# Administrative Law

The Learned Contributors to OpenLex

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# 1 Bloomberg Beta reading List

The resources on this page cover a range of subjects we find useful to think about in our day-to-day lives as VCs. Like the rest of our manual, this is a living document, so please feel free to submit any suggestions via pull request! We included many pieces we've written in our core manual, so the below focuses on the work of others.

## 1.1 Must-Reads

- Artificial Intelligence is the New Electricity by Andrew Ng (video). We believe machine intelligence will transform every industry, and many of the most interesting changes will arise around work. Inspired by Kevin Kelly's 2016 TED talk.
- Prediction Machines by Ajay Agrawal, Joshua Gans, and Avi Goldfarb (book). From our friends at the University of Toronto, a simple framework from economics that (we think) is one of the smartest takes on business strategy in the age of AI.
- Cognitive Distortions of Founders by Michael Dearing (article). When evaluating early-stage startups, we seek reasons to believe a founding team is extraordinary. We're inspired by this brief look into how some cognitive biases make for founders with superpowers.
- Brotopia: Breaking Up the Boys' Club of Silicon Valley by Emily Chang (book). We're committed to making the startup world more diverse and inclusive. Emily's powerful exposé of the hidden (and not-so-hidden) sexism in Silicon Valley examines how we got here and the ways we can move forward to build companies that reflect an open and inclusive world.
- Netflix Culture Deck (article). Netflix famously released their original culture deck in 2009 and built a high-performance culture by emphasizing honesty and open communication. We believe transparency is

the first step to building trust with founders — who we see as our customers.

- Venture Deals by Brad Feld (book). *The* book on venture capital – learn about how VCs structure investments.
- Money Stuff by Matt Levine (newsletter). One of our favorite columnists at Bloomberg Opinion, Matt's daily newsletter provides an honest, insightful, and very entertaining take on what's happening in the worlds of finance and tech.

## 1.2 Other Recommended Reading

### 1.2.1 On VC and finance

- Something Ventured (documentary)
- Pro Rata (Axios — newsletter)
- StrictlyVC (newsletter)
- AVC (Fred Wilson — blog)

### 1.2.2 On going to market

- Don't Launch (Eric Ries — article)
- Picking your first customers: the gradient of influence (Roy Bahat — article)
- The Pyramid Principle (Ameet Ranadive — article). The classic principle on how to communicate in any business setting.
- Andrew Chen (newsletter)

### 1.2.3 On practical aspects of building a company

- Instead of a Business Plan, write a Thesis Plan (Roy Bahat — article)
- Default Alive or Default Dead (Paul Graham — article)
- Growth is Optional (Brian Balfour — article)
- SaaS Metrics – A Guide to Measuring and Improving what Matters (For Entrepreneurs — article)
- The Most Important Metrics to Assess the State of a SaaS Startup (SaaStr — podcast)
- 8 SaaS Metrics That VCs Want To Know (Insightsquared — article)
- SaaS Financial Plan 2.0 (The Angel VC — article with template)

- Stripe Atlas Guides (website)
- Zero To One (Peter Thiel — book)

### 1.2.4 On hiring and company culture

- What's the Most Difficult CEO Skill? Managing Your own Psychology (Ben Horowitz — article)
- The Hard Thing About Hard Things (Ben Horowitz — book, which includes the above article)
- Who Should a Startup Hire First? (Roy Bahat — article)
- We Hire the Best, Just Like Everyone Else (Jeff Atwood — article)
- Do Things That Don't Scale (Paul Graham — article)
- Explore vs. Exploit (Barry O'Reilly — article)
- The Guerilla Guide to Interviewing (Joel Spolsky — article)
- Difficult Conversations (Sheila Heen, Bruce Patton, Douglas Stone — book)
- How to Hire (Sam Altman — article)
- Fortune Broadsheet (newsletter)
- Unfinished Business (Anne-Marie Slaughter — book)

### 1.2.5 On artificial intelligence

- We're Waiting for the Peter Drucker of Machine Intelligence (James Cham — article)
- The Current State of Machine Intelligence (Shivon Zilis — article)
- The Evolution of Machine Learning (Catherine Dong — article)
- InsideAI (Rob May — newsletter)
- ImportAI (Jack Clark — newsletter)
- The Man Who Lied to His Laptop (Clifford Nass with Corina Yen — book)
- Robot & Frank (Jake Schreier — film)

### 1.2.6 On keeping up with the technology industry

- Fully Charged (Bloomberg — newsletter)
- Stratechery (Ben Thompson — blog)
- The Information (newsletter)

#### 1.2.7 On the history of technology; technology and the public interest

- Troublemakers: Silicon Valley's Coming of Age (Leslie Berlin — book)
- Hackers (Steven Levy — book)
- Founders at Work: Stories of Startups' Early Days (Jessica Livingston — book)
- The Innovator's Dilemma (Clayton Christensen — book)

#### 1.2.8 On the future of work

- Shift Commission on Work, Workers, and Technology — Report of Findings (article on this project Bloomberg led with New America, includes a bibliography)
- The Age of Dignity (Ai-jen Poo — book)
- Deschooling Society (Ivan Illich — book)
- The Second Machine Age (Erik Brynjolfsson and Andrew McAfee — book)
- Bullshit Jobs (David Graeber — book)
- Nice work if you can get out (Economist — article)
- Racing to Justice (john powell (capitalization intentional) — book)
- The Fading American Dream (Raj Chetty et. al. — article)
- Concrete Economics (Stephen Cohen and Bradford DeLong — book)
- Raising the Floor (Andy Stern — book)

#### 1.2.9 On Bloomberg Beta's partners

- Books that matter to me (Roy Bahat — list)

# 2 Bloomberg Beta Operating Manual

## 2.1 Contents


- Our creed
- Our investor, Bloomberg L.P.
- What we believe about the future of work
- What we look for in a startup

- The deal terms
- Our “products,” or, models for how we work with founders
- How we support founders
- Finding us

## 2.2 Our creed

We believe work must be more productive, fulfilling, and inclusive.

Our waking hours must engage the best in us and provide for our needs and wants – and the world we live in too often fails to offer that.

We believe technology startups play an essential role in delivering a better future. We can speed the arrival of that future by investing in the best startups that share these intentions.

## 2.3 Our investor, Bloomberg L.P.

Bloomberg L.P. is our sole investor.

We appreciate many things about our investor: Bloomberg is a different kind of company. Bloomberg is a pioneer – it created one of the original SaaS businesses, the first professional social network, and invented many practices that are now widely adopted by startups. We hope startups will be inspired by Bloomberg’s example, as we are.

Bloomberg knows and respects technology and technology companies, is set up to be independent-minded, and builds toward long-term value. Bloomberg was created three decades ago on a then-controversial idea — that information in financial markets should be more widely available. Bloomberg has reached global scale and influence, with more than 15,000 employees in almost 200 locations — and yet it is still a private company, held by its founders.

Why did Bloomberg L.P. create Bloomberg Beta? Bloomberg wants a window into the world of startups to understand meaningful trends early, and know founders and companies long before it becomes obvious that they will be significant. To do this, Bloomberg wants a way to support founders and collaborate with them that doesn’t involve an ordinary commercial relationship. (Many startups are not ready to partner with Bloomberg — or any established, larger company — until they’ve grown, settled on a direction, and decided to make a partnership a priority. That can take as long as a few years after the company is founded.)

Bloomberg L.P. invested in Bloomberg Beta to open that window to startups, and set up a structure that is rare for a corporate-sponsored firm — a true fund that invests for financial return, not an "operating division." Bloomberg knows that great founders want investors whose interests are fully aligned with their own.

So Bloomberg Beta is set up to choose its own investments, and back companies solely on their merits and financial potential, regardless of whether they have (or intend to have) a business relationship with Bloomberg. We do focus exclusively on areas that are of relevance to Bloomberg – we wouldn't invest in a videogame, or a consumer e-commerce site for example. One way to think of our focus: we look at the future of work.

We believe we can take the Bloomberg ethos and apply it to how we work with founders: putting our customers (founders!) first, developing deep expertise in our domain (the future of work), and convening different spheres (from every walk of life) to bring new experiences to our customers.

Ultimately, Bloomberg L.P.'s founders have succeeded at doing what we hope to help other companies do — create something extraordinary.

## 2.4 What We Believe About the Future of Work

To know how our fund works, it helps to know the views we bring into every meeting, every email we send, every thought about a startup. We've worked to articulate some of these beliefs – both those writ large about the economy as a whole and the nature of how business will operate in the future.

#### 2.4.0.1 Work as the Soil of New Technology

Our personal lives are now guided by technology – voice-recognizing kitchen assistants, cloud-based email, self-parking cars, instant delivery of goods and services – more advanced than what we use at work. In the last 20 years, unlike much of modern economic history, technology often arrived in peoples' personal lives before it reached industry.

We believe that work will catch up, and we'll return to the historical norm, where technology arrives at work before it arrives at home. Work – especially knowledge work – will be the soil in which many of the most exciting new technologies, especially many kinds of machine intelligence, will find their most interesting applications. Think about all the industries waiting for a modern approach.

#### 2.4.0.2 Accelerating Pace of Technological Change

We believe technology's pace, while accelerating, will affect us in a more profound way: changes, when they happen, will be far more sudden and jarring. The transition from a human society of hunters and gatherers to an agrarian one took about 3,000 years; the transition from agriculture to industry took roughly 300; industry to services took about 30. Whatever comes next will happen during the span of the careers of people working today. Now, an entire industry or category-leading company can fall off a cliff. In 1958, if a company cracked the S&P 500, it could expect to stay for 61 years – today, the expectation is only 18 years.

#### 2.4.0.3 The Barbell Effect

We believe some startups (and some established companies, mostly the ones with respect for technology as a first-class citizen) will harness the chaos. They will replace entire ways of doing business – mission-critical communication systems, cultures, business models, leadership, and many long-treasured assumptions. Some will supply technology to other companies, while some will enter the fray as direct competitors themselves, built differently from the ground up.

As the dust settles, industry winners will eat more of their industry's total pie, and the middle will wink out of existence. Big companies will get even bigger, and small companies will be able to make a good living for themselves, their owners, and their employees at ever-smaller sizes.

#### 2.4.0.4 Working Like Developers

The human impact of these changes will be enormous. For people working, we believe more of their work will look like that of software developers (automating away tasks and harnessing the flexible power of computers to get work done), and of securities traders (acting on quantitative data all day long). We believe much individual work will be done in collaboration with software that makes its own choices. As a result, many people will suffer the maker vs. manager dilemma that today afflicts mostly software engineers. These talents will bring their own tools (more than just their devices) to work, insisting on the software and practices that make them most productive.

#### 2.4.0.5 The New Company Wo/man

Careers will look less like a straight line, and more like a portfolio of activities, with people judged on their work and their capacities as opposed to their past institutional affiliations (whether educational or professional). In some cases, people will decouple income from work, and integrate their lives and their work in ways considered career limiting today. Their personal, economic, social, geographic, and demographic backgrounds will also be much more diverse than the most recognized talents of today.

#### 2.4.0.6 The Importance of the Individual

Those changes in how people work mean the era of the superhero individual talent is only beginning. An individual person at work will become even more productive, and soon we will see a one-person billion-dollar company. Those individuals will be the ones to create new industries and topple old ones. They will need relatively little capital (financial or otherwise) to reach new heights. They are the ones we want to find early, support with trust as well as dollars, and cheer as they hit escape velocities.

## 2.5 What we look for in a startup

We recognize that seeing early signs of an outlier is hard, and nobody's cracked how to do it reliably. What we want is a reason to tell ourselves that a startup has a chance to be extraordinary. There are a few areas where we search for signs: certain qualities of a founding team, an early product, areas where we think we can be helpful, and the right moment in a company's life. Here is a complete list of the questions we ask ourselves when evaluating startups.

### 2.5.1 Founders

We look for a reason to believe a founding team is extraordinary. Not that they have the perfect skills or experiences to match the business they want to build (which is where the "team" slide in the deck tends to focus), but that they have the capacity for greatness.

What gives us a sense the founders could be extraordinary? Often times, they just have an unusual psychology – they think they are exceptional, see grand patterns others don't, are indifferent to norms, and may have an exceptionally high pain threshold. We are inspired by Michael Dearing's description of the cognitive distortions of founders (pdf, vid). We have passed on companies because we didn't think the founders were crazy enough – they seemed too textbook. (And we don't mean their appearance or background, we mean their level of extraordinary determination, willingness to try, or insight.)

We believe the founders destined for greatness will be magnetic to the best available talent and capital for their companies, and we find ourselves thinking we'd want to work for them (because, if we invest, we will be working for them). They see raising venture capital as a sometimes-necessary aspect of creating a certain kind of business, as opposed to a box to be checked or a badge to be won. They'd continue attacking the problem they've chosen, in some form, whether or not they raise venture capital. They hold as articles of faith that a great company will have a strong culture, and unusual practices that make it an outlier – and begin to integrate that way of thinking sooner than strictly necessary to continue growing their business. Doing so often means concentrating their teams in one (or at most two) locations, recognizing that the known ceiling for distributed teams is still quite low and that face-to-face conversation is a surprisingly resilient mode.

Great teams have a plan to win when – surprise, surprise – they learn that a dozen other teams are pursuing their previously-thought-to-be-unique idea. They persevere when others (including us) tell them that ideas are cheap until they are brought to life. They both see themselves as unique and list many companies as their competitors.

So much of backing founders is about trust – many of the companies we've backed are led by people who we've known for years, and grown to trust. If we don't know you ourselves, we prefer if someone we trust knows you. Otherwise we find it hard to trust our impressions of you after a meeting or two; first impressions are so unreliable. That said, we've backed founders who we only just met – sometimes you "just know."

We also do background checks on founders where we search public records. Almost everyone has something turn up, and that's fine. People get sued, things happen. Some of history's best founders had complicated pasts. The issues arise when we're surprised by something important that we learn – trust, again – and we resolve those issues in conversation with founders.

### 2.5.2 Inclusion and diversity

We are committed to making the startup world welcoming to people of all backgrounds – from our own team, to the founding teams we serve and the companies they build. Startups start with seeing the world anew, and people with different backgrounds see the world differently – so if we want to remake things, we need to enlist people with as wide a range of backgrounds as possible.

We focus our proactive sourcing outreach on seeking out founders from underrepresented communities. We define diversity broadly, including inherent and acquired forms of diversity like gender, race, ethnicity, sexual orientation, age, socioeconomic class, geography, nationality, education, and others.

We are proud of the diversity of our team (e.g., our partnership is 50-50 female-male, and our team is more than half women). We believe groupthink is dangerous in venture capital, and that different perspectives demand different backgrounds. A diverse and inclusive team also just makes for a better experience for us.

That said, we are still disappointed in our performance backing enough founders from underrepresented backgrounds. For example, only 10% of the CEOs we have backed are women and only 25% of founding teams we have backed in the last two years include a female founder. We would like to accurately track other forms of diversity, though we avoid asking our founders to submit any mandatory data to us, so this is difficult. (We struggled with whether to set a goal for future portfolio composition: on the one hand, we want the goal to be something we can control and achieve, and on the other hand, any goal less than 50% feels inadequate and the only goal that matters is the end of our pipeline, backed companies.)

We believe progress requires an accumulation of many small decisions over years – trust takes time. That said, we commit to act now. Specifically: + Our most significant effort to reach new founders is our Future Founders community, where we use data to predict who will start a company. Our group of Future Founders is much more diverse than the current population of venture-backed founders (the group is, for example, 28% female, though of course we want to get it to 50%). + As part of our formal criteria for picking investments we want to make, we only invest in founders we believe are capable of creating a diverse company and an inclusive culture. If a startup we back fails to create a diverse and inclusive culture, we would feel regret regardless of how well the company performed financially. + We host open "office hours" online – only for founders who come from an underrepresented background. Any Friday from 1-2pm PT, you can DM the head of our fund on Twitter and we'll happily arrange to talk with you by phone or chat. + We nearly doubled the number of companies with female founders who we actively consider for investment each month (from 5 to 9 per month), though we'd like to increase that to half of the companies we consider, currently at 30%. (By "active consideration" we mean the stage in our pipeline just before we make an offer – where we meet, usually more than once, and begin to do some diligence.) + When invited to speak at an industry event, we ask whether there is someone from an underrepresented community speaking alongside us (e.g., on a panel). + When we host our own events, we examine our invitation lists for diversity. (See, for example, our yearlong commission on the effect of technology on the future of work.) + We are hosting an annual "Turpentine Talk" (our roughly-monthly founder-to-founder tactical learning events for our portfolio) on the subject of building a diverse and inclusive team. + We were inaugural members of theBoardlist, which helps companies find female board members. + We are participating in #MovingForward, joining other VC's to commit to foster a diverse, inclusive, and harassment-free workplace. + We sponsored a scholarship at Opportunity Hub to send a student from an underrepresented background to SXSW. + We will update the performance metrics we've published here (e.g., on the gender composition of our portfolio CEOs) at least annually.

We believe we need to hold ourselves accountable. As one measure, if a founder ever has an issue with our fund or our team, the founder can make a report to a Bloomberg representative, Drew Gulley – drew.gulley@bloombergbeta.com. We are accountable to our source of capital, and we follow Bloomberg's policies – which cover our interactions with customers (i.e., founders).

We believe a community of companies is stronger the more different viewpoints come to the table, and intend to actively participate in creating a more inclusive and diverse technology industry.

### 2.5.3 Product and market

We prefer to see products that are intensely successful in some initial market, over products that grow to large numbers but don't play an important role in the lives of their users. Bloomberg itself started out as a bond price list for U.S. government bonds only. We like for a product to be the most important service to at least some of its users.

We like products we ourselves would use and understand. We've been technology buyers, software developers, founders, entry-level employees, and of course consumers of many media – so the range of products we might use and understand is broad. These products often start with a specific application of a well-understood technology, not a multi-industry "black box" looking for a use case.

We believe startups destined for greatness, in their earliest days, choose… + Only one model for how to sell, generally either directly to an individual or directly to a company (whereas many believe they can do both at first) + One type of person (e.g., role within a client company) to target as a customer, and specifically avoid trying to serve business and technical users with the same tool + Target customers whose businesses are thriving, and specifically avoid customers in low- or no-growth, or low-margin businesses (e.g., most online publishing)

If a product is launched, we care about how well it is doing – the famous "traction" – but we tend not to focus on absolute numbers. We focus on month-over-month (or, in earlier-stage cases, week-over-week) growth, ask questions about how different cohorts of users behave, and try to understand the per-user behavior (how much does any one user really value the product). At the earliest stages, we are most interested in evidence of customer love – retention or intensity metrics, Net Promoter Score, or even anecdotal praise by customers for the product.

### 2.5.4 Stage

We strongly prefer to be the first money into a company, and to invest as early in the startup's life as possible. If a startup incorporates itself to take money from us, that's great. Should you call us if you have yet to even start a company? YES.

This isn't so much a rational investment calculation (arguably there is less competition to write bigger, later checks) – but it's a matter of our style. An early investment is less of a transaction and more of a relationship. We do make exceptions for certain reasons (e.g., a founder or company we just couldn't resist).

"First money in" doesn't necessarily mean lead investor – sometimes we are the only investors, sometimes one of many. Sometimes the founder sets the terms, sometimes another investor does, sometimes we do. We are indifferent on this. When we're willing to invest, we're willing to set the terms; whether other investors follow depends.

We are more than happy to invest in companies that might take a very long time to prove they are on to something – our investor, Bloomberg, has a decades-long view and is willing to build for the long-term. We do not have a fixed time horizon to expect our companies to return capital. In fact, we prefer companies who are building for permanence.

### 2.5.5 Geography

Greatness can start anywhere. We're a small team with a modest-sized fund, though, and believe we can really only help if we're nearby. Startups depend on trust, and it's hard to build trust without spending time together in person. That means San Francisco and New York since our team is in both of those cities. We have deep roots in both places so our ability to bring in local folks who can help is greater there, and we only want to invest where we believe we can be disproportionately helpful. We would consider an investment elsewhere (for example if an area has a deep specialty, as some regions do with security startups), it's just harder for us.

The same is true for startups that are headquartered in one of our hometowns and have an initial market elsewhere (e.g., a company in San Francisco focused on doing something in India). We believe companies should be as close to their customers as possible, and we want to deeply understand a startup's potential customers – that's difficult when it's targeting customers in markets that are far from where we have expertise and relationships.

We have invested outside of San Francisco and New York a handful of times (DC, Toronto, Seattle, Boston, Austin, etc.), though we need an exceptional reason (and often it's when we already know and trust the team). We've led a couple of tours of newer startup markets (aka "Comeback Cities" tours), where we visit with VCs and members of Congress to learn what it takes to invest there – and we're still exploring whether we can deliver on our standard for founder service in other markets.

### 2.5.6 Sources

We find investments in many ways, but our favorite is for founders we have already backed to refer other founders.

Founders are our customers, and we believe in doing more than waiting to be introduced to them – we want to get to know them early. So we have developed a model in partnership with the Lester Center for Entrepreneurship at UC Berkeley's Haas School of Business (based on data from AngelList and others) to predict who are the people in Silicon Valley and New York statistically most likely to become founders, who haven't yet – our "Future Founders" group. We reach out to these individuals to form relationships with them, and encourage them to form relationships with each other.

After that, we are most likely to invest in companies that come to us through someone we trust. Several of those have come our way through referrals from the staff at Bloomberg – this creates an instant "customer reference," often from someone whose judgment we respect.

We don't really find companies, we mostly find founders. We tend to ask people we trust who are the 1-2 most exceptional people you've met, whether in school or at work, or in some other way – and then we get to know those people. We hope that some of those people evolve to be great founders, and we'd like to know them whether or not they do.

We also try a lot of products. Our phones have many, many apps installed. And we read. We reach out to people and companies whose products we like, or who we read about.

We keep track of companies we've been in touch with – just like we'd hope that our companies do, we have an organized system for our outreach. In general, we try to run our fund with the same tools our companies use.

#### 2.5.7 "Themes"

Our focus is investing in startups that improve work – and knowledge work in particular.

We have doubts about the effectiveness of theme-based investing. The best founders can surprise an investor with an unexpected take on a category. That said, there are areas our team has grown to care about and learn about. We only want to invest in companies where we believe we have enough understanding to be enormously valuable to our founders, and to have good enough judgment to support founders through thick and thin.

Machine intelligence crosses all the areas we care about, and we have treated it as our main interest area for several years now. We believe machine intelligence will transform every industry and every function – and we focus on its effects on business. We believe machine intelligence will be like electricity: cheap, convenient, and on-demand. We want to back the founders ushering this future into the now.

Areas where we've invested include: content discovery, cybersecurity, data sets and services, developer tools, full-stack startups who use technology to compete in a new way, hardware, human-computer interaction, learning, media distribution, new organizational models, open source software, productivity tools, professional networks, real estate, technology platforms, workflow tools, workplace communication.

We avoid investments in financial services companies that intend to compete with Bloomberg clients.

Sometimes founders mistakenly assume that we avoid "consumer" companies entirely. There are many individual-facing businesses that we'd fund – they just need to help a person at work. (Typically "enterprise" businesses sell to a company, and these individual-facing services sell to the end user directly.) Ask us if you are unsure if you fit in our scope!

We do avoid, for example, e-commerce and entertainment because they tend to serve people outside their work capacity. There are also other areas that intersect with the future of work where we know too little to be confident, e.g., retail, travel, local, heavy industry, and medical services. We also believe we play a role in how the future of work evolves, so we'll (politely) pass on investing in what may be highly successful companies but don't fit into a vision of a world we want to live in.

#### 2.5.8 "The Deck"

A demo is 50 times more useful than slides. One is a description of a thing, the other is the thing itself. We look at your demo the way a new user would.

We cringe at the idea of founders spending lots of time making fundraising presentations. When we see "v36" in the filename of a presentation, it bothers us. That said, we do value the work founders do writing down their plans for their company, because it gives us a sense of: * How the team thinks * How well the team communicates * Whether, if we don't know the team, we should spend the time to meet in person

If you use a presentation to sell your product to customers, we're as interested in that pitch as in your fundraising pitch.

There is no standard format we like, but we probably spend 2-5 minutes reading a deck when we are deciding whether to meet a company. How many slides? Depends, but if you need 20 detailed pages to tell your story, that's likely more than we can absorb.

In roughly one-fifth of our portfolio companies, we never saw a deck before investing – usually because the product spoke so loudly for itself, or we knew the team and business so well we didn't need a deck.

In some cases, where we know the team well, we've helped founders (even before we decide whether to invest) write their deck for other investors.

In day-zero companies, we don't pay much attention to your milestones – if you are in the discovery phase, trying to figure out what works, you'll generally be unable to predict where you will be beyond two months from now.

We do care about what metrics you intend to track – what experiments are you running, what hypotheses is your first product testing – and if there is one metric you care about more than any other.

We also ignore, in most cases, long-term financial projections – except to the extent that they show what the "unit economics" (revenue and cost from a single user or customer) need to be for the business to work. If you fail to invent assumptions that make the overall business wildly profitable in a few years, then you probably should be doing something else for a living.

That said, we do care about the short-term financial plan, especially on the choices founders directly control. How many people do you intend to hire, where will you spend the money? This helps us figure out how much time you will have before you need more capital, and how far we believe you can get in that amount of time. We prefer to see early-stage companies spending their capital on building product.

Put another way, a five-year financial plan is mostly useless for early stage companies – a monthly plan for the next twelve months and a quarterly plan for the next two years could be very useful.

We would love to see all of it, whether perfect or otherwise so give us anything you've already made – financial model, deck, background materials. It helps us make sure our conversation is more dialogue than exposition.

### 2.5.9 In-person meetings

Once we're meeting in person, you can often leave the laptop closed. We're trying to get a sense of you as a founder, ask you hard questions and see how you respond.

If your product is public, you should assume when you walk into the room that we've spent the time to play with it.

Some things we tend to say, ask, or think in meetings: * We don't put great faith in the value of advice (including, often, our own) – the world of users and customers has more to teach a company than any smart, well-intentioned person. * What makes you an outlier? (Do you know what makes your company a potential outlier?) * Why is this problem important to you, and how will things be better if you succeed? * What was the last important skill you learned? (We believe great founders are, paradoxically, both self-confident and exceptionally good learners – so constantly in need of improvement.) What was the last thing you were wrong about? * What do you want out of your investors other than money? (We're trying to figure out if we can be uniquely helpful.) * If a dozen other companies are creating a company right now with this exact idea, how could you still succeed? * Who will you pick as your first customers? (This tends to be, in our view, one of the most important early choices founders make.) Who was the last potential customer you spoke with? (Founders who are scared of talking to customers scare us.) * How close do you feel you are to product-market fit? (Here, it's less that we want you to *have* product-market fit, and more that we want to understand how you think about your own progress wherever you are.) * Are there any plans you really would like to pursue, but have stopped talking about with investors because you've been told by VCs they are bad ideas? (We often like those plans.) * If you're successful, what potential harms might your service cause, and what will you do about that? What's been the most difficult ethical dilemma you've had at work? (Credit to our friends at Designer Fund for putting in our heads some of these specific questions about the ethical side of startups.) * For what values would you sacrifice making more money? In practice, have you sacrificed financially to live by a principle? * How will you build a diverse and inclusive team over the next year? Given your personalities, what culture issues do you think are most likely to arise at your company? * Why are you raising money at all? (We find there are plenty of startups who don't actually need to raise money and, in general, that's better for them – even if it means we don't get to participate.)

We try to avoid some of the, shall we say, less useful questions others ask: * What will you do if [big scary company X] competes with you? * Have you patented any of this? * How does this become a $1B business? * How's it going?

Founders are sometimes surprised at how quickly our meetings move; we often will take you off your story to zero in on something we believe is a key driver. This is how we'd work with you after our investment, so you can think about whether you enjoy working with us.

At any point, we'd be happy to narrate for you our level of interest – though you might not always like what you hear. (And remember, an 80% chance of wanting to work together still means there is a 20% chance we will not want to work together.)

Immediately after we meet, a frequent thing we need to do is just think on it – if we find ourselves getting less excited a day or two later, that's probably a bad sign. If we find ourselves returning to the conversation in our heads, wondering what you meant when you said such-and-such, and imagining how great the product will be, that's a great sign.

A lot of founders wonder why investors are slow to get back to them. This is an unacceptable pattern, and yet one we've been guilty of from time to time. Sometimes, the reason is we're doing work on your company (e.g., calling references, who might take a few days to get back themselves). Sometimes it's that we're unsure and we're giving ourselves a few days to see if we get more excited or less as we think on it. Sometimes we just mess up and forget to reply. It's a fail when that happens. We try to at least narrate as we go with "I know you haven't heard from us in a few days, this is what's happening…"

We aspire to be at the extreme end of the "we communicate openly with you" scale.

### 2.5.10 "Doing the work" and calling references

If we decide we are going to invest, we often (but not always) go through a short cycle of working on our own view – probing for holes in our own thinking, asking the advice of our one friend who has been thinking about this industry for 10 years, understanding other approaches that have been tried (or are current competitors), and spending as much time as we can using the product. Many of the same kinds of things we find that founders do in the early days of contemplating creating a new company.

During this period, we try to be open with the founder about whether we will call around to ask about them. We put great faith in the value of these reference calls, and even sometimes check references before meeting a founder for the first time. We owe a debt to the friends, colleagues, and partners who are willing to share open, unvarnished views. We try to skip nonsense questions ("what are their strengths and weaknesses") and instead focus on things that will help us decide whether to back a founder: * How does this person compare to other founders you've known? Top 10%? 5%? 1%? * What makes you believe this person is extraordinary? * If you were us, and decided to invest in the company, in what areas would you guess this person would need the most help?

We call as many references as we can find.

#### 2.5.11 How we decide

We have an "anyone can say yes" policy. Yes, any of our team members can say yes. And no, you don't have to meet my other partners. We believe the best founders and companies are polarizing. Our best investments might have been, originally, opposed by one or more of our partners. Teams are great at gathering information and surfacing wisdom, but terrible at making decisions. We believe in individual accountability – if anyone can say yes, then everyone feels the weight of making a decision. (That said, we do require that before anyone says yes they mention the investment to the rest of us – that way they get the benefit of the team's input, and it's a good way to slow down and think for a second.)

We value each others' opinions and seek them out. Our team is unusual in that we don't (yet!) have any of the "partner issues" we hear about at other funds. In other funds, it can be the worst of both worlds – founders lack clarity about how investments get approved, and in some firms the partners become resentful of one another's power to approve each others' investments and then do little to support another partners' companies.

We believe in each others' talents, trust each other enough not to mind when someone is wildly wrong, and enjoy each others' views. We talk as a full group twice a week, to think out loud about companies we've invested in or might invest in, and we meet for a full few days once every couple of months.

Because any one of us is empowered to "yes" a deal, we all share and share alike on helping each others' deals succeed. "Before the investment, it's your deal; after the investment, it's our deal."

We have posted in public our criteria for deciding whether to invest. When we talk about companies, we use those criteria.

We've had investments where the founder only ever met one person on our team before we invested (though, afterward we all want to meet our companies so we can help them). In practice, each of us often asks the founders if they'd like to meet one of our other colleagues because the founders will get a better feel for us, and because we like and respect our colleagues.

We've noticed something about our "anyone says yes" approach: over time, each of us has gravitated toward different styles of companies. Some of us prefer companies before they've even incorporated, others once they've committed some code (sometimes the code happens before incorporation, that's OK, too). If you get to any one of us, we'll each have a feel for who on our team is most likely to say yes to you – and that's the person we'll try to steer you toward.

In practice, here are your odds: we have invested in 1.5% of the companies we have spent time reviewing.

#### 2.5.12 Our deal memo

Before we invest, we write a brief "note to self" outlining our views. We do this so we can be as disciplined about our commitments as founders are about their commitments. We also share this note with a small advisory group at Bloomberg L.P.

In order of importance, we write about: * The founders' vision * Our thoughts on the founding team * Why we are excited about the company * If the product is built, what we think of it and how well it is doing * What we believe the company needs to do to succeed (or make the next major milestone, like a further round of funding) * The terms of the deal * Other stuff: competition, market size (to the extent we can tell), use of the funding, business model (in our experience it is usually either unknowable or obvious, and not worth much mental energy either way), what we learned in diligence

#### 2.5.13 How long it takes

We've made investment decisions in the first meeting (though usually when we already knew the founder and something about what they are working on), and we've had cases where we get to know the founder over a period of weeks or months and watch their business evolve (often paying a higher price as we watch the founder make progress).

#### 2.5.14 Our "Service-Level Agreement"

Some firms commit to giving you an answer in a certain amount of time. We commit that at any point in time, if you ask us to narrate the likelihood of investment and timeframe, we'll give you our best guess.

The reason we don't have a guideline like "3 meetings in two weeks" is because that smells like a transaction, and we'd rather be in a long-term relationship with you. We take seriously the process of getting to know a founder and a company, and having the founder truly know and like us.

Many of our investments have evolved out of months or years of conversation with a founder, much of which started before Bloomberg Beta even existed. Yes, some are love at first sight – but it's exceedingly rare. We're not sure which will turn out better. But would you tell someone on the first date how many times you had to date them before you decided whether to get married? It's fundamentally unpredictable at first, but it does become clear quickly.

If you're in a conversation with us, our policy is "do ask, do tell" – we are happy to share with you our current sense of excitement and timing. You might have to make a decision, and we want you to know where we stand. If the elevator doors close while we are thinking on it, so be it.

We intend to always give a clear "no" with straightforward reasoning. That reasoning, while straightforward, might still be subjective ("we just didn't get excited about this and we're not sure why").

### 2.6 The deal terms

We want founders to know what to expect when they work with us before they get to the first meeting, and understanding how we think about deal contracts is an important part of that process. Our legal process is thorough, and we diligently review all documents. To help with that, we have published the templates we use for our investment documents. We recommend reading the accompanying blog post, that explains these documents.

### 2.6.1 How much risk do we take

Since we bet early, and expect the vast majority of our portfolio companies to fail to return much money, our winners need to be big. We fully expect that, if we succeed, one investment will return our entire fund. So we need to believe that every company could be that investment.

We prefer enormous growth in modest markets to modest growth in enormous markets. We believe that tends to be a more reliable signal of a company's greatness – it is harder to serve 100 customers exceptionally than to serve 10,000 customers poorly. And we learned, in part from the example of Bloomberg's growth from one category of the financial industry to another, that deeply understanding each type of customer gives you an exceptional ability to lead an industry.

### 2.6.2 "Control"

We are not big fans of boards in day-zero companies. While we like founders having a close circle of trusted colleagues to ask for advice and we aspire to be in that trusted circle, when we imagine early-stage founders working on slide decks instead of products, it makes us feel a little ill. We'd rather be in your Slack or getting your Github notifications than having you prepare for meetings.

We also feel that the cadence of board review (every couple of months, let's say) is mismatched to the cadence of a day-zero company (which evolves every week or two). Later on, boards can be great. If people don't talk just to hear themselves talk, which each of us has been guilty of now and then.

More generally, we are ambivalent about whether investor control is useful at all. We've seen it cut both ways.

So, we generally prefer not to have a seat on a company's board. But, that said, if the company wants us on the board, we're open to talking about it – and we have agreed to join boards from time to time when the founder truly wants this and has good reasons after hearing our views.

### 2.6.3 Rights we want

We care about getting pro rata rights. This means that if a founder offers another investor the opportunity to invest at a certain price, we want to invest at that price too – at least up to the amount needed to preserve our ownership of the company.

We also want to approve of any investments you take that might get their capital repaid before ours.

We care about getting some information rights – basically the ability for us to understand how well the company is doing, and its financials.

We go into much more detail in our public explanation of our investment documents.

### 2.6.4 The numbers

Our standard first check is $500,000, though more and more often we are investing up to $1M. We want to invest enough to give a startup the money it needs to make real progress in the early days, and to attract other investors alongside us if needed. We are happy to lead, and happy to participate in rounds led by others, depending on the situation – in earliest-stage venture, sometimes the idea of a lead means different things to different people.

In the early days of our fund, we wrote smaller checks because (like the early days of companies) we believe in burning capital slowly until you find product-market fit. (In our first year, our biggest check was $250,000.)

We have no minimum check size, and have written checks as small as $25,000, especially in what we call a "flag" investment.

We care about price. We avoid having a hard requirement about our ownership percentage. That said, we want to get return on our time in addition to our capital, so we generally want to be able to own a meaningful amount of a company over time. A good rule of thumb for us is that meaningful ownership means roughly 10%. We are comfortable taking the highest possible levels of risk and we believe that founders, and their investors, should be rewarded for that. (We also believe companies are successful when their teams also get generous equity grants that motivate the early team members to create something valuable.)

We also believe "the price is the price" – we won't ask for unusual discounts for ourselves with strange terms like participating preferred equity. We are flexible as to whether our investment is structured as convertible debt or as equity.

No, not every VC wants to own 30% of your company. In fact, we think at seed stages too much ownership by the early investors can ruin the cap table – making it difficult for the founders to make money, or later investors to own enough of the company when the company needs bigger dollars to scale.

We believe in transparency. If a startup that takes our money wants to publicize the terms of our investment, we'd generally support that. (Of course we'd never disclose anything confidential without consent, and we expect the same of our founders.)

The average pre-money valuation of our recent investments was $7M, though the range was wide depending on the company's state (with valuations ranging from $2-15M. (We update this number from time to time, at a pace that avoids inadvertently disclosing the terms of any one deal. This average includes only investments where we were the first money into a company – we lack a way to make our small number of later-stage investments comparable.)

While we'd like to claim that the amount of work we do on behalf of a company will vary dramatically based on our ownership interest, we're not sure that is true yet – the reality is that the amount of work we do for a company depends most of all on how much the company needs and wants our help. If they ask us to work for them, we do what we can to help.

### 2.6.5 Other investors

We don't care whether we are the lead investor or not. While we prefer to co-invest with others (who can help support a company in difficult times, and bring more expertise to bear), we have invested in situations where we are the only investor. We have also invested in situations where we own such a miniscule percentage of a company that it rounds to zero.

When we do co-invest, we care who a company's other investors are, because the investors form an extended team around a company – and we want our companies to have the best teams possible. We get concerned when we see situations with many investors, none of whom have a significant stake, because we worry that none will actually work to help the company.

### 2.6.6 Negotiating

We can commit to terms on just a handshake as opposed to a formal term sheet (which we're happy to write when founders want them).

We only want founders to hire us as their investor after careful consideration of the alternatives, with as full information as possible. So we're allergic to "exploding offers" (where proposed investment terms expire on a set date) – in fact we have never made one. Investors and founders enter a marriage from which there is no divorce, so while it's important to choose quickly, it's also a one-way door and it's essential to choose well.

### 2.6.7 Following on

Because we have relatively big funds (compared to the size of our initial checks), we do devote an unusually large proportion of our funds' resources to following on. We will deploy our capital over the usual length of time for a fund: three years or so for all our initial investments, and then follow-on capital after that. One of the benefits of having a single LP with a long term focus is that we avoid setting a specific timetable for expected returns.

We won't follow on in every investment, but if we are excited about putting in more money, we might want to follow on for 5x our initial investment – or more. That said, there will also be situations where a company evolves in a way where – even though it is still a great company – it would benefit more from another investor's capital than from ours, so we might not always follow on in great companies.

Unlike our initial investments (where we have an "anyone can say yes" policy), our follow-investments are consensus-driven decisions. Therefore, we have a much more structured process, where we typically ask founders to present their latest plans to the entire team.

### 2.6.8 "Standard terms"

We believe investors should get a "1x liquidation preference" – in other words, if the company ends up being worth less than the value that we invested at, we should be able to at least get our money back.

We want to protect your confidentiality and ours, and usually include a standard term to accomplish that – though the best protection is trust.

## 2.7 Our "products," or, how we work with founders

We think of our "products" as offerings of support and capital to a company, and the price we charge is ownership in a company.

### 2.7.1 "Seed"

Our preference is to be the first money into a company, and to contribute a meaningful amount of capital. This is the core of what we do, and it reflects roughly 90% of the dollars we invest. We want to be able to add capital, sometimes even increasing our ownership stake, as the company evolves. While we lack a specific ownership percentage target, we try to get meaningful ownership given the stage of the company – in practice, this can be 5-15% depending on how far the company's progressed. (It's difficult to generalize because, in startups, exceptions are the rule. We also find that hard ownership targets can make it more difficult to form a syndicate with other investors who can be helpful.)

### 2.7.2 "Funds"

While funds are a different business than startups, they're surprisingly similar: both have founders trying to find product-market fit and seek an outlier result. So we invest in founders of funds for the same reason we invest in founders of startups – and since we always invest as early as possible, we prefer first-time funds, buying as much risk as we can afford. To align incentives for the long term (beyond the first fund's companies) we look to invest in the firm itself (technically, either in the GP or the management company). We back funds founders as we would any founder, as our customer. We're in this for the duration and we want to help portfolio funds win.

### 2.7.3 "Open Angels"

We created the Open Angels program to deepen relationships with a handful of angels we trust. We back every deal our Open Angels do at a fixed ratio with their personal investment. We are not direct investors in their portfolio companies and each Angel manages their relationship with companies. Our intent is to support people we trust, and extend our fund to support many more companies, not to create direct deal flow for us. (In fact, sometimes our

Open Angels might invest in companies competitive to ones in our portfolio – since we have no visibility into details about those companies, and we’re obligated to back them if our Open Angels do, we can continue to serve our portfolio companies effectively. We treat this situation the same way as if we’d invested in a venture fund that backed a startup competitive to one of ours.)

Our Open Angels include Adrienne Harris, Ivan Kirigin, Amir Shevat, Max Simkoff, Jim Greer, Michael Wellman, Parker Thompson, Dennis Pilarinos, and Edith Harbaugh.

### 2.7.4 “Beacon”

We believe that there are exceptional individuals with great ideas who likely have the skills to build a company but lack the network or personal financial means to get started. So we will invest a small amount of capital – $50K (for roughly 2% of the startup idea you pursue) – to support very, very early-stage founders explore an idea, validate a key hypothesis, or build an early prototype. Given the low cost of building software today, these small checks are intended to help founders test new ideas cheaply while avoiding excess dilution too early. We also believe that these investments have potential to increase diversity in the founder community, an effort we support through our Future Founders program. In our experience, the very best founders know how to experiment, iterate, and we were inspired to experiment backing people as soon as we can possibly justify it. Read more on the why, what we look for, and deal terms here.

### 2.7.5 “Flag”

In some cases, we only seek to put a small amount of money to work (for example, in rounds where the founder is fortunate to have many investors who want to support the company, or it is a later-stage company), and it is unlikely we will invest more. In these cases, our support is as much symbolic as it is financial – we want to be part of something, even though we know it is unlikely to be an investment that is meaningful to our fund financially. A typical check for these investments might be $50K. While these investments have access to all the services we offer our portfolio, given our lower ownership stake we’re less able to pay proactive attention to these companies and we want to set clear expectations up front about what kinds of startups the founder will likely consider competitive.

## 2.8 How we support founders

The founders we back are our customers. We aspire to be the most useful investors per minute spent with us, and per dollar on the cap table. We want founders to want to work with us even if we weren't investors offering them money. (Though, for us to be willing to advise, we'd need the same level of conviction that we have when we're willing to invest.)

We want to work with startups the way they work, not the way that big companies or traditional investors work. We prefer to take the formality out of the investor-founder relationship. Instead of requesting board seats and scheduling formulaic calls, we share with founders and encourage them to reach out to us when we can help. We've supported founders with everything from customer introductions to helping hire a critical new team member to sharing product feedback to thinking strategically about press. Consider us "on speed dial." We try to cut waste out of the process; starting a company is hard enough. If you want regular check-ins, sure.

Our team works closely together – we speak often and love helping each other, and we each know the full portfolio – so every portfolio company has access to every member of our team. We think this is different to some other venture firms we've met – we try to be a "no dysfunction" partner to you.

### 2.8.1 Areas where we tend to be most useful

While we're happy to help companies across the full range of early-stage company questions – recruiting (how to seal the deal for a critical early hire?), fundraising (should I take more money or call it a day?), services (who do I use for HR?) – we concentrate on the range of skills loosely called "going to market." Our focus on the future of work means that we may know your market well, or your business model.

To us, going to market includes finding product-market fit, segmenting your market, sequencing your approaches to potential users or customers, pricing, understanding when to review and when to ignore the competition, using the various organic marketing tools, paid marketing, press, partnerships, planning to raise more capital, and just the overall understanding of the importance of communicating who you are and why you are. We have many views here that startups find surprising.

We bridge multiple professional worlds – technical, financial, corporate, philanthropic, political, social, and otherwise. We try to bring founders across those bridges early and often, with introductions to leaders in any of those fields and group discussions to share ideas and lessons learned that are applicable to startups.

We have presence in both San Francisco and New York. We've found that SF-based founders appreciate introductions to customers in New York – we can open that door. We make a concerted effort to help the transition from "west to east" and "east to west."

We don't care about face time – you won't get a "hey let's have coffee just to catch up" every two weeks. We do spring into action when we see the Bat Signal. We take feedback from companies on what they want. Some of our companies have asked us to do monthly, or even weekly, meetings with them, others "go into hiding" while working on their product – we're good either way.

Because we sometimes create our own products, we stay current on tactical trends and may know them firsthand. If you're building something that we can use on our team, we'll share product feedback and be your biggest advocate. We believe founders have as much wisdom as investors (or more) – we're all just trying to spark something great in this big wide world.

One thing many founders don't realize is how little direct control their investors ultimately have – we can't demand certain information from you unless it's specifically written into our agreements (where we often ask only for general financial information), we won't be able to make you hire or fire anyone – we work with you based on mutual trust.

### 2.8.2 How we like to communicate with you

It varies. In some cases most of our communication is by email and chat, others where we do a regularly-scheduled call, others where we meet in person from time to time – it just depends on what the founder wants. At minimum, we generally like to know the number one thing we can help a company with at a given time so we can focus on that.

We appreciate getting regular investment updates (e.g., a monthly email) from companies we back, since it creates a background of good understanding that helps us help you. In practice, about two-thirds of companies we back are in this habit.

What makes a good written update for investors? * A summary (sentence!) that helps us understand how you're doing at trying to accomplish the most important thing for your startup right now – usually we think in terms of the risks you're trying to address * Usually, that means the one operational metric you believe tells the story of where you are, and how that metric changed since last time you communicated it (and relative to your expectations) * What you're most excited about now * How you're doing financially (cash left, burn) * Team additions or changes * Where you want help from us!

Here is a sample anonymized update.

Even better than an update intended for investors is a passive way to keep us updated (i.e., something that requires no incremental work). If you send a weekly internal update, copying us is great; if you use a team collaboration tool (Slack, Trello, Telegram, a Skype chat, etc.) we'd love to be included and take it as a great sign of trust; we even subscribe to private Github repos.

### 2.8.3 How to make the most of us

What gets us going is helping companies realize their potential. We are happiest when we are "in it" with you, introducing you to customers, helping close candidates, whiteboarding a set of features, pushing back on your plan to announce your fancy new product release, or getting that late night call that you think things aren't working out with the person you just spent six months to recruit. We feed off your enthusiasm, and hope to help you build even more of it.

We intend to earn the trust of Bloomberg Beta founders. We commit to being available to you whenever you want to talk. We try to notice when it's "a moment," and especially important to lead with empathy. We recognize that issues around the personal finances of founders are particularly important and often go undiscussed – something we would like to change, so we can better serve founders. We commit to treating founders' personal financial information, when they share it with us, with confidentiality and respect. We intend to use our knowledge to help you and your companies.

We also know startups are not all roses and sunshine, even for the best of companies. We aspire to be most helpful to you when times are tough.

Investing, to us, is really nothing more than the mechanism we use to find a way to work with you. We are more comfortable talking about new product launches than about how to optimize our allocation of capital across our portfolio.

### 2.8.4 Events we host

We invite founders to many events. We believe one way we can help companies is just by getting them out of the building. We get our founders together every so often with an extended group of our friends, and with each other. Once founders start to see familiar faces, they understand that we're building a community of mutual support. These events are completely optional, and sometimes have no direct usefulness at all (like our monthly game of Werewolf in San Francisco).

To bring worlds together, often we'll bring in an author, or a senior government official or business leader, or even an artist, to expose founders to ideas and people from outside the technology startup world. We invite portfolio company founders to every event, and some are only for them. When possible, we try to include the broader community in events we convene.

### 2.8.5 Each other

Now that we have a critical mass of companies in our portfolio, the companies can be helpful to each other should they want to be – vendor referrals, emotional support, product tips, etc.

We were one of the first (if not the first) fund to set up a portfolio community channel on Slack, even before Slack supported this functionality natively. Our founders congratulate each other, promote one another's successes, support each other through tough spots, offer tactical recommendations ("who should I use as an accountant?") in ways much more immediate, varied, and specific than our fund could do for any of them directly.

We noticed the conversations in that channel were surprisingly specific – less about the big picture and more about what kind of paintbrush to use. We were inspired by the Picasso quote that only art critics talk about the Big Ideas, real artists help each other find cheap turpentine. So we created an event series, "Turpentine Talks," where one of our founders who has expertise in a certain area (e.g., growth, building open source communities, hacking personal use of time) leads a roundtable discussion with other founders learning and offering their own experiences.

We admire and want to continue to support these kinds of communities, that openly share a craft to hone the trade of companybuilding, with a particular set of companies that share a similar way of working and similar values. This kind of community is itself part of the future (and the past) of work done well.

### 2.8.6 Learning

We recognize that founders don't have the time to plan for their own professional growth and learning, so we offer them some of that. We might do a training on how to create useful communication with technical teams, or invite founders to a panel on a subject we think they might care about. Founders can request Turpentine Talks on topics of particular interest to them, of course.

### 2.8.7 How our fund works with Bloomberg L.P.

We look for opportunities to connect startups (including our portfolio companies and others) with Bloomberg L.P. – we invest significant time in understanding what Bloomberg may be interested in seeing. In practice, we refer more companies to Bloomberg that are not our portfolio companies, than are portfolio companies. And at the moment only one-fourth of our portfolio companies have business contact with Bloomberg. Bloomberg Beta would never be a party to a business relationship between a startup and Bloomberg L.P.; those relationships are all at arms' length.

There are areas where access to Bloomberg may be enormously helpful to a startup. For example, some areas where Bloomberg has some of the best expertise in the world: the creation of a data-driven subscription business, selected technical specialties, high-touch customer service.

That said, we are set up as a separate legal entity to protect the confidentiality of startups with whom we work.

While Bloomberg will only work with your startup if it makes sense for Bloomberg (no, you can't have a discount on a Bloomberg terminal), we understand how to facilitate the right conversation quickly.

We have an Advisory Committee at Bloomberg L.P. that hears from us about common themes we see, gives us input and feedback, and approves unusually big checks – just like the LP Advisory Committee for any venture fund.

### 2.8.8 After the exit...

We are disciplined about learning from every company. We will write up a retrospective report where we evaluate our value added to the team – vs. what we wish we could have added. We assess whether we were right on the risks the company faced, and what lessons we learned. Most important, we ask whether the founder would have asked for our money again.

Capital that we earn will go back to Bloomberg L.P., and therefore to Bloomberg Philanthropies where they focus on five key areas for creating lasting change: the arts, education, the environment, government innovation, and public health.

### 2.8.9 Company feedback on us

Once a year we ask all our founders to do a short anonymous survey to give us feedback on what we can do better. We calculate a Net Promoter Score as part of this. We use that NPS as the most important metric to drive our fund's choices.

We would share our Net Promoter Score here, but we don't want our founders to feel we are using their feedback to market ourselves. (Though we'd be happy to tell you in person.)

Always be learning from your customers – ours are founders.

## 2.9 Finding us

If you don't know how to find us, figure it out. Great founders overcome much more than that. If you can't, you don't know how to use the internet and you should probably rethink whether being a founder is the right career for you.

### 2.9.1 How to reach out

Should you send us a cold email? Probably not. If we were a customer of yours, would you email us cold? Wouldn't you rather try to find someone in common? If you have to resort to a cold email, which great people sometimes do, at least show us that you took the time to exhaust the available sources of information first. Write an interesting headline. Tell us you read this…sentence…right…here.

#### 2.9.2 Caveats founders should know

Things that won't work: * A first email that says "My round is closing next week. Do you have interest?" We understand that founders are eager to close their funding rounds. Sometimes timing doesn't work – we have no fear of the elevator doors closing on us. That said, we always try to imagine how we'd behave with any company if there *were* enormous time pressure to decide (founder time is precious) – and behave that way regardless. * "You can only try our product if you invest." If the product isn't ready, we understand that. But if it is ready and we can't play with it, we can't figure out whether to work with you.

We will turn down investing in a startup that is a known competitor today to one of our portfolio companies. If you pitch us, and we think one of our founders might find it competitive, or you might find one of our investments (especially an un-announced one) competitive, we'll tell you that we think there is a risk and (in as much as we can share) why. Then, if you want to continue talking, we'll agree with you on what we can share with the other founder (and then, vice versa) to assess the risk of a competitive issue as openly as possible.

We recognize that competition issues can be complicated. Our intent is to respect the interests of our portfolio companies, and the confidentiality of every startup with which we communicate.

#### 2.9.3 Why you should take our money

We wrote this manual so you could understand how we work, and see if you want our money. We hope this manual achieved that, and that we can avoid repeating it all right here.

#### 2.9.4 Thank you

We all move fast, and prefer to spend our time on things that matter. So if you read this, and if you spend time with us, we hope that – whether or not we work together – you find it worth it.

# 3 Bloomberg Beta founders and their startups

Founders are our customers. Here are our (publicly announced) investments, ordered by fund. While we know that many readers of this page want to know our best-performing companies, it's important to us to be transparent about all our investments – they're all our customers. Our most important metric is founder NPS; every founder gets the same vote in deciding our reputation. If you're interested to know which companies the broader community finds most interesting, see our Wikipedia page:

| **BLOOMBERG BETA 2019** | |
|---|---|
| **Founders** | **Company** |
| Turi Munthe, J. Paul Neeley | **Parlia** |
| Ian Smith, Joseph Moster | **Ware** |
| | |
| **BLOOMBERG BETA 2016** | |
| **Founders** | **Company** |
| Madhu Chamarty, Ross Fubini | **BeyondHQ** |
| Sankarshan Murthy, Prahlad Athreya | **Bumblebee Spaces** |
| Tyler Koblasa | **CloudApp** |
| bethanye Blount, Lisa Dusseault | **Compaas** |
| Joe Freed, Andy Horng, Samir Meghani | **Cultivate** |
| Tim Delisle, Bryan Russett | **Datalogue** |
| Danielle Baskin, Max Hawkins | **Dialup** |
| Matteo Melani, Andrew Catton, Luke Andrews | **Ellipsis** |
| Jordana Stein | **enrich** |
| Akshay Gupta, Rabi Gupta, Ashish Kumar, Satwick Saxena | **Eva** |
| Krishna Gade, Amit Paka | **Fiddler Labs** |
| Sherveen Mashayekhi, Alex Rothberg | **Free Agency** |
| Michael Jaindl, Derek Lee | **Howard** |
| Krishna Yarlagadda, Nava Davuluri | **Huddl** |
| Peter Yared | **InCountry** |
| Justin Label | **Inner Loop Capital** |
| Rachel Puri, Vicrum Puri | **Lina** |
| Nadja Oertelt, Allan Lasser | **Massive Science** |

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|---|---|
| David Klein | **Modern Empathy** |
| Katie Stanton | **Moxxie Ventures** |
| Ian Eyberg | **NanoVMs** |
| Spike Lipkin, Gordon Wintrob | **Newfront Insurance** |
| Adam Rogas, Paul Korol, Phil Vizzaccaro, Eric Kay | **NS8** |
| Katherine Lehr, Tom McGeveran, Josh Benson | **Old Town Media** |
| Pia Mancini, Xavier Damman | **Open Collective** |
| Nitesh Goel | **Padlet** |
| Jeff Haynie, Nolan Wright | **Pinpoint** |
| Tom Coates, Rabble, Christoph Moskalonek | **Planetary** |
| Nicola Korzenko, Jake Shapiro | **Podfund** |
| Tuan Ho | **Raydiant (formerly Mira Technologies)** |
| Jeremy Conrad, Conor Lenahan | **Quartz** |
| Dan Pupius, Jennifer Dennard, Braden Kowitz | **Range** |
| Mike Kadin, Jeremy Lermitte | **RedCircle** |
| Gadi Shamia, Ben Gleitzman | **Replicant** |
| Cara Meverden, Saul Carlin, Daniel McCartney | **Scout.fm** |
| Manish Garg, Avinash Misra | **Skan** |
| Christine Tao, Lori Mazen | **Sounding Board** |
| Eyal Feldman, Ofer Feldman | **Stampli** |
| Max Simkoff | **States Title** |
| Zack Kanter | **Stedi** |
| Adrien Treuille, Nodira Khoussainova, Thiago Teixeira | **Streamlit** |
| William King, Bayan Towfiq | **Subspace** |
| Rahim Fazal, Joel Scott | **SV Academy** |
| Saurabh Bajaj | **Swiftlane** |
| Mike Dudas | **The Block** |
| Tiffany Dufu | **The Cru** |
| Beau Cronin, Chris Diehl, David Gutelius | **The Data Guild** |
| Melanie Shapiro, Steve Shapiro | **Token** |

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|---|---|
| Ian Coe, Karl Hanson | **Tonic.ai** |
| Lukas Biewald, Chris Van Pelt, Shawn Lewis | **Weights & Biases** |
| Jesse Patel | **Workflowy** |

**BLOOMBERG BETA 2013**

| **Founders** | **Company** |
|---|---|
| John Ciancutti, Steve McLendon, Steve Henn | **60dB***|
| Satyen Sangani | **Alation** |
| Mircea Pasoi, Liana Dumitru | **Alien Labs*** |
| Drew Conway | **Alluvium*** |
| Naval Ravikant, Babak Nivi | **AngelList** |
| Anant Kale, Kunal Verma | **AppZen** |
| Christopher Nguyen | **Arimo*** |
| Alberto Pepe, Nathan Jenkins | **Authorea*** |
| Sandi MacPherson | **Avec** |
| K.V. Rao | **Aviso** |
| Brian Stone, Karthik Vaidyanathan, Ashwin Goyal | **Banksight*** |
| Eric Tilenius, Pratik Verma | **BlueTalon Data Systems*** |
| Raphael Crawford-Marks, John Quinn | **Bonusly** |
| Josh Schanker | **Bookbub** |
| David Byrd, Steve Kaliski | **Bowery** |
| Ty Walrod, Rutul Davè | **Bright Funds** |
| Nadim Hossain, Nisheeth Ranjan, Ranjan Bagchi | **BrightFunnel*** |
| Dennis Pilarinos | **buddybuild*** |
| Tade Oyerinde | **Campuswire** |
| Matthew Moore | **CarbonData** |
| Travis Deyle, Erik Schluntz | **Cobalt Robotics** |
| Zach Sims, Ryan Bubinski | **Codecademy** |
| Shinji Kim, Alexander Gallego | **Concord Systems*** |
| Jon Lee | **Copper** |
| Brendan Frey | **Deep Genomics** |
| Mike Tung | **Diffbot** |
| Dmitry Aksenov, Mikhail Naumov | **DigitalGenius** |

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|---|---|
| Nick Elprin, Chris Yang, Matthew Granade | **Domino Data Lab** |
| John Terrill | **Drawbridge Networks*** |
| Alex Marlantes, Gabriel Garza Rodríguez | **Everlance** |
| Leanne Kemp | **Everledger** |
| Javed Singha, Yves Frinault | **Fieldwire** |
| Josh Lefkowitz, Evan Kohlmann, Josh Devon | **Flashpoint** |
| Ryan Petersen | **Flexport** |
| Roger Dickey, Debo Olaosebikan | **Gigster** |
| Itzik Ben-Bassat, Aviv Eyal | **GONG!** |
| Daniela Perdomo | **goTenna** |
| Arjun Singh, Sergey Karayev, Ibrahim Awwal, Pieter Abbeel | **Gradescope*** |
| Vikram Chandra, Borislav Iordanov | **Granthika** |
| Leo Meyerovich | **Graphistry** |
| Evan Macmillan | **Gridspace** |
| Rufus Griscom, Michael J. Kovnat, Panio Gianopoulos, Christopher Chaput | **Heleo** |
| Eric Wuebben, Andrew Courter | **Highly*** |
| Satya Patel, Hunter Walk | **Homebrew** |
| Katie Spence, Ben Brown | **Howdy*** |
| Zaid Al Hamami | **Immunio*** |
| Paul Dix, Todd Persen | **InfluxData** |
| Fima Leshinsky, Michael Pollack, Giv Parvaneh | **Intricately** |
| Dor Skuler, Roy Amir, Itai Mendelsohn | **Intuition Robotics** |
| Anthony Goldbloom, Ben Hamner | **Kaggle*** |
| Jesse Vincent, Kaia Dekker | **Keyboardio** |
| Suzanne Gildret | **Kindred.AI** |
| Amol Sarva, Edward Shenderovich | **Knotel** and **Knotable** |
| Edith Harbaugh, John Kodumal | **LaunchDarkly** |
| Ron Palmeri, Tomaž Štolfa | **Layer** |
| Colton Jang, Ishaan Nerurkar | **LeapYear** |
| David Rogier, Aaron Rasmussen | **MasterClass** |
| Max Bruner, Yuan Gao, Alexey Rostapshov | **Mavrx*** |
| Scott Heiferman, Brendan McGovern | **Meetup*** |
| David Gutelius, Chris Diehl | **Motiva** |

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|---|---|
| George Cigale | **MycroFriends** |
| Chris Bach, Mathias Biilmann | **Netlify** |
| John Battelle | **NewCo** |
| Jonah Varon, Axel Hansen | **Newsle***|
| Charlie Robbins | **Nodejitsu***|
| Scott Forman, Jeff Kolesky | **OneRoom** |
| Arthur Lozinski, Trent Seed, Ramin Ettehad | **Oomnitza** |
| Amit Gupta | **Opensense (formerly SenderGen)** |
| James Crawford | **Orbital Insight** |
| Eric Duffy, Jamie Davidson | **Pathgather***|
| Jason Bade, Nick Chen | **Pico** |
| Eddie Lim, Eoin Matthews | **Point** |
| Anne Wootton, Bailey Smith | Pop Up Archive* |
| Sean Gourley | **Primer** |
| Teddy Cha, Hai Po Sun | **pulseData** ** |
| Jason Hirschhorn | **ReDEF** |
| Amjad Masad, Haya Odeh | **Repl.it** |
| Fouad ElNaggar, Peter Yared | **Sapho***|
| Steve Newman | **Scalyr** |
| Ryan Tseng, Andrew Reiter, Brandon Tseng | **Shield AI** |
| Joel Brinton, Ben Morse | **Signal Laboratories** |
| Stewart Butterfield | **Slack** |
| Alan Fletcher, Aman Naimat | **Spiderbook***|
| Kartik Mandaville | **SpringRole** |
| Elizabeth Zalman, Schuyler Brown, Justin McCarthy | **StrongDM** |
| Chris Kelly | **Survata** |
| Danny Rogers | **Terbium Labs** |
| Kieran Snyder, Jensen Harris | **Textio** |
| Anil Dash, Gina Trapani | **ThinkUp** |
| Fred Seibert, Yoel Flohr | **Thirty Labs** |
| Jeff LaBarge, Tom Shapland | **Tule Technologies** |
| Alex Rampell, Pasha Bitz, Jonathan Wolf | **TXN** |
| Andrew Baker, Chris Dralla | **TypeLaw** |

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|---|---|
| Scott Mueller, Michael Yang | **UCode** |
| Alexander García-Tobar, Peter Goldstein | **ValiMail** |
| Stephen Purpura | **Versive (formerly Context Relevant)*** |
| Michael W. Wellman, Dmitry Dain | **Virgil Security** |
| Justin Wohlstadter | **Wonder** |
| Ivan Kirigin | **YesGraph*** |
| Jason Garoutte, Brian Zotter | **YesPath** |
| Kulveer Taggar | **Zeus (formerly Status)** |

** No longer in the portfolio

# 4 Bloomberg Beta criteria for investing

What are our criteria for selecting an investment? Investments we want to make go beyond a checklist of "box ticking" on our non-negotiable requirements (e.g., that we trust the founders). We also look for important indicators that can bias us for or against investing, too. For us to want to invest, the most important single quality: a startup needs the potential to be more than merely great, it needs a shot at the extraordinary. The good news is that to do that, we only look for at least one reason to believe, at whatever stage the company is at, that it can be an outlier…

# 5 Reasons to believe a startup is a potential outlier

*Need at least one of the below compared to other great startups at the same stage* ##### Founder(s) and team + Ever do something singular? Record of unusual achievement + Best-in-the-world domain experience or punch-way-above-your-weight-class first hires + Depth of commitment to the problem ("would do this for a decade, and keep going even if funding never appeared") + Would you work for the team?

##### 5.0.0.0.1 Product and market

- Do any users love the product so much they spontaneously tell other people to use it?
- A wow of a product experience and/or extreme early growth and engagement numbers (for products adopted by individuals)
- Customers don't need to be sold, want to pay full-price immediately -> evangelists (for products adopted by companies)
- Exclusive path to customers – distribution as a competitive advantage
- Timing – that One Moment is clearly now

##### 5.0.0.0.2 Business and economics

- Surprisingly profitable unit economics

##### 5.0.0.0.3 Deal terms

- None. (Good deal terms are never a reason to invest in and of themselves.)

# 6 Important indicators

*Can bias us for or against investing* ##### Founder(s) and team + Combination of human / inhuman, presence of cognitive distortions of founders + Spends only when necessary, miserly with capital until the returns are clear + Reaction to intense pressure or strong criticism? + Differentiated value proposition for talent (e.g., only place to work on a problem, unique founder who is a reason to join the team) + Diverse founding team + If business shows early signs of success, can founders go the distance?

##### 6.0.0.0.1 Product and market

- Someone else already tried – good sign!
- Clear initial target market, surprisingly narrow, and high on the gradient of influence
- Clear single metric to focus on now (often engagement or satisfaction)
- Ignoring the business fashions of the moment
- Ability to create a #1 service in its market (e.g., network effects, customer lock-in)

- Could be most important product to its users
- We have a unique ability to help
- Clear sense, if applicable, of any direct competitors and why the company has superior offering for its market

#### 6.0.0.0.2 Business and economics

- Clear sense of why to raise capital (i.e., where to deploy)
- Clear sense of why to raise *venture* capital (we often discourage founders from taking venture at all)

#### 6.0.0.0.3 Deal terms

- Founders own enough of the company
- Fair ratio between risk and reward?
- Pro rata rights
- Information rights, especially to financials
- Other investors can help the company succeed
- In success, our eagerness to invest many multiples of our original investment

# 7 Non-negotiable requirements

*Need all of the below* ##### Founder(s) and team + Trustworthy (e.g., will tell us when things are even a little broken) + Can raise more money or get business to profitability + Capable of building a diverse team and an inclusive culture + Background check conducted, any issues discussed + In Bay Area or New York (and, if not, strong reason to believe we are the best possible investor)

#### 7.0.0.0.1 Product and market

- "Makes business work better," without being in financial services
- We have judgment to identify a winner in the relevant market (i.e., a fit with one of our stated investment areas)
- Unlikely to compete directly with our other portfolio companies (and verified, if in doubt, by the founder(s) in question)

#### 7.0.0.0.2 Business and economics

- Plausible to have sustainable unit economics in the future

#### 7.0.0.0.3 Deal terms

- Standard investor protections (i.e., liquidity preference at 1x, blocking right over investments that would get repaid before we do)
- Risk-return work for our fund size (e.g., typical check size, stage)

# 8 Administrative Law

This is a placeholder for `open-admin`