How Y Combinator Started

On March 11 2005, Jessica and I were walking home from dinner in  
Harvard Square. Jessica was working at an investment bank at the  
time, but she didn't like it much, so she had interviewed for a job  
as director of marketing at a Boston VC fund. The VC fund was doing  
what now seems a comically familiar thing for a VC fund to do:  
taking a long time to make up their mind. Meanwhile I had been  
telling Jessica all the things they should change about the VC  
business  essentially the ideas now underlying Y Combinator:  
investors  
should be making more, smaller investments, they should be funding  
hackers instead of suits, they should be willing to fund younger  
founders, etc.  
  
At the time I had been thinking about doing some angel investing. I  
had just given a talk to the undergraduate computer club at Harvard  
about  
how to start a  
startup, and it  
hit me afterward that although I had always  
meant to do angel investing, 7 years had now passed since I got  
enough money to do it, and I still hadn't started. I had also  
been thinking about ways to work with Robert Morris and Trevor  
Blackwell again. A few hours before I had  
sent them an email trying to figure out what we could do together.  
  
Between Harvard Square and my house the idea gelled. We'd start  
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As we turned onto Walker Street we decided to do it. I agreed to  
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and Trevor, who put in another $50k each. So YC  
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Initially we only had part of the idea. We were going to do  
seed funding with standardized terms. Before YC, seed funding was  
very haphazard. You'd get that first $10k from your friend's rich  
uncle. The deal terms were often a disaster; often neither the  
investor nor the founders nor the lawyer knew what the documents  
should look like. Facebook's early history as a Florida LLC shows  
how random things could be in those days. We were going to be  
something there had not been before: a standard source of seed  
funding.  
  
We modelled YC on the seed funding we ourselves had taken  
when we started Viaweb. We started Viaweb with $10k we got from  
our friend Julian Weber,  
the husband of Idelle Weber, whose  
painting class I took as a grad student at Harvard. Julian knew  
about business, but you would not describe him as a suit. Among  
other things he'd been president of the National Lampoon. He was  
also a lawyer, and got all our paperwork set up properly. In return  
for $10k, getting us set up as a company, teaching us what  
business was about, and remaining calm in times of crisis, Julian  
got 10% of Viaweb. I remember thinking once what a good deal  
Julian got. And then a second later I realized that without  
Julian, Viaweb would never have made it. So even though it was a  
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not to touch the walls, because the paint was still wet.  
  
Now YC is well enough known that people are no longer surprised  
when the companies we fund are legit, but it took a  
while for reputation to catch up with reality. That's one of the  
reasons we especially like funding ideas that might be dismissed  
as "toys"  because YC itself was dismissed as one initially.  
  
When we saw how well it worked to fund companies synchronously,  
we decided we'd keep doing that. We'd fund two batches of  
startups a year.  
  
We funded the second batch in Silicon Valley. That was  
a last minute decision. In retrospect I think what pushed me over  
the edge was going to Foo Camp that fall. The density of startup  
people in the Bay Area was so much greater than in Boston, and the  
weather was so nice. I remembered that from living there in the  
90s. Plus I didn't want someone else to copy us and describe it  
as the Y Combinator of Silicon Valley. I wanted YC to be the Y Combinator   
of Silicon Valley. So doing the winter batch in California  
seemed like one of those rare cases where the self-indulgent choice  
and the ambitious one were the same.  
  
If we'd had enough time to do what we wanted, Y Combinator would  
have been in Berkeley. That was our favorite part of the Bay Area.  
But we didn't have time to get a building in Berkeley. We didn't  
have time to get our own building anywhere. The only way to get  
enough space in time was to convince Trevor to let us take over  
part of his (as it then seemed) giant building in Mountain View.  
Yet again we lucked out, because Mountain View turned out to be the  
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