of the startup and venture world and how should it be reflected in our strategy?

- is this a moment in time vs the new reality?
- What is the venture landscape going to look like in 5 years. more like today or more like 3 years ago, or nothing like either?
- how does crypto strategy differ from overall early stage firm strategy. Seed vs A mentality, support, investment cadence, size and concentration, etc.

20) Structure

- Do you think we need to innovate structurally to reflect post crypto world or any other market/technology dynamics that might call for structural innovation?
- Ideas on how if yes?
- How do you feel about registering with the SEC?
- Are these decisions that need to be made now vs later?
- tradeoffs between enabling functions of structural changes vs challenge/ease of raising capital and large amounts of capital?

21) LP relationships

- who are your strongest?
- who would you most value and why?
- Do you have strong preferences around sources of capital: endowments vs. pension funds vs. hedge funds vs rich people vs family offices vs china etc.

22) Geography

- Is it 100% requirement to all be in the same place/office?
 - for how long?
- What if any remote strategy would we run to cover other coast?
 - scouts/venture partners/college programs, etc.
- Life updates, spousal considerations, etc.

23) Pace and portfolio construction

- how many deals per year?
- how many companies in a fund?
- ownership minimums or no?
- Home run swings vs. batting average?
- When do you pay up and when do you stay disciplined on valuation?

24) What's your process for learning?

- are you a certain type of learner? (audio/visual/textual/collaborative/independant?)

25) Roles and Responsibilities

- What do you want responsibility over and what do you actively not want to own?
- What responsibilities do you think should be shared?
- (marketing & brand building, public relations, programming, LP management, team management, support, admin & ops, finance, reporting and communication, recruiting, etc.)

26) Without referencing what other people are doing, what do you want to create?

27) What is the relationship we have with the entrepreneurs we work with?

- Spectrum of investor-friendly to entrepreneur-friendly
- What are examples of conduct that you use as theses / antitheses?

28) Life timeline

- What major life events do you envision over the next 10 years?
- How do you imagine your frame of mind evolving over the next 10 years?

29) Personality type

- Enneagram / Myers-Briggs?
- What kinds of founder personalities do you find yourself most drawn towards?
- What kinds of founder personalities do you resonant most well with?

30) Investment methodology

- overall what's your process beginning to end?
- collective portfolio review: let's look at everyone's deals historically and talk through them
- dive into how you get to investment decisions, thinking behind them, etc
- what turned out to be right and wrong and why?

31) how does rising early stage round sizes and large fund dynamics at multistage firms impact our strategy, fund size, etc?

32) Roughly how much do you envision allocating or reserving for follow-on investments?

33) Are there markets you are morally opposed to investing in (e.g. tobacco, guns)?

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