

What Is A Protocol And Why Does It Matter?

URL: <https://avc.com/2023/04/what-is-a-protocol-and-why-does-it-matter/>

Date: 2023-04-17T06:56:55

Content:

USV's current thesis is: Enabling trusted brands that broaden access to knowledge, capital, and well-being by leveraging networks, platforms, and protocols. <https://www.usv.com/#thesis-3-0> That last word is powerful but unfortunately less understood than the other words in that sentence. Protocols have been around forever and are well-understood codes of conduct between people. In computer science, protocols are the same thing, codes of conduct. I like this definition of computer protocols from the Cloudflare website : Standardized protocols are like a common language that computers can use, similar to how two people from different parts of the world may not understand each other's native languages, but they can communicate using a shared third language. If one computer uses the Internet Protocol (IP) and a second computer does as well, they will be able to communicate — just as the United Nations relies on its 6 official languages to communicate amongst representatives from all over the globe. But if one computer uses IP and the other does not know this protocol, they will be unable to communicate. <https://www.cloudflare.com/learning/network-layer/what-is-a-protocol/> Protocols have been around for as long as computers, but we are at the beginning of a golden era of protocols that I like to call “web3.” Until recently protocols were mostly free and unmonetized. We all use the HTTP protocol every day to access web pages. We all use the SMTP protocol every day to send email. But these protocols are free to use and don't make money for any company or project or individual. With the arrival of Bitcoin back in January 2009, we got a protocol that had monetization built in. And since then, computer scientists have been creating web3 protocols for all sorts of things, most of which have a token that monetizes the protocol. The monetization is not just about enriching the creator(s) of the protocol. It is also used to incentive usage of the protocol and operation of the protocol. In the Bitcoin protocol, that is operating mining computers that secure the Bitcoin network. In the Helium protocol, that is operating hotspots that connect the network. In the Ethereum protocol, that is staking to secure the network. In the Filecoin protocol, that is operating storage systems that provide decentralized storage. It is the monetization that sustains these protocols and makes them reliable for others to use and build on them. And with sustainable and reliable protocols, we will get a new architecture of services that will be much more interoperable. Let's look at mobile messaging. Most of my friends and family are on iPhones. I use an Android. Messaging does not work very well between iPhones and Android phones. Many people in the world use Whatsapp for mobile messaging. But Whatsapp doesn't speak to iPhone's messaging app. Nor does Signal. And Signal doesn't talk to Whatsapp. And so on and so forth. If every mobile messaging app was built on a monetizable protocol, that was sustainably reliable because operating it made people and companies money, and if developers were incentivized to build on it so they could also make money, we would have a different situation. All of our mobile messengers would interoperate with each other. The same situation will play out in every computing sector over the next few decades as these web3 protocols are designed, built, shipped, and built on. We are in the early days of this golden era of protocols, but we already have many working extremely well in the decentralized infrastructure and decentralized finance sectors. It upsets me that protocols are both so powerful and also so poorly understood by the media, the mainstream, and the government. The White House recently put out a document that said “crypto assets currently do not offer widespread economic benefits” suggesting that web3 was not economically important to the US. While the economic benefits of web3 are not widespread today, they are quite powerful and will eventually impact every economy and every market. And pouring cold water on them will not make them go away. Thankfully.

Noya

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Content:

Six months ago, I wrote about Direct Air Carbon Capture and ended with this: I remember hearing that “we’ve spent hundreds of years taking carbon out of the ground and putting it into our atmosphere and we are going to spend hundreds of years taking carbon out of the atmosphere and putting it back into the ground”. I believe DAC will be a big part of how we do that. I used that quote again on a blog post I wrote yesterday on the USV blog about Noya , a Direct Air Capture company that USV recently invested in. Sometimes when I write about something here at AVC, it is a sign that it will end up on USV.com. This was one of those times.

Leading From The Heart

URL: <https://avc.com/2023/04/leading-from-the-heart/>

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Content:

I have watched so many leaders over the years in my various roles as lead investor, board member, board chair, investor, and advisor. And one thing I have learned from this front-row seat is that leading from the heart is very powerful. A leader can be the most brilliant product person, strategist, entrepreneur, and business builder, but if they cannot get people to follow them, trust them, and care for them, they will not be an effective leader. This is a hard lesson to learn. It is a fairly natural tendency to hold your emotions in check when you are in front of a large group of people. We are taught to project strength in moments like this. And it is also a natural tendency to hold back the most difficult-to-process information, like a fundraising process that is not going well, or conflicts in the board room, or a co-founder relationship that is fraying, or the loss of the biggest customer, or a key supplier relationship that is at risk. And yet, it is these exact moments where leaders develop that followership, trust, and care from the team. I am not suggesting that leaders should become deeply emotional every time they talk to the team. I am not suggesting that leaders share every little detail about the business with the team. I understand that some details about the business need to stay confidential until the appropriate time to communicate them. There is a balance to all of this. I am suggesting that more transparency, more vulnerability, and more honesty is the winning formula and when you are choosing between the two, choose these things. One of my favorite stories about this comes from a particularly difficult moment in my career where I had to transition a founder out of the company they started. It was the night before the all-hands where the CEO transition was going to be announced. I asked the founder if they were going to attend the all-hands and the founder said no. I then asked the founder what I should tell the team. The founder said, "tell them you fired me because that is what happened". The next day I stood up in front of the entire company and told the team the Board had asked the founder to leave the company they started and that the Board had asked a member of the team to step into the CEO role. After the all-hands ended, there was a line of about twenty or thirty people long to talk to me. And every single one of them waited in line to tell me the same thing which was "thank you for telling us the truth." It was a powerful lesson for me. And like most of the lessons I've learned in business, I learned it from a founder and their team. If you are struggling to build the level of trust you want with the team in your company, try a little more transparency, vulnerability, and honesty in your communication style. It will pay dividends.

The Blackbird Platform

URL: <https://avc.com/2023/04/the-blackbird-platform/>

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Content:

The first project launched this week on our portfolio company Blackbird 's platform. It is a friends and family program at a restaurant in Williamsburg Brooklyn called Gertie . Blackbird wrote about it today on their excellent Supersonic blog : Throughout, when you tap Gertie's Blackbird-powered NFC chip (shown above), wonder awaits. On the first tap, a free cookie sourced from a nearby bakery comes your way. On the second, coffee is on the house. Over time, one-size-fits-many freebies give way to the kinds of perks you'd expect as a regular, like a personalized coffee mug that is always at the shop awaiting your arrival. I also really love how Blackbird's founder Ben Leventhal describes the company's mission: Blackbird is here to create meaningful connectivity between restaurants and their customers. By connectivity, we mean direct connectivity, where guests know that the more they show up, the better their experience is going to be. We hope to help restaurants think about benefits as a line of business, not just a bunch of random comps. If we can, restaurants will begin to deliver magic at scale, and get more profitable in the process. We'll turn good restaurants into bonafide thrill rides — spontaneous, consistent, and compulsively enjoyable. The Blackbird platform is a great example of what can be built on a web3 stack when most of the web3 stuff is under the hood, invisible to the users but powering things that can't happen on a web2 stack. Some people call this "web 2.5" but I just call it awesome. Blackbird will continue to introduce capabilities and develop its platform much further. So in the weeks, months, and years ahead, when you see this on the host stand when you walk into an establishment, you will be in for some of that awesomeness.

The Daily Bolster

URL: <https://avc.com/2023/03/the-daily-bolster/>

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Content:

USV is an investor in Bolster , a marketplace for fractional and full-time executive talent for startups and growth companies. This week Bolster launched a daily short (5min) podcast and email with actionable insights and advice from founders, operators, and investors. It is called The Daily Bolster . I did a Daily Bolster episode and it is featured today. I've embedded it below and you can watch it here if you are reading AVC via email. The daily email contains a short pull quote from the daily podcast which in and of itself is quite useful but is also a prompt to spend five minutes and watch or listen to the daily podcast. I strongly recommend founders and operators in the startup and growth sectors subscribe to the daily email and podcast. You can do that here: [Subscribe to The Daily Bolster Email](#) Podcast: [Subscribe on Apple Podcasts](#) [Subscribe on Spotify](#) [Subscribe on YouTube](#)

A Conversation With Mike Zamansky

URL: <https://avc.com/2023/03/a-conversation-with-mike-zamansky/>

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Content:

Mike Zamansky is the person who got me interested in K12 Computer Science Education in NYC, a cause I have now contributed almost fifteen years of my life to. Our family's public charity, Gotham Gives , has been funding the work we do in K12 Computer Science Education in NYC for the last decade and a month or so ago, the Gotham Gal recorded a podcast with Mike talking about the early days of our journey into K12 Computer Science, how we met, and what transpired. That podcast is up on YouTube and I've embedded it here. It's about ten minutes long.

The Newest Members of the USV Team

URL: <https://avc.com/2023/03/the-newest-members-of-the-usv-team/>

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Content:

Last Thursday, three new blog posts hit USV.com announcing our three new analysts: This is our tradition at USV. When someone starts at USV, we ask them to write a post on the USV blog introducing themselves. This helps founders who come to talk to us about their companies understand the folks they will be talking to. Grace joins us from Silver Lake where she was working on their ESG strategy. Nikhil joins us from Daffy where he was helping to build charitable giving software. Matt joins us from Aerofarms where he was working on vertical farming. At USV, they will work with all of us areas helping us find, invest in, and support founders working in our thesis areas. I am excited to work with them for the next two years.

The VC's Customer

URL: <https://avc.com/2023/02/the-vcs-customer/>

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Content:

I saw Dan Primack assert that the venture capitalist's customer is their limited partners in this tweet about the Citizen app, the recap, and their VCs: Regular reminder that, ultimately, VC funds works for their limited partners, not for their portfolio companies. <https://t.co/0uGuk8KUZo> — Dan Primack (@danprimack) February 25, 2023 I DM'd Dan to let him know that is not the right way to think about the venture capital business. Back in 2005, in the early days of this blog, I wrote this post on the topic . The entrepreneur is the customer and the LP is the shareholder. That's the only way to think about the venture capital business that makes sense to me.

https://avc.com/2005/11/the_vcs_custome/ I encourage everyone to read that post . It is one of the most important things I've written about the VC/founder relationship and I would not change a single word in it almost twenty years later.

What Does "Native" Mean

URL: <https://avc.com/2023/02/what-does-native-mean/>

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Content:

When a new technology comes to market, we often look for “native” applications of that technology. What is a “native” AI application? What is a “native” Web3 application? I have not seen a better articulation of “native” than my partner Albert’s post from 2009 on native mobile applications . He started out by laying out the new primitives that mobile smartphones made available to developers. In the case of mobile, he cited: Location Proximity Touch Audio Input Video Input He then went on to say that it would be the combination of these primitives, more than any individual one, that would make for native mobile applications. And then he went on to lay out some of the applications he was seeing that were native. If you want to figure out what the native AI applications or the native Web3 applications will be, or the native AI/Web3 applications, start by laying out the new primitives and going from there.

The 83b Election

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Content:

First and foremost, this is not tax advice. I am not a tax advisor and you should never take anything you read here as tax advice. If you read something here that makes you think you should take some tax-related action, please always consult your tax advisor. With that disclosure out of the way, I would like to talk about 83b elections. An 83b election is a choice a taxpayer can make to pay the taxes in full at the time of the grant of an asset that vests over time and would otherwise be taxed as the asset vests. So why would you want to do that? Well, if the value of the asset at the time of grant is quite low and the taxes would not be significant to you, you might want to make an 83b election. Otherwise, you will be taxed as the asset vests and if the asset increases in value, those taxes could be significantly larger. Let's look at an example. Let's say you join a company that is very early stage and you are one of the first employees. Let's say you are granted 100,000 shares of restricted stock that vest over four years and the current value of each of those shares is \$0.10. That means the entire grant is worth \$10,000 ($100,000 \times 0.1$). If you file an 83b election, you are volunteering to pay the taxes on that \$10,000 even though the shares vest over the next four years. The taxes on that \$10,000 will depend on where you live, but will generally be in the range of \$2500 to \$5000. Now let's say you decide not to file an 83b (or worse, you never heard of an 83b election and nobody suggested you file one). Let's say one year later, your first vesting period happens, and 25,000 shares vest. And let's say that the stock has increased significantly in value to \$1/share over the first year. That means that the 25,000 shares that have vested will generate \$25,000 in taxable income to you and the taxes you will owe on them will be in the range of \$6,000 to \$12,000. And you still have 75% of your grant unvested and the stock might keep going up, creating more taxes for you over the next three years. You have 30 days post grant to file an 83b election so you must move quickly if you want to do this. The downside of the 83b election is you will have paid the taxes on the stock even though you may leave the company and not vest into any or all of it. That is the risk you are taking when you file an 83b election and you must consider that risk when you make the election. In life, there are generally no free lunches. If you are being granted restricted stock, founders stock, or some other asset that vests over time, you should ask your employer and your tax advisor if you should file an 83b election. There is a good chance you will want to. The reason I decided to write about 83b elections today is that USV signed onto a comment letter to the IRS last week asking them to make e-filing and e-signing of 83b elections permanent. You can read the comment letter [here](#). 83b elections are an important tax strategy for founders and early employees in startups and they should be used more frequently than they are. And it should be dead simple to file one. Taxes are hard enough for the average startup employee to understand and comply with. We should not make it harder.

The Rebrand

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Content:

I'd guess that upwards of half of USV's portfolio companies have changed the name of their company during their lifetime. It is not hard to understand why. Founders start out with an idea and not much more. By the time they have built a product, built a team, and found product market fit, they might be doing something a bit different or a lot different than where they started out. Most often the name change comes in the first few years when the business opportunity comes into clarity and the original name becomes an issue. But occasionally it comes much later in life. A good example of the later in life name change is our portfolio company Dronebase which changed its name to Zeitview this week. We made a seed investment in Dronebase eight years ago about six months after the company was formed. So the company is in its ninth year. Zeitview does aerial inspections of buildings, renewable energy infrastructure, and telecommunications systems using advanced AI/ML software. It is a high-growth business that just raised a \$50mm late-stage round. Over time, the company has adopted many techniques to acquire the imagery that they use to do the AI/ML inspections. Drones are still a big part of the mix but only when they are the best way to acquire the imagery. So it came time for a rebrand. The Company took its time, thought a lot about it, hired a rebranding agency, surveyed all of its stakeholders, cleared all of the typical conflicts, and landed on Zeitview. They rolled out the name change this week. I will miss the name Dronebase. I have had good success investing in companies with "base" in the name ■ But I am already warming to Zeitview. The two-syllable name with a well-known noun in the second spot is always a great approach to a name.

The Cleanse

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Content:

I've never done a cleanse. But many of my friends and family members have done them. There are various flavors of cleanses but the basic idea is you cut back your consumption of food and drink and replace it with mostly liquid nutrition for anywhere from a day to a month. I believe the most common lengths are in and around one week. As I understand it, the theory behind the cleanse is it helps your body eliminate all sorts of toxins that build up over time from a poor diet and other unhealthy practices and allows you to reset. I'm told that people feel great when they complete the cleanse. I like to think of what we've been going through in the tech sector/startup land/venture capital over the last year as a cleanse. Things had gotten so nutty, frothy, and out of control that we needed a reset. It was not just valuations that got out of whack, although they certainly did. Cost structures got out of whack. Compensation structures got out of whack. Company cultures got out of whack. Venture capital firms got out of whack. Things just moved too fast, we lost track of what made sense, and focused on doing more than thinking. Everyone was reacting to everyone and everything. All of this hyperactive behavior was driven by fear of missing out and the idea that the path to success was more, more, more. So now we have stopped eating all of that bad food and drink and are on a liquid diet of cost containment, extending runways, focusing on unit economics, getting back to deal sizes and valuations that make sense for the long run, and growing profitably. The first few days of a cleanse are apparently unpleasant. And the last year of the tech downturn has also been unpleasant. Lots of people have lost good-paying jobs. VC portfolios have been marked down upwards of 50% and more. Stock prices of publicly traded tech companies are down between 30% and 80%. It has been hard for many people. It is my view that we are entering the part of the cleanse where the body has adjusted and is starting to feel better. Everyone is starting to get comfortable in the new normal. This cleanse is likely to continue for most, if not all, of 2023 but I think it gets easier from here. At least for most people who work in tech and startups. And when it is over, sometime in the next twelve to eighteen months, possibly sooner, we should all feel a lot better. New technologies are emerging that provide a lot of opportunities to start and build new companies. The pool of talent that is sitting on the sidelines and available to work in these new companies is quite substantial. We are already seeing the seeds of all this being planted now. For established companies that grew up in the go go years, my mindset is to survive the downturn and invest in new products and services that the market will want when things snap back. Many/most of the companies that I get to work with are doing just that. I think they will be rewarded for getting back to basics, building and shipping new things, and improving their products and services meaningfully during the downturn. I've been through a few down cycles now that I am in my fifth decade in tech/startups/venture capital and while they are all a bit different, they all eventually end and those who survived, invested and built, and improved their market positions materially during the downturn have always been rewarded for that. I see no reason why that would not be the case this time as well.

The AI Assist

URL: <https://avc.com/2023/01/the-ai-assist/>

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Content:

I wrote last week that I have started coding again. And I have been amazed at how much easier it is now that I can code and deploy in the cloud without having to spin up anything myself. But the other massive improvement in programming is the “AI assist.” I am working in a Javascript library called jQuery and I don’t really understand its commands and syntax very well. So I turned to ChatGPT last week and got back this: That is like having every line of code commented out so you know exactly what it is doing. Once I understood what the code was doing, it was pretty simple to edit it to do something different. GitHub also has a service called CoPilot that I have just set up so I haven’t used it yet. They call it “your AI pair programmer” which sounds like exactly what I need. I hope to get it working this week and that will help me even more. Like all things AI, some will say that machines will replace humans in writing code. I think that could happen, but what certainly is happening is machines are making humans more productive in writing code. AND AI is allowing humans who aren’t very good at writing code to be able to do it much more easily. The machines replacing humans narrative is powerful. But the narrative I prefer is that AI is making things available that have been expensive and unobtainable for so many. And that is not limited to programming. It is true of so many things.

Coding Again

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Content:

It has been many years since I've written code. I've hacked around in HTML and CSS a bit on this blog and a few other places. But I have not actually written an application in a very long time. I think it might be thirty years since I've done any real programming. Over the year-end break, my partner Nick taught me how to use GitHub Codespaces and Netlify to quickly spin up development and deployment environments. I forked his Google Sheets NFT Playlist app and have been making changes to it to suit my needs. Forking someone else's application is a lot easier than starting from scratch. I always encourage teachers who are introducing students to coding to start that way. There is nothing more intimidating than a blank screen. Coding is like solving puzzles. It stretches the mind and causes you to think in different ways. I quite enjoy it and I'm glad that I am doing it again. Debugging something to make it work correctly is also a lot of fun for me. It is really amazing how easy it is to write and deploy code in the cloud these days. I hope that I will use my new Github Codespace and Netlify accounts to make some fun things this year and beyond.

Machine Learning and Schools

URL: <https://avc.com/2023/01/machine-learning-and-schools/>

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Content:

I read last week that the NYC Department of Education has banned ChatGPT from its networks and devices . I understand that reaction and mentioned the issues that AI/ML create for educators in a post a few weeks ago . I attended a dinner this past week with USV portfolio founders and one who works in education told us that ChatGPT has effectively ended the essay as a way for teachers to assess student progress. It will be easier for a student to prompt ChatGPT to write the essay than to write it themselves. However, I would like to suggest that educators embrace these new tools rather than block them. We are entering an era when AIs will be available to everyone to use to do work, entertain ourselves, and many other things. We cannot put this genie back in the bottle. We need to embrace it. I think a better approach would be to require students to use ChatGPT to write an essay or at least help write an essay and then have the students compete to see who can leverage this technology to create the best essay. That would teach the students to use these tools rather than pretend they don't exist. I own a slide rule that my dad gave me. He used it for many years until calculators emerged. He told me when calculators first showed up, many educators wanted their students to continue to use slide rules. But eventually, they realized that calculators were better and embraced them. I think the same thing will happen with AIs. So we might as well get busy integrating them into education instead of banning them.

What Will Happen In 2023

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Content:

I want to focus this post on the macro environment for tech, startups, web3, and climate because that is where my head is at right now. I believe that sometime in the first half of 2023, the central banks around the world will start backing off the tightening that they have been engaged in as inflation continues to ease and the economy continues to cool. Interest rates will level off in the first half of 2023 and I think there is a good chance of a “soft landing” or a very mild recession in 2023. With that macro view in mind, what would that mean for tech, startups, and web3? The largest tech companies will emerge from this downturn leaner and more profitable and growing more slowly. They will be mature businesses that behave like the blue chips that they are. I think these companies, like Apple, Amazon, and possibly Google, will see their stocks come back into favor ahead of everything else in tech. I am hedging on Google because I believe the massive advances in AI/ML that we are seeing right now may be a threat to their core search franchise. Startups are going to have a tough year in 2023. While many have gotten their burn rates way down, most startups still are losing money and will eventually need to raise capital in 2023. Because most startups avoided raising in 2022, there will be a glut of startup companies in the market for capital this year and while there is plenty of venture capital sitting on the sidelines waiting to be deployed, VCs will be much more selective, instead of funding everything that moves as we’ve done over the last few years. Good businesses with product market fit, positive unit economics, and strong leadership teams will raise capital although it will be at the new normal in terms of valuation. I believe that “new normal” is more or less where we were in 2015 where seed rounds were done around \$10mm, A rounds were done around \$15mm to \$25mm, B rounds were done around \$25mm to \$50mm, and growth rounds had a cap at 10x revenues. This new normal will lead to many flat rounds, down rounds, inside rounds, and rounds with a lot of structure on them. None of that is good, but the worst of those options is rounds with a lot of structure. I believe founders and CEOs and Boards should take the pain of a new valuation (flat, down, whatever) over structure. But there is a huge number of startups out there that have not really found product market fit, have not created positive unit economics, and have unresolved issues in their founding teams and leadership teams. These startups will struggle to raise capital at any price and most of them will fail. This has already started to happen but because so much capital was raised in 2021 and the early part of 2022, it has taken longer for these companies to fail. I think we will see a lot of startups in this category go under or taken out in fire sales in the first half of 2023. While all of that sounds gloomy and downright horrible, I do think the startup sector will end the year in a much better place. The good companies will have gotten funded, the bad ones will have shut down, and VCs will be back to competing with each other to win deals, which is where founders always want VCs to be. I think web3 will behave similarly in some respects but different in others. I think the large caps in web3 (BTC and ETH mainly) will start to attract more interest from investors and should do well in 2023. I am more bullish on ETH personally because it has the best underlying economic model of any web3 asset. Like the startup sector more broadly, web3 will go through a triage of sorts in 2023. Projects and protocols that have found product market fit, have real token economics, and ship new features quickly will attract new interest and rise in value. But many web3 projects have not found product market fit, have weak or no token economics, and do not execute well and I think we will see many of them continue to flounder and fail in 2023. There is a much larger overhang in web3 right now when compared to the broader startup and tech sectors. There are entities that are insolvent but have not been restructured. There are funds that are so far under water that they may be forced to liquidate. These kinds of activities will produce ongoing sell pressure on web3 tokens for at least the first quarter of 2023 and maybe for much longer. While there are compelling values out there in web3, I am not convinced that it is safe to go back into the water just yet unless you have a very strong stomach and a very long time horizon. Climate, where USV has been actively investing for the last three years and now has two funds dedicated to the sector, has mostly been spared the carnage that has hit the other parts of USV’s portfolio. 2022 brought largely good news to the sector in the form of the oddly named Inflation Reduction Act (IRA) that will flow billions of dollars of capital into the sector over the next decade. Many leading VC firms have dedicated climate funds now and we see huge amounts of capital available for climate startups with strong teams and novel approaches. Last year I predicted 2022 would be a big year for carbon credits and while we saw a lot of growth in the market for these credits, particularly among the large tech companies, I was way too optimistic about how fast the market would grow. That said, I think 2023 will bring more growth in this market which provides the underlying business model to many of the new climate startups VCs are funding right now. We are also seeing a noticeable movement of tech and startup talent into the climate sector in search of new problems to solve, more meaning in their work, and many more job openings too. I think 2023 will be a big year for this talent migration. There is a pattern to much of this and it is that 2023 is going to be a tough year for most but those that get through it should find themselves in a good place, with leaner cost structures, less competition, and healthier employer/employee dynamics. Surviving is thriving in 2023. So to everyone who is reading this, Happy 2023. Buckle up, hang tough, and be smart.

What Happened In 2022

URL: <https://avc.com/2022/12/what-happened-in-2022/>

Date: 2022-12-31T11:33:07

Content:

I like to bookend the New Year holiday with two posts, one looking back at the year that is ending and one looking forward to the year ahead. This is the first of these two posts. The second one will run tomorrow. What happened in 2022 is the bottom fell out of the capital markets and the startup and tech sector more broadly. Back in February 2021, I wrote a post called *How This Ends*. In it, I wrote: I believe it ends when the Covid 19 pandemic is over and the global economy recovers. Those two things won't necessarily happen at the same time. There is a wide range of recovery scenarios and nobody really knows how long it will take the global economy to recover from the pandemic. But at some point, economies will recover, central banks will tighten the money supply, and interest rates will rise. We may see price inflation of consumer goods and labor too, although that is less clear. When economies recover and interest rates rise, the air will come out of the asset price bubbles that have built up and the go go markets will hit the brakes. I went on to say that I had no idea when all of that would happen, but I was confident it would. Well, it happened in 2022. The air came out of the asset price bubbles that had built up over the last decade and were accelerated/exaggerated by the pandemic. There have been a number of other factors at work, like a war in Europe, that made things even worse, but it is my view that most of what happened in 2022 was entirely predictable, expected, and necessary. In the areas that USV works in; tech, startups, and web3, there have been a number of important downstream effects of the popping of the bubble and they are worth enumerating. As the capital markets, including crypto/web3, came undone, companies reacted by adjusting their burn rates to reflect that the growth at any cost phase was over and it was time to get on a path to breakeven. That has meant layoffs across the tech, startup, and web3 sectors. The voracious appetite for talent has waned. Spending for growth has largely stopped and most tech companies and startups are growing more slowly but with better unit economics and lower cash burn. Some startups have failed, particularly the ones with upside-down unit economics or with a lack of product market fit. I think we have just seen the start of this trend and I plan to talk more about this in tomorrow's post. The sector with the largest impact, obviously, has been web3. Many large centralized entities; lenders, exchanges, crypto funds, etc, blew up when the value of web3 assets declined 70-90% over the course of 2022. The carnage has been massive and reminds me of what happened to the web sector in 2000/2001. Some of this has been markets doing their thing, but not all of it was. There was fraud, mismanagement, irresponsible risk-taking, and more, at play in the web3 sector. And yet, I am not aware of any leading decentralized protocols blowing up in 2022. The smart contracts that run these protocols did what they were programmed to do and they have come through intact. It is a testament to the power of decentralized protocols over centralized entities and, for me, the major lesson of 2022 in web3. I used the word necessary a few paragraphs ago to describe what happened in 2022. I understand that this year has been painful for most and devastating for many. I am not immune to it. Our family's net worth has taken a massive hit. The carrying value of USV's assets under management has been cut in half this year. And yet, I am fine, my family is fine, and USV is fine. Many are not. I understand that and have a lot of empathy for those who lost so much, including their jobs, this year. And yet, I know that the unwinding of an unhealthy and unsustainable growth at all costs/cheap capital environment was necessary and will be healthy in the long run. We already see many of our portfolio companies operating at much more sensible cost structures with clear paths to profitability at much lower growth rates. The ending of the war for talent in tech also is incredibly healthy. Some leading tech company CEOs I know believe they can operate with much lower headcounts in product/engineering/design than they have been for the long term. That talent can move into new startups and new growth areas, like climate and healthcare, that need it. Like all transitions, this is messy, painful, disruptive, and ugly. And this year has been all of that and more. I am happy to see it in the rearview mirror and looking forward to better things in 2023. Which will be my topic for tomorrow.

My Year-End Playlist

URL: <https://avc.com/2022/12/my-year-end-playlist/>

Date: 2022-12-19T06:44:47

Content:

As usual, here are some songs that stuck with me this year. fredwilson · Backing It When No One Believed I hope you enjoy it.

The Hour Of Code

URL: <https://avc.com/2022/12/the-hour-of-code-2023/>

Date: 2022-12-09T11:51:33

Content:

I have written many times about the Hour Of Code here at AVC . It is the highlight of the annual Computer Science Education Week which is the first week of December, which is this week. Yesterday Marco Argenti, Goldman Sachs' CIO, and I went with NYC Schools Chancellor David Banks to the Hospitality Management High School in the Hell's Kitchen neighborhood in Manhattan to do an Hour of Code with the students there. In the class we attended students were using the Scratch programming environment to make a small robot move around a course while also navigating some real world problems. In this photo you can see three young women with their robot and a laptop with Scratch on it: At the end of that exercise, the students got the opportunity to ask Marco and his colleagues about working as a software engineer. This is a post the Goldman team wrote about the importance of this work . Many AVC readers know that getting computer science education into every building in the NYC public schools has been a long standing passion project of mine. It's hard work getting the business community engaged with this work and supporting it financially. But every time I get the opportunity to go into the schools and see the teachers and students working on computer science problems, I get a boost of energy in my system to keep going and push even harder. I was particularly excited and pleased to see Chancellor Banks so engaged and excited about what he saw yesterday. Chancellor Banks and his team at the Dept of Education are very focused on creating pathways to rewarding careers for their students. The Chancellor calls it his "north star." So they are a fantastic partner for this work I do and I appreciate everything the DOE, the school leaders, and the teachers do to help the young people of NYC become computational thinkers and be computer literate. It will make a big difference in their lives.

Sign Everything

URL: <https://avc.com/2022/12/sign-everything/>

Date: 2022-12-05T06:10:22

Content:

The advances in AI over the last year are mind-boggling. I attended a dinner this past week with USV portfolio founders and one who works in education told us that ChatGPT has effectively ended the essay as a way for teachers to assess student progress. It will be easier for a student to prompt ChatGPT to write the essay than to write it themselves. It is not just language models that are making huge advances. AIs can produce incredible audio and video as well. I am certain that an AI can produce a podcast or video of me saying something I did not say and would not say. I haven't seen it yet, but it is inevitable. So what do we do about this world we are living in where content can be created by machines and ascribed to us? I think we will need to sign everything to signify its validity. When I say sign, I am thinking cryptographically signed, like you sign a transaction in your web3 wallet. I post my blogs at AVC.com and also at AVC.Mirror.xyz which is a web3 blogging platform that allows me to sign my posts and store them on-chain. This is an attestation at the end of last week's blog post . You can see that "author address" and click on it to see that it is one of the various web3 addresses I own/control. That signifies that it was me who posted the blog. It is also stored on-chain on the Arweave blockchain so that the content exists independently of the blogging platform. That is also important to me. I think AI and Web3 are two sides of the same coin. As machines increasingly do the work that humans used to do, we will need tools to manage our identity and our humanity. Web3 is producing those tools and some of us are already using them to write, tweet/cast, make and collect art, and do a host of other things that machines can also do. Web3 will be the human place to do these things when machines start corrupting the traditional places we do/did these things.

The Buy And Hold Mindset

URL: <https://avc.com/2022/11/the-buy-and-hold-mindset/>

Date: 2022-11-28T06:33:22

Content:

When markets are in turmoil, like they have been for most of this year, I like to have a buy-and-hold mindset when it comes to making new investments. It is hard to know when you've reached the bottom and can start buying again, but if you think about a ten or twenty-year hold, then it becomes a bit easier. The Gotham Gal and I buy and build a fair bit of real estate on the side and we generally use a "cap rate" of between 5 and 10 when we acquire and develop real estate. That means we want to generate an annual yield on our total investment (acquisition cost plus construction cost) of between 5% and 10%. If you think of those numbers as price/earnings ratios, then we are paying a PE of between 10 and 20 times earnings. It is true that PEs and cap rates and most other "investment ratios" are impacted by current interest rates. When rates go up, like they have been for the last year, the value of capital assets goes down. That's what we have been seeing this year, among other things. But if you think about holding an asset over a very long time, like a building, then you will likely hold it through a number of different interest rate environments. And so what I like to think about is what a reasonable return is for a very long-term hold. And in real estate, that is between 5% and 10% per year in my view. Riskier assets, like venture capital investments, would require a much higher return than 5 to 10% a year. At USV, we generally underwrite to at least 10x our investment if the company is successful and drop down to maybe 5x on more mature companies where we have a much better line of sight to an exit. A 10x return over ten years is roughly a 26% annual return compounded. A 5x return over ten years is around 17.5% compounded. So riskier assets command higher expected returns. But if you are looking at a tech stock that is mature, like Google or Apple or Amazon, or even something a bit less mature like Etsy (where I am Chairman and own a lot of stock), or Shopify, or Airbnb, I believe it is appropriate to think about that investment more like real estate than venture capital. Let's look at Google. It is down about 30% in the last year to a market cap of about 1.25 Trillion. It generates about \$70bn of net income a year (that's what it generated in the last year). It generates about \$80bn of cash flow from operations. So if you think of Google like a building, it is trading at a cap rate of 6.4% and a PE of about 18x. Google's business is not quite as resilient as a building, which is a hard business to mess up, but it also could potentially grow its earnings significantly over the next decade or two, which is a bit harder to do with buildings. Would you rather buy Google at a cap rate of 6.4% or an apartment building in your neighborhood for a 6.4 cap rate. I think it's a tossup. At least it is to me. Now let's look at Airbnb. Airbnb's stock is down 46% in the last year. It is valued at \$62bn. In the quarter that ended in September 2022, it generated \$2.9bn of revenue and \$1.2bn of EBITDA and Net Income. I am not sure why Net Income and EBITDA are the same. Maybe Airbnb is not paying taxes yet. It could be using up loss carryforwards or something like that. But a fully taxed Airbnb would be generating Net Income of more like \$1bn or maybe even a bit less per quarter. On an annual basis, Airbnb is likely to be generating about \$5bn of EBITDA and maybe \$4bn of net income. Airbnb's cash flow from operations over the last four quarters is approaching \$3.5bn. So if you think of Airbnb like a building, it is trading at a cap rate of 5.6% and a PE of 15.5x. These ratios and numbers are all "back of the envelope." What I mean by that is there is a much more rigorous analysis that could be done here. I am just trying to use some real companies as examples of what I am writing about today. My point is that if you think Airbnb and Google will be around for the next twenty years and their businesses will be stable and/or growing, then the prices at which they trade in the market resemble what a real estate owner might pay for them if they were buildings. And if you, like a real estate owner, want to own these assets for a long period of time and generate an annual return of between 5% and 10% on them, compounded over ten to twenty years, then today's prices look pretty reasonable to me. A 6.4% annual return compounded over ten years is about a double on your investment. A 6.4% investment compounded over twenty years is about 3.5x your money. So if you are saving for a retirement or college expenses or something else, you have a long-term opportunity and so thinking long-term can be very helpful. To be perfectly clear, I am not recommending Airbnb or Google stock here. I like both companies very much and think they are dominant in their sectors (travel and search) and likely will continue that dominance for the foreseeable future. But all businesses are at risk of poor management, new competitors, changing market structures and technologies, and many other things. Return comes with risks. Buildings can be risky too. Neighborhoods can change. Tax and other laws can change. What I am saying, however, is that many of the top tech companies have seen their stocks tumble between 30% and 80% in the last year. Shopify is down 75% in the last year. Twilio is down 83%. Cloudflare is down 75%. These are companies I am quite familiar with, know the CEOs, and admire. Again, I am not recommending these stocks. I am just saying that prices have come down a lot in the last year and fundamental analysis, at least on some, suggests they are in the range where a long-term buy and hold could make a lot of sense. Does that mean the stock market has bottomed? Absolutely not. It may have. It may not have. But if you are investing for a very long time horizon, you may not want to think about trying to time the bottom, which is very hard to do anyway, and just think if investments you make now and hold for a long time make sense. And on that measure, I feel that the answer is starting to be yes. If markets continue to tumble into next year, then we will have opportunities to buy great companies at even lower PE ratios and higher cap rates.

And there is some chance that will be the case. So another thing I like to think about is taking a long-term approach to making investments. If you decide to invest \$100,000 into the stock market because you agree with my reasoning in this post, then it would make a lot more sense to invest \$10,000 a month over the next ten months than invest all of the \$100,000 this month. The markets may move up on you making the later investments more expensive. But they could also move down on your making the later investments more attractive. Since we don't know which way markets will move, it is best not to try to time them and just average into a position over a reasonably long time period. Markets are not rational in the short run. They become overheated at times and those are excellent times to sell some of your investments and move to cash for a while. They also become overly beaten up at times and those are excellent times to deploy that cash back into the markets. Knowing when you are in which situation is critical and fundamental analysis using cap rates and PE ratios and expected returns can be very helpful in determining that.

NFT Art CDMX

URL: <https://avc.com/2022/11/nft-art-cdmx/>

Date: 2022-11-21T10:28:44

Content:

We spent this past weekend in Mexico City at Bright Moment's NFT Art CDMX . Bright Moments is the premier NFT art "gallery" in the world. I use that term in parentheses because Bright Moments is much more than a gallery but that word is well understood. USV is a member of the Bright Moments DAO. Over the course of the weekend, eleven leading NFT artists minted new generative artworks one by one in minting rooms where the collector and the artist saw the work revealed together. Because there were eleven artists minting their work and also the 1000 mexican cryptocitizens (called Mexas) being minted all at the same time, there was a "live feed" of all of this minting activity in the center of the space. Hanging out in the main space and witnessing all of the fantastic art coming to life for the first time in real time and in real life was an amazing experience. We did it for two nights this weekend. I've written before about Bright Moments and the in-person experience of experiencing the creation (minting) of generative art. Too much of the NFT experience for my taste happens online and in isolation. Art is best when it is experienced by a group of people and displayed in a large format where everyone can appreciate it and discuss it together. When you experience generative NFT art that way, it is an aha moment. Finally, I want to thank the entire Bright Moments team for putting together an incredible event where the artists were front and center along with their amazing work. I came away from it even more excited about where NFT art is going and what it will become.

Taking A Long Term View Of Web3

URL: <https://avc.com/2022/11/taking-a-long-term-view-of-web3/>

Date: 2022-11-15T12:59:50

Content:

This post was co-written by Katie Haun and Fred Wilson. The events surrounding FTX have shaken the confidence of many. How did one of the largest crypto exchanges collapse so quickly? Why do meltdowns like this seem to keep happening? At times like this, it helps to have a long-term view of web3 as a sector, not just a forward-looking long-term view, but also some perspective on where we have come from. As longtime investors in web3 and board members (also individual shareholders) of Coinbase, one of the oldest and best-known companies in the space, we thought we might share some thoughts. Web3 is a software-driven innovation that has a built-in financial system. This has been both a strength and a weakness. On the one hand, tokens enable developers and users to contribute to open-source protocols and participate in the economic upside of doing so, leading to strong developer communities. That's been a positive relative to how software has been developed, monetized, and governed in the past. On the other hand, tokens lend themselves to boom/bust cycles and a sense by many that web3 is simply a speculative endeavor with no real substance behind it. This perception is only reinforced by the companies and individuals who started web3 companies and projects with the exclusive intent of making a lot of money very quickly through leveraged trading and speculation, pumping and dumping, and, sometimes, outright fraud. Most of the well-known meltdowns in web3, going all the way back to Mt Gox and including recent failures like 3AC, Celsius, and Alameda/FTX, have happened to centralized companies operating trading, lending, and speculating businesses. Many of the failures have been offshore and all of them were largely unregulated. These companies and their activities have given web3 a bad name. We have also seen high-profile decentralized projects, like Terra, fail due to flawed design but those failures happen out in the open in a transparent way that is much healthier than the way centralized companies fail. Contrast that with regulated web3 businesses like Coinbase, Kraken, and Anchorage that operate in the US and you will see that the companies that have followed the rules and behaved properly have weathered these storms. Coinbase's early innovation was creating a secure, easy-to-use, regulated bridge from fiat currencies to crypto and a safe place to store crypto assets. Coinbase provides a number of important services that have allowed the web3 ecosystem to grow and thrive. The most important software innovation of the last decade, which started with the Bitcoin white paper fourteen years ago, is the emergence of open-source software and decentralized protocols that are the foundation of web3. These protocols have survived recent market volatility. It is the promise of software that is not controlled by a company, but instead by an open-source community with built-in safeguards and increased transparency relative to today's tech and financial systems, that gives us so much confidence in the future of web3. These web3 protocols are in active development for mainstream adoption and some key features are still missing. For example, blockchains as they were originally architected are public by default. This is not suitable for most applications. Imagine if your email, banking, and social data were public for everyone to see on a blockchain. Also, blockchains are slow and complex networks. Improvements to performance, scalability, and privacy are happening at the infrastructure level of the web3 technology stack. Emergent technologies like zero-knowledge proofs and rollups are starting to address these issues without compromising decentralization. These breakthroughs are still in the early stages of deployment among a small subset of developers. This is the kind of important work that happens behind the scenes without any coverage. But it is these developments that are preparing web3 for the mainstream. Eventually, as the web3 infrastructure improves, the user experience gap between self-custody and storing assets on centralized entities will shrink. More users will feel comfortable self-custodying their assets in software they control and managing the keys that provide access to their assets themselves. This is how many web3 users interact with decentralized applications, like NFT marketplaces, today. When web3 becomes a credible alternative to web2 for the masses, large centralized companies like Facebook, Apple, Amazon, and Google will have to compete for access to our data thus redefining how we use the web. Software development will be more open-source and composable. And large financial institutions like banks and brokerage firms (which includes the FTXs of the world) will no longer control our assets and lend them out without our permission. Ironically, web3 is about giving control of data and assets back to the people and taking it away from large centralized companies. But the transition from web2 to web3 has been slow and messy and many of the early web3 companies have been copycat versions of what came before them. That is where the risk has been in the web3 ecosystem and what we need to move away from. The lesson of these recent events for policymakers should not be that web3 is bad and must be constrained. It should be that pushing innovation offshore is bad. We need trusted and well-regulated centralized entities to survive and thrive and we also need decentralized web3 protocols to flourish and provide a path to a fully decentralized web. Both are possible and the good news is we are already on a path toward both. We need to stay that course, provide for a healthy web3 sector in the US, and stop pushing US users to risky/shady offshore entities with unclear, uneven, and unfair policy actions. This is another hard moment for web3 and we will see negative headlines about "crypto" for some time. But it's important to remember that these headlines are all about the speculating/trading part of web3. The much more important underlying software innovation

continues unabated. And that is what we remain so excited about and will continue to fund and champion. This post was also shared on the Haun Ventures blog .

Helping More Ukrainian Families and Children

URL: <https://avc.com/2022/11/helping-more-ukrainian-families-and-children/>

Date: 2022-11-14T05:56:33

Content:

I've previously written about The \$1k Project for Ukraine , which was launched by my friend, Alex Iskold, five days into the Russian aggression. Since its inception, the project raised more than \$10M and helped 10,000 families and 35,000 children. The AVC community has generously participated. Last week, Russia announced its withdrawal from Kherson and The \$1k Project crew is racing to help the next 1,000 families specifically focusing on the liberated territories. This coming winter is going to be absolutely brutal in Ukraine because of the energy crisis. The Gotham Gal and I have previously made a donation to the project and we received this thank you page from the families we supported. This past weekend we made another donation to support these families in the newly liberated territories. If you are able to give and support a family please do so here .

Two Weeks In Paris

URL: <https://avc.com/2022/11/two-weeks-in-paris/>

Date: 2022-11-13T06:11:54

Content:

The Gotham Gal and I just spent the last two weeks in Paris. We have been going to Paris together for around forty years and have had a place there for the last decade. It is a place we can go to get away from it all for a few weeks, connect with each other, and enjoy ourselves in a city we love. I've thought a lot about why Paris works so well for us to dial it down a bit and focus more on each other for a while. The time zone is a big part of it. The US doesn't wake up and start working until early afternoon in Paris so our mornings and lunchtime are all our own. We sleep way later than we sleep anywhere else and stay up later too. The coffee shops I like don't open until 9am or later so that's an added incentive to stay in bed a bit longer. We do find time to work when we are in Paris, but it is generally from mid/late afternoon until dinner time. So the time we work goes down considerably but not to zero and the time together goes up a lot. Add to that our love of walking through cities and neighborhoods. We do a ton of that in NYC and will walk to and from dinner most of the time in NYC. But walking in Paris is next-level walking. The avenues are wider, the buildings are lower, the light is better, and the architecture fills the streets with beauty. We walk between 10,000 and 20,000 steps every day we are in Paris except for full rainouts, of which we had one on this trip. And then there is the culture. The museums, the galleries, the nightlife, the restaurants, the stores. You can get all of that in NYC or London or a number of other great cities in the world, but Paris does it so well. Our stays in Paris are basically less work, more sleep, more culture, more walking, and more fun together. It's a formula we found many years ago and has never failed us over the years. On this trip, there were some new things and observations that I thought I'd mention. 1/ Pedal assist bikes and bike lanes: I've been doing Velib bikes in Paris since they launched in 2007/2008. I wrote about them back then. But over the last few years, Paris has really upped its bike game. They have cut down lanes for cars and replaced them with bike lanes. They have allowed competitors to Velib in the market and now I have three bike apps on my phone, Velib, Dott, and Lime. The Gotham Gal and I were able to find pedal-assist e-bikes whenever we wanted them with no trouble. Our favorite was Lime which was the most available and their new Gen4 bikes are really good. On Thursday, when we wanted to go to the Paris Photo Show in the 7th, there was a strike on the Metro and so we biked forty minutes, mostly along the River Seine, to the show. It was fabulous. NYC should allow competitors to come into the market and compete with Citibike. When it comes to pedal-assist e-bikes, I think the more options the better. And the way Paris manages the parking spots for the Lime and Dott bikes works pretty well and suggests that the kiosk model that Citibike and Velib use may not be ideal. 2/ English spoken everywhere: Well maybe not everywhere. But over the last decade, since we got our first place in Paris, the number of people we encounter whose English is worse than our French has basically gone to zero. I don't feel great about my poor french, which gets better over the course of two weeks but is not conversational in the least. But I do feel great about being able to communicate with whomever we need to while we are in Paris. 3/ More and more American ex-pats are living in Paris. Or maybe it's that we know more American ex-pats living in Paris. Some of them came a decade ago. More came in the wake of the changing political dynamic in the US in the last five years. And the Pandemic brought even more. I did think a few times, "maybe we should join them" but we are not ready to give up the lives we have built in the US over the last forty years. But I do understand why so many US citizens are making Paris their home. It's a very livable city. And with the dollar so strong, an American income goes a long way in Paris these days. And socialism, which is a scary word to many in the US, seems to work quite well in France. There is a safety net. There are fewer homeless on the streets and there is a sense that people in need are better taken care of in Paris. I don't know that to be true, but that's the feeling I get walking around the city for a few weeks. 4/ Property values and rents are more stable: Having bought a couple of apartments in Paris over the last decade, we have come to understand that the real estate markets work a bit differently in France. If an apartment is offered at a price, and you meet that price, the apartment comes off the market for a month while you decide if you absolutely want to buy it. There are no bidding wars as a result. There may be other factors at work as well, but we got the sense that the real estate markets, both purchasing and renting, are moderated in Paris in a way that is absolutely not the case in NYC. We own a lot of property in NYC and have benefitted from increases in the value of our real estate but we feel like those gains came at a great cost, which is that NYC, particularly Manhattan, has become so expensive to own and rent that many stores cannot make it anymore. It's hard to find a shopping street in Manhattan that doesn't have multiple vacant stores. We saw very little of that in Paris. And many restaurants we love have remained in the same spaces for over a decade. Again, we don't know the details of how and why this is, but it is noticeably different and it seems like the model is working in Paris. The streets are alive and vibrant in a way that NYC streets are not right now. We returned home yesterday having spent a wonderful two weeks together, reconnecting in lots of ways, and with new memories and new adventures under our belt. I highly recommend that couples find a time and place that they can go unwind and reconnect. For us it is Paris. But it can be almost anywhere that allows you to cut back on work, spend more time with your loved one, and refresh and recharge. It has been working great for us for many years and the longer we do it, the better it gets.

Creator Royalties

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Content:

One of my favorite things about NFTs is that they contain a mechanism for the artist/creator to collect royalties on all of the sales that happen after the initial sale/mint. The creator specifies the royalty percentage when they initially mint the NFT and the NFT marketplaces/smart contracts collect the royalties on future sales and pay them to the creator. Some forms of creativity have had ongoing economic participation by the creator for many years. In the music industry, there are publishing rights and recorded music rights that are paid to the creator and/or the creator's financial partners (ie record labels and publishing houses). In the television industry, there are syndication rights. Many of the most successful musicians and television talent have made significant sums of money on these rights. But for many forms of creativity, the ability to participate in the future value of the work has been absent. So when I saw the NFT standard emerge, I was really excited about the potential for artists to participate as the value of their work escalates over time. However, there are clouds on the horizon right now. Some NFT marketplaces have chosen not to enforce NFT creator royalties. There are some valid reasons for this and some not-so-valid reasons. One valid reason is that "market makers" need very low transaction fees to provide liquidity to a market. A market maker is a participant that trades assets and does not hold them for long-term appreciation. They make money on the spread between where they buy and where they sell. These market makers ensure that there is always a bid on an asset that is being sold and an ask on an asset that is being purchased. Liquidity is essential for markets to work properly and so finding a way for market makers to avoid paying royalties is important. If a creator royalty is 20%, for example, a market maker would either need to underbid by 20% or overprice by 20% in order to break even. That's not reasonable or feasible. But there are also less valid reasons. Some newer NFT marketplaces are not enforcing royalties in order to take share from the larger more established NFT marketplaces. While one could argue that is the market working and competition is good for innovation, they are using the NFT creator as a "pawn" in this fight and that really sucks. The NFT creator's only recourse is to "blacklist" certain NFT marketplaces that won't enforce royalties and many are reluctant to take that step as it potentially reduces the interest in their work. Yesterday, OpenSea, the largest established NFT marketplace, partially addressed this issue by announcing a "tool for on-chain enforcement of royalties for new collections." This will allow NFT creators to require the collection of on-chain royalties when they mint new collections. It is not clear to me whether this tool will only work on OpenSea or if it will work across all NFT marketplaces. Obviously, the latter is the correct approach. OpenSea acknowledged that it does not yet have a good answer for existing NFT collections and is interested in hearing from "the community" on what to do about that. Another important development in this area comes from USV's portfolio company Uneven Labs which shipped the Forward Protocol a few weeks ago. The Forward Protocol allows NFT creators to specify that market makers/liquidity providers will not pay royalties on their assets but collectors/long-term holders will. This seems like an incredibly sensible approach and one that the creators and NFT marketplaces should adopt. Here's the bottom line for me. A critical part of the NFT innovation is the ability for creators to specify a royalty rate on their work and have it collected in the secondary marketplaces. This is every bit as important an innovation as on-chain art and everything else that comes from the NFT standard. Everyone in the NFT world; creators, marketplaces, collectors, market makers, etc, etc should insist that creator royalties remain a fundamental aspect of NFTs and do whatever is necessary to ensure that happens.

Direct Air Carbon Capture

URL: <https://avc.com/2022/10/direct-air-carbon-capture/>

Date: 2022-10-24T07:38:32

Content:

There are many efforts underway to reduce carbon emissions in order to get to “net zero”. But most climate scientists believe that reducing emissions won’t be enough and we will also need to engage in removing carbon from the atmosphere. There are natural ways to do this like reforestation, soil carbon, biochar, etc but there are also “engineered” approaches to removing carbon from the atmosphere. One of the most promising of the engineered approaches to removing carbon from the atmosphere is direct air carbon capture (DAC). In DAC, air is run through a device which captures CO₂ and air is returned from the device with less CO₂. The captured CO₂ is then sequestered underground or used for fuel or something else. DAC facilities exist and are removing carbon from the atmosphere but the total carbon removal rate from DAC is currently only around 100,000 tons of CO₂. It is estimated that by 2030, DAC facilities around the world will be removing 1.5bn tons of CO₂. And that number will grow in the decades to come as our planet works to get to net zero and beyond in this century. I remember hearing that “we’ve spent hundreds of years taking carbon out of the ground and putting it into our atmosphere and we are going to spend hundreds of years taking carbon out of the atmosphere and putting it back into the ground”. I believe DAC will be a big part of how we do that.

NFT Screens

URL: <https://avc.com/2022/10/nft-screens/>

Date: 2022-10-17T06:04:10

Content:

I have enjoyed collecting NFT art over the last few years and I have very much wanted to display it in a physical space vs just having it online on a profile, like this one . So when we started designing the new USV offices last year we started thinking about NFT screens. We were inspired by these amazing NFT screens in the Bright Moments NFT Gallery in Venice Beach California . So we bought six large displays for the new USV office, three portrait orientation like the photo above and three landscape orientation and hung them around the new USV office. Here are a few photos I've taken of the USV NFT screens over the last few months: Here is how we manage the screens: We bought Yodecks, one for each screen. A Yodeck is a raspberry pi-based inexpensive device made for the digital signage market but works great as an NFT player. There is a web app to manage the Yodecks and you can put all kinds of media onto the device. We chose to make a simple web app that runs a playlist of NFTs on each screen and shows the artist, title, and owner on the bottom left and a QR code to view/buy/etc the NFT on the bottom right. We curate NFTs into a Google Sheet, we use a script to construct a web page playlist from that curated list, and the Yodeck runs the playlist. It is really simple and works great. I recommend the larger (4GB) memory Yodecks for displaying rich media NFTs. I also recommend auto refreshing the web app in the Yodeck interface with some frequency to avoid crashed web pages blanking the screens. My partner Nick wrote the simple web app and we've had a lot of fun getting it working well in our office and curating the playlists. Anyone who can fill out a Google Sheet can curate a playlist in our office. So everyone can and does. Here is the GitHub repository for the web app that Nick wrote . If you collect NFTs and want to display them in your home, office, gallery, store, or somewhere else, I highly recommend doing some version of what we've done. It's great to showcase digital art on large format screens.

Vaccines

URL: <https://avc.com/2022/10/vaccines/>

Date: 2022-10-11T06:57:31

Content:

I've always been a fan of preventive medicine. I like the idea of medicine that stops us from getting sick. As a child, I was vaccinated for all of the normal things, polio, whooping cough, etc in order to be able to go to school. Growing up I was vaccinated for tetanus and a few other things. As an adult, I have gotten a flu vaccine every year for almost forty years. And as a result, I have avoided the flu almost every season. Last Friday, I biked over to CVS and got my annual flu shot and the new bivalent Covid vaccine. That Covid shot is my sixth. I started with a J&J in March 2021 when I was skiing in Utah. I got the Pfizer double shot in the summer of 2021, I got a Moderna booster in Jan 2022 a few weeks after I got a mild case of Covid. I got another Moderna booster this past summer, and on Friday I got the new bivalent Moderna vaccine. I think it is safe to say that I am a believer in vaccine technology and I avail myself of it when it is recommended. I got the double shingles shot a few years ago on my doctor's recommendation. I had shingles once, in my early 30s, and hope I never get it again. It is painful. I know that many people don't trust vaccines. They believe they cause bad side effects. Or they believe they don't work. Or both. But I am in the other camp. I am a vaccine enthusiast. I like the idea that we have a technology for instructing our immune systems on how to react to a pathogen. I would like to instruct my immune system as much as possible.

Is It A Computer Or A Car?

URL: <https://avc.com/2022/10/is-it-a-computer-or-a-car/>

Date: 2022-10-03T06:11:42

Content:

In the spring of 2014, I walked across the street from our apartment building to our parking garage to get our car and drive somewhere. I can't recall where I was headed that morning. But as I walked into the garage, I saw two EV charging kiosks had been installed in our parking garage. I turned around and ran back to our apartment building, went back upstairs to our apartment, and told The Gotham Gal that we were getting a Tesla. I had long wanted an EV but the "how do we charge it in the city" problem had been the blocker. Now that was solved. Maybe a month later, the Tesla arrived and I drove it into the parking garage to show the garage attendant how to drive and charge the car. He sat behind the wheel while I described the features of the car and when I was done he said to me " Mr. Wilson, they have combined an iPhone with a car! " I love that story because never a truer word has been spoken. I was thinking about that when I was recently describing how my new Rivian Truck handles off-road driving. It isn't four-wheel drive, it isn't all-wheel drive, it is any-wheel drive. There are four electric motors, one on each wheel, and depending on how the truck is performing, different amounts of power are delivered to each and every wheel. The software determines which wheels need what power and supplies it to that wheel in real-time. Is the Tesla a car or a computer? Neither and a bit of both. Is the Rivian a truck or a computer? Neither and a bit of both. When you rethink a system, like a car or a truck, as a computer first and foremost, amazing things become possible. Like over-the-air software upgrades which continue to add new features to our Tesla eight years after I drove it into the parking garage for the first time. We have seen this story play out across many devices in our lives; phones, TVs, watches, thermostats, smoke alarms, light switches, etc, etc. It is an enormous shift in how things are designed and made and it is playing out right in front of us.

Demand Response

URL: <https://avc.com/2022/09/demand-response/>

Date: 2022-09-26T06:08:16

Content:

At USV, our climate thesis is about both mitigating and adapting to the climate crisis. One way we can adapt to the climate crisis is by building a more resilient energy supply system. Demand Response is one of many approaches that will be necessary to do that. Demand Response is when consumers of energy voluntarily cut back on energy consumption in reaction to peak demand situations. There are many different ways this is done, and energy companies will often offer economic incentives for their customers to do this. A great example of this is what happened in the recent heat wave in California in early September. Our portfolio company Leap aggregates energy consumption devices across a partner network via their API tools. They recently wrote a blog post about how their demand response network performed in California during the early September heat wave. Leap aggregated 21,152 energy consumption devices (smart thermostats, EV chargers, etc) across 24 participating partners in California. As Leap wrote in that blog post: On September 6th, the California power grid peak demand hit 52,061 MW, a new all-time record for CAISO. Demand-side reductions were instrumental to preventing rolling blackouts as extreme temperatures caused demand for electricity to spike across the state. Leap's network of 21,152 devices was able to curtail about 115MW of that demand at peak. That is about 0.22% of the total peak demand in California and represents the equivalent of a small traditional power plant or large solar farm that would cost tens of millions of dollars to construct. Leap's network is not the only Demand Response network operating in California. There are many of them and the total amount of demand curtailed by Demand Response networks was certainly a big factor in avoiding brownouts during the recent heat wave. If you have smart energy devices in your home or office, you should look into how to connect them to a demand response network. Helping to curtail energy consumption during peak demand situations will be an important part of adapting to the climate crisis.

Changing Public Perception

URL: <https://avc.com/2022/09/changing-public-perception/>

Date: 2022-09-18T16:48:37

Content:

Nuclear power (both fission and fusion) has the potential to provide much of the energy the world needs without the damaging effects of carbon emissions which are warming our planet. And yet nuclear power is politically unpopular in many parts of the world and that has led to a massive underinvestment in nuclear power over the last fifty years. It will take a much different attitude about nuclear power among the public before nuclear power can reemerge as a major source of energy for the world. That is but one example of very promising technologies that suffer from negative public opinion. Web3, which will usher in a different way of engaging with web services also suffers from a negative public perception. And yet a web3 that allows users to control their data with web services that will need our permission to use it offers a radically better model for the web as we know it. Vaccines, which are one of the most important public health innovations of the last hundred years also suffer from negative public perception. Way too many people don't trust vaccines and don't avail themselves of them. So what can those of us in the business of creating and bringing these important technologies to market do to reverse these negative opinions? I believe that getting these technologies into market and showing people their benefits is the very best thing we can do. For nuclear, that means smaller, safer, and more "personal" nuclear power. There are pacemakers that have nuclear batteries in them. Why not put way more nuclear powered devices into our lives and show that the benefits massively outweigh the risks? For web3, that means shipping applications that mainstream users will use and see the benefits of controlling and provisioning their data. I think gaming and social applications are likely to be the first mainstream web3 applications because not everyone is a trader or investor. Mainstream means our parents and our children. For vaccines, it means better and more effective vaccines. It means easier delivery (like nasal sprays). And it means less side effects. It's hard to be enthusiastic about a wellness benefit that makes you feel like shit for a day or two. All of these industries have large public policy organizations and spend lots of money on changing public perception. I'm absolutely in favor of that. But there is nothing better than putting amazing technology in the hands of ordinary people and changing their lives for the better. That moves public perception more powerfully than anything else.

Regenerative Finance (ReFi)

URL: <https://avc.com/2022/09/regenerative-finance-refi/>

Date: 2022-09-12T06:15:18

Content:

I've always been interested in tapping into the "crowd" to fund things that need to happen and that our current institutions can't figure out how to support. Our investment in Kickstarter back in 2009 is an excellent example of that. In the last thirteen years, Kickstarter has helped direct \$6.2bn towards creative work that would not have been funded by the legacy institutions that support creative work. That has led to all sorts of interesting projects which are too numerous to mention here. Our interest in web3 which started back in 2011 was also grounded in the idea that new forms of funding are necessary to finance innovation and creative work. I am not sure if anyone has tracked how much funding the web3 sector has directed towards new projects over the last decade, but I am certain it is in the tens of billions, if not more. And the vast majority of this funding has come from individuals, not institutions. As we turn our attention toward climate and the existential threat of a warming planet, these ideas are top of mine for me. And that is why Regenerative Finance (aka ReFi) is so interesting to me. ReFi is an idea, like DeFi, based on a set of web3 technologies and economics, that suggests that efforts to combat climate change can and will be funded by the crowd. Here's a great example : Introducing @NewAtlantisDAO —an ocean regeneration project built on an open metagenomics protocol. ■ Serial entrepreneur @G0rd0n_ is looking to scale blue ocean and marine biodiversity markets using #web3 and #DeSci . ■ <https://t.co/a2hfeEDNbk> A quick thread ■■ 1/ — ReFi DAO ■ Local Node Prize! ■ (@refidaoist) September 10, 2022 My friends Gordon and Courtney built the New Atlantis DAO to create open public datasets about the evolving ocean climate and funding mechanisms to support work that moves the data in the right direction. If you click on the tweet I posted above, you can learn more about that. But that is just one of many different ReFi projects that are being started right now. USV is invested in the Toucan Protocol which is building the web3 infrastructure to bring carbon offsets on-chain and to allow them to be traded/invested/etc using DeFi protocols. There has been some negative press about Toucan, but that reporting misunderstands what Toucan is doing and why it is so important. It is ironic that many in the environmental justice and climate movements are so anti web3. Because web3 presents a set of tools, technologies, and economics that can and is being used to bring badly needed innovation, innovators, and funds to the fight. It is my hope that ReFi is the movement that brings all of these folks together and aligns us all to fight the good fight, the necessary fight and that we win this fight.

Face To Face

URL: <https://avc.com/2022/09/face-to-face/>

Date: 2022-09-06T06:48:01

Content:

As we all prepare for the fall back to school/back to work season, I thought I'd touch on a topic that has been top of mind for me for the last six months. The covid pandemic taught many of us that we can be productive and our companies can succeed in a fully remote work environment. But just because you can does not mean you should. In the venture capital business, this has meant making investments in teams we don't meet face to face. For founders, this has meant raising rounds from their offices instead of getting on planes. As the pandemic has eased and offices have gradually reopened over the last year, we are meeting more founders face to face. But we have not gone back to a world where we meet every team we back in person. I don't think we will ever go fully back to that world. But even if the way we work has changed permanently, it does not mean that it has changed for the better. I believe that all change has positive and negative impacts. We can meet more founders than we used to. And founders can meet more investors. That is good. But matches are now being made over video and that is not always great. We know that humans are better to each other in person. We know that in-person interaction is more meaningful, we are more present, and we connect in more fundamental ways. So I believe that we must work in the coming years to get out of our offices (or homes) and see each other in person more often. That means we should run fundraising processes that include meeting in person. We can do the initial screens (on both sides) over zoom, but the final selection process should include face-to-face meetings whenever possible. And board meetings should be done in person at least a few times a year. And those in-person meetings should include some social time in addition to business. For companies, this means hiring should include a face-to-face meeting. Teams should meet in person regularly. Going to the office should be a regular occurrence for those that live near one. It is time to get back to the office, at least some of the time. It will make for better business. And I also think it will make us happier at work.

Deep Dives

URL: <https://avc.com/2022/08/deep-dives/>

Date: 2022-08-29T07:12:54

Content:

We like to do a lot of deep dives at USV. We pick areas that we think will present interesting investment opportunities over the next five to ten years and then spend time researching them. We like to talk to lots of experts, academics, investors, entrepreneurs, and industry. We generally spend a few months on these deep dives and then present them to the rest of the team so that everyone at USV will be somewhat fluent in the topic area and can flag interesting things that fit what is interesting to us. Deep dives are not so much about areas we've been investing in, although we sometimes do that to refresh a thesis. Deep dives are generally about new areas that are just starting to percolate and appear interesting to us. This summer all of the USV partners picked one or two (in one case three) areas to do deep dives on. As the market has cooled down, we've found the time to take on some primary research. I've been looking into nuclear reactors and batteries with the lens of how small is possible. Could we make a nuclear reactor or battery that fits in our home? Could we make a nuclear reactor or battery that we carry with us like a phone? I know these ideas seem preposterous but that's exactly the kind of questions we like to ask ourselves. Often we find out that the idea is as nutty as it seems but we bump into something else along the way that is even more interesting. So if you know something about my research topic or know someone who does send me an email. I'm all ears.

Going From One Hundred To Four

URL: <https://avc.com/2022/08/going-from-one-hundred-to-four/>

Date: 2022-08-22T06:54:44

Content:

Joe Hovde wrote a blog post about AVC last week. He analyzed all of the blog posts on AVC to find trends and other interesting tidbits. He charted the number of posts a month I have written here over the last nineteen years. He observed: he treated the blog similarly to a twitter account before Twitter blew up, and then settled in to a daily posting habit for the next 15 years, slowing down a bit in the last 2. He is correct, AVC was like Twitter in the early days with upwards of four posts a day, which helped me see the value of Twitter when it launched in 2006. Post Twitter, I moved to posting daily for a decade, and then I have gradually slowed the pace to a post a week in the last few years. Joe also shows how the topics have changed over the years: While that is directionally correct, I am not sure the TD-IF methodology he uses is that insightful. I think an analysis of the post categories I used during these eras would be more useful. But he is 100% correct that my interests have evolved over the years and my writing has reflected that. I enjoyed reading Joe's post. It is a trip down memory lane for the nineteen years that I've been writing AVC. Thanks for doing this Joe.

The Merge

URL: <https://avc.com/2022/08/the-merge/>

Date: 2022-08-15T06:17:50

Content:

In about a month, an important moment will happen in the world of crypto/web3. The Ethereum blockchain will move from a proof of work consensus mechanism to a proof of stake consensus mechanism. This event is known as “The Merge” in Ethereum land. There are many reasons why this is an important moment for the world of crypto/web3, but to my mind the most important reasons are: 1/ The Merge reduces the carbon footprint of the Ethereum blockchain very significantly. No longer will miners be required to run large energy-intensive compute facilities to secure the Ethereum blockchain. There are many people out there who have serious concerns about web3 over environmental reasons. We can argue about that and have, but The Merge takes the concern off the table for the largest and most used smart contract blockchain. This is a big deal. 2/ The supply/demand balance of the Ethereum token will change dramatically. In a proof of work system, miners spend significant sums of money to run large energy-intensive compute facilities to secure the chain. They are rewarded with tokens (in Ethereum’s case, these are Ethereum tokens) and they must sell most of these tokens to pay their electric bills and hardware costs. In a proof of stake system, validators stake significant amounts of the base token (in Ethereum’s case, these are Ethereum tokens) and risk losing them if a bad transaction is validated. There is very little cost associated with staking so the tokens that are earned from staking are mostly held/re-staked instead of sold. I have seen a lot of estimates of how this shift will play out and my take is that Ethereum will move from a system that has roughly \$20mm a day of structural outflows to a system that has roughly a half a million dollars a day of structural inflows. This shift in supply/demand will likely result in a very different dynamic for ETH/USDC, ETH/USD, and ETC/BTC (and other ETH pairs too) going forward. 3/ Proof of Stake systems (of which there are many in the market already like Solana, Avalanche, etc) are considered more secure because the likelihood of a 51% attack is much lower. I don’t plan to lay out the argument here, but suffice it to say that Ethereum is moving to a consensus mechanism that many consider to be more resistant to attack, making it even more secure than it has been. There are some interesting side effects of this event. The current Ethereum proof of work blockchain will not go away. This chain, which many are calling ETH POW, could develop a community around it and live on and provide value to developers and others. This has already happened in the Bitcoin community a few times and once before in the Ethereum community. Holders of ETH at the time of The Merge will receive ETH POW tokens as a result of this fork. These ETH POW tokens could be worthless in time or worth a lot in time. There is really no way to know how ETH POW will develop. The Merge is probably the most important change that a large scaled blockchain has ever undergone. It is not without risk and there is a chance that things will not go smoothly. The Ethereum core developers have been working on this effort for many years and have deployed many testnets and they are confident they can pull this off next month. The crypto/web3 world will be watching closely and I am rooting for them. I think this is a very important moment for the sector and that it will be very positive if things work as planned. Disclosure: My family and USV have large holdings in ETH and other crypto assets and may continue to add to them in the coming weeks, months, and years.

Bridge Loans

URL: <https://avc.com/2022/08/bridge-loans/>

Date: 2022-08-08T06:56:12

Content:

When fundraising gets tougher for startups, the existing investors (insiders) will often provide a bridge loan to the company to extend the runway for getting another round done. There is more of this sort of thing happening in today's fundraising market and I thought I'd share some of the things I have learned about setting up bridge loans. First, bridge loans are a bridge to something else. Most commonly they are a bridge to a round of financing with new investors (outsiders). They can also be a bridge to the sale of the company. Occasionally, but not often, they can be a bridge to getting cash flow positive. If none of those things is going to happen in a relatively short period of time, then it is a bridge to nowhere and you really want to avoid that. A bridge to another bridge is never a good thing and should be avoided at all costs. An alternative to a bridge is an "insider round" where the existing investors provide sufficient capital to fund the business for eighteen to twenty-four months. That is a real round of financing and it is not a bridge. While that can sometimes be the right answer for a startup, I strongly prefer bringing new investors/new capital into a company in every financing round. New investors strengthen the investor syndicate which makes the company more resilient. New investors bring new ideas, new experiences, and new sources of funding to the business. New investors in every round are a very good thing and I like to try for that whenever possible. So let's say your company really wants to bring new investors into the business with another round, but it is taking longer. But you and your investors are confident that the new round will happen. Then a bridge is a good idea. Here is how I like to structure a bridge: All material existing investors should participate, ideally "pro-rata", meaning the investors participate based on their respective ownership interests. When you have an existing investor that owns a large percentage of the business and they won't or can't participate, you have a problem. You can get a bridge done in these circumstances but it will be painful because nobody likes to "carry" a large existing investor who can't support the business. The ideal structure is a convertible note, with nominal interest, and a discount upon conversion into the next round of financing. I like the discounts to be based on the amount of time the bridge note is outstanding. This creates an incentive to get the round done quickly, which is what everyone wants in this situation. It is also easier to explain the discount to the new investors in the next round when the discount is small if the bridge has not been outstanding for long. And it is understandable if the discount is larger when the bridge has been outstanding for a longer time period. I like to start with a 5% discount and cap the discount at 25%. The ideal discount is between 10% and 20% and so the time frame for the various discounts should be set with that in mind. A very important consideration in structuring a bridge loan is what happens if the company is sold when the note is outstanding. If the bridge documents do not specify anything in this situation, the noteholders will only get their money back, plus interest, in a sale. That is not really appropriate given that they are providing the capital to get the company to a sale, and so I like a premium to be paid in the event of a sale. I like somewhere between 2x and 3x depending on the circumstances. When it is time for a bridge, the lead investor, which is typically the investor with the largest capital invested and largest ownership, should "step up", suggest terms, and work with the investor syndicate to come together and provide a bridge loan. That kind of leadership is very important when fundraising gets harder. The startups that have strong leads will do a lot better in tough times and this is a really good example of why that is.

Innovation Indicators

URL: <https://avc.com/2022/08/innovation-indicators/>

Date: 2022-08-01T07:00:38

Content:

Tech:NYC is the industry association for NY's tech sector. They play a number of important roles and one of them is to educate and inform about the impact of the tech sector in NY. To that end, they launched a valuable resource last month called Innovation Indicators . Innovation Indicators is a dashboard that shows the latest data on the impact of the tech sector on the NY economy. Here is some of the data you will find there: Innovation Indicators will be updated regularly and will be a valuable resource to entrepreneurs, academics, policymakers, journalists, and anyone else who is interested in the development and growth of the tech sector in NY.

Remote, Hybrid, or In-Person?

URL: <https://avc.com/2022/07/remote-hybrid-or-in-person/>

Date: 2022-07-25T07:56:07

Content:

We have been watching our portfolio of ~130 technology companies wrestle with this decision for the last two and a half years. Brought on by the covid pandemic and the work from home moment that it created, there has been a sea change in the way that technology companies organize themselves to get work done. Ben Horowitz observed this in a piece last week where he described A16Z's decision to embrace a hybrid model that he called "HQ in the Cloud." It turns out that running a technology company remotely works pretty darned well. It's not perfect, but mitigating the cultural issues associated with remote work turns out to be easier than mitigating the employee satisfaction issues associated with forcing everyone into the office 5 days/week.

<https://a16z.com/2022/07/21/a16z-is-moving-to-the-cloud/> Most people are happier having a lot of flexibility around where they work. We have seen that people who are raising families have benefitted from the flexibility of working closer to where their families are and the ability to be somewhere quickly. But that is only one example of why flexibility around where you work is so powerful. Many job functions require, or at least benefit from, the ability to concentrate without interruption or distraction. A quiet home office is vastly better than a busy open workspace for that kind of work. And then there is the commute. I am writing this on a commuter train heading into NYC. For a time in my life, I took a train like this into the city every morning at 6am and got back on it to go home at 6pm. It was almost an hour each way, so I spent almost two hours a day, five days a week, commuting. This can be a productive time, particularly if you are commuting on mass transit like I am right now, but many people don't have convenient mass transit options in their lives and must drive to and from work, often in traffic. Eliminating the need to commute to the office might be the single best reason that people are happier having a lot of flexibility around where they work. The numbers are telling. As of this spring, only 38% of NYC office workers were in their office on a given day based on this survey by the Partnership For NYC (a leading business group in NYC). The numbers are similar in the Bay Area and Los Angeles. Some cities around the US have much higher numbers but I have not seen any city higher than 70% on this score. The Partnership concluded that remote work is here to stay: Remote work is here to stay, with 78% of employers indicating a hybrid office model will be their predominant post-pandemic policy, up from just 6% pre-pandemic. <https://pfny.org/research/return-to-office-survey-results-may-2022/> But I want to return to Ben's quote and talk about the cultural issues. I don't believe we (the tech sector broadly) have done a good job of "mitigating the cultural issues with remote work." I think a lot of the challenging morale and retention situations in our portfolio and across the tech sector suggest the opposite is true. Here is the quandry we face: People are happier with flexibility around where they work. Companies, teams, and organizations are happier when people are working together. Aren't companies just collections of people? Yes. But groups of happier people are less happy together when they don't get the face time that makes group dynamics easier. We all know that people are nicer to each other in person. Email and slack and zoom don't bring out the best in people. Having a meal together does. So what should we do about this quandry? I don't think the answer is restricting flexibility around where people work. That feels like table stakes now for knowledge workers. I think the answer is figuring out how to get people back together more frequently in ways they want to convene in person. There are many ways to do this and we have seen some good ones. At USV, we have two days a week where we meet together and as a group with founders (Mondays and Thursdays) and those days tend to be much more popular to be in the office. We don't require people to come to the office on those days, but we do see that most people opt into coming in those days. We also make sure to order a great lunch on Mondays and Thursdays. We could and probably should add an after-work happy hour and/or sports teams/leagues to make those days even more attractive to the team. The basic idea is to make coming to the office an attractive option a few days a week. One USV portfolio CEO suggested a great idea in a CEO zoom we organized on this topic a year or so ago. He said that he wanted his teams to come together for a week at the start of a project and again for a week at the end of a project. He wanted them to be together to kick it off and again to ship it. I think that's a great idea and have been encouraging the teams that I work with to do that. Our portfolio companies used to do exec team offsites a few times a year. A few of them are now doing them monthly. That makes sense to me. I can't imagine an effective exec team that isn't in person together at least once a month. And yet so many of the exec teams I have exposure to are not spending nearly enough time together right now and have not for the last few years. This same thought can be extrapolated to any team in any company. Those are just some examples of things that can be done and should be done to get people working together again in an age of remote work that is not going to end. I am sure there are many other great techniques and if you lead a company and/or an HR team, you should be collecting and using as many of them as you can right now. At USV, we feel pretty strongly that getting people back to working together in person is important to the success of our portfolio companies and the broader tech sector. So we recently opened our new office in NYC that is designed to host individuals and teams from our portfolio and the broader tech ecosystem that need somewhere nice to work together. Think WeWork meets SoHoHouse meets VC firm. We are still working out the kinks this summer and plan to open it up more broadly in the fall. Stay tuned for

more on that here and elsewhere. All change has good and bad downstream effects. The broad-based adoption of remote work in the tech sector (and beyond) is allowing people to balance work and home life in ways that are extremely beneficial to them. But team morale and the broader cultural needs of companies have suffered and we need to recognize that and address it. We can't accept that as the new norm. It is unacceptable the way it is right now. A hybrid model that provides continued flexibility while creating a lot more face time is the long-term answer and we must keep innovating until we find the right balance.

Valuing a Venture Capital Portfolio

URL: <https://avc.com/2022/07/valuing-a-venture-capital-portfolio/>

Date: 2022-07-18T07:02:15

Content:

Every quarter our firm goes through a process to value our entire portfolio. Those values, on a schedule of investments we publish to our investors every quarter, flow through to our financial statements and capital accounts and establish how much an interest in our partnerships are worth at that time. We have always taken this process very seriously and approach it with a lot of rigor. Every partner is highly engaged with this process. Although we have a fantastic financial team at USV, we do not simply outsource valuing the portfolio to them because we understand that those who are closest to the portfolio companies will have the best view of what they are worth. We have a few rules and I would like to share them: – Be conservative. The auditors try to get us to mark our portfolio up to reflect “market prices” but we prefer to keep our portfolio marked below market prices, particularly in times of market froth. This leads to a fair bit of haggling with our auditors that is mostly a waste of everyone’s time but we feel that it is important to maintain our conservative posture. – Get Ahead of Market Pullbacks. We like to move quickly to take our marks down when we see the market environment changing. Public stocks often lead private valuations by several quarters so we like to look to public market comparables and mark down quickly. – Never Mark Higher Than Potential Sale Value. Every time we have a significant M&A exit in our portfolio, I like to check that the proceeds to USV exceed our current mark. I believe we have always met that test. I hope we always do. – Take Total or Partial Write-Downs In Advance of Problems. When a company is having real issues, we like to take total or partial write downs. We sometimes reverse them if the company recovers. If you might lose money on an investment, it is always best to signal that ahead of time. – Have Multiple Sets Of Eyes On The Marks. We debate and discuss the marks with each other. This is all about getting multiple sets of eyes on the marks. While the partner closest to the company will always have the best sense of value, debating and discussing often leads to a better answer. We do this in everything we do at USV. It’s a huge part of our culture. Valuing a private investment or a portfolio of private investments is an inexact exercise. Because there is no liquid market for most of our positions, we don’t really know what someone would pay for them right now. So we do the best we can, take a very conservative posture, and revisit them quarterly. That has worked well for us over the years. Q1 of this year was a down quarter for USV and we expect we will see additional markdowns in Q2. But our markdowns have not been as steep as the decline in the Nasdaq over the last six months. That is because we maintained a conservative bias throughout the last few years and resisted the efforts of some to get us to behave differently. And that feels good and right to me.

Some Thoughts On Twitter (continued)

URL: <https://avc.com/2022/07/some-thoughts-on-twitter-continued/>

Date: 2022-07-10T07:22:59

Content:

I wrote the post at the bottom and linked here when Elon Musk announced his intention to buy Twitter in late April. I am relieved that Musk has decided he does not want to own Twitter. I never thought he would be a good shepherd of the Twitter network and maybe now we have the opportunity to find a better ownership/governance model for it. I understand why the Twitter Board and management team feel they must force Musk to perform on the agreed-upon deal. They have shareholders to protect and an obligation to do what is best for them. If Musk really does not want to own Twitter and is not just trying to renegotiate the deal, then eventually both sides will come to some settlement that enriches Twitter and lets Musk out of the deal. That will likely be a lot more than the \$1bn breakup fee. I hope that we don't end up with Musk owning Twitter at a lower price. That would be a bad outcome for the shareholders and for the Twitter network. I would like to see the Twitter Board and management team continue to press Musk to perform on the deal, and at the same time start working on a plan to decentralize Twitter and move it to the thing it has always wanted to be which is a core communications protocol for the Internet. A first step in that direction would be to broadly re-open the API and allow third-party clients to be built on Twitter with a business model that covers the costs of operating the Twitter network. Longer-term, Twitter should move to a fully decentralized protocol, like Bitcoin or Ethereum, but that will take some time to do. When I read the news a few weeks ago that Elon Musk had offered to buy Twitter, I wrote this: Twitter is too important to be owned and controlled by a single person. The opposite should be happening. Twitter should be decentralized as a protocol that powers an ecosystem of communication products and services. — Fred Wilson (@fredwilson) April 14, 2022 I continue to believe that decentralization is the right long-term answer for a core communications protocol of the Internet and hope that Elon will think about doing just that once he owns it and is not concerned with the stock price and meeting quarterly revenue targets. My partner Albert wrote this yesterday:

<https://twitter.com/albertwenger/status/1518684477052096515?s=20&t=m8f3FHeCqU72HUGvzqOhPw> Albert's suggestion would return Twitter to where it was a decade and a half ago when it first launched and that would be a fantastic first step towards full decentralization. I continue to believe that a single person owning one of the most important communications protocols of the internet is a bad idea, but maybe it can be a bridge to something better. Certainly being a public company has not been the right ownership model to make the big fundamental changes which are badly needed.

The New AVC

URL: <https://avc.com/2022/07/the-new-avc-2/>

Date: 2022-07-03T07:00:58

Content:

AVC has been around for nineteen years and it has evolved over the years from a place I'd post multiple times a day to once a day to now once a week. There was a time when there was a vibrant comment community at AVC with many posts getting over a hundred comments and replies. That's long gone and now it is just me posting here with some chatter occasionally on Twitter. As anyone who has tried knows, posting every day is a mighty big commitment. I am relieved to have given that up, gradually, a few years ago. What is left at AVC is a place where I can write when I have something to say that I want to say out loud. That last bit is important because there are many things I will say privately these days but not publicly. At this stage of my life, AVC is for conversations that are helpful, productive, and constructive. Everything else can happen elsewhere. The entire catalog of AVC posts remains online and can be accessed in the archives . If anyone wants to see the progression, it is right there out in the open for anyone to see. The comments are there too for the posts that have them. The AVC archives are a journey through the evolution of social media. From an experiment in the early 2000s, to a happening in the late 2000s, to mainstream in the early 2010s, to a mess in the late 2010s, to something to be incredibly careful with now. At least that is my journey with social media. I continue to believe that technology that gives everyone a voice, that gave me a voice, is an incredible thing. But like many incredibly powerful technologies, it has to be used carefully or it can create more bad than good. And that's what I'm seeking to do here at AVC. Create more good than bad. Use the technology carefully and constructively. It has taken me a few years to land here but I've been here for a while now and I thought I'd explain it that I understand it myself.

The Case For EVs

URL: <https://avc.com/2022/06/the-case-for-evs/>

Date: 2022-06-27T07:27:13

Content:

The Gotham Gal and I own five EVs and have been driving electric-powered cars since 2014. I don't drive gas-powered cars and haven't for a few years now. We have purchased two Chevy Bolts, two Tesla Model Ss, and one Rivian truck. I love the instant acceleration you get from an EV, I enjoy driving mostly with just one foot due to the fact that EVs accelerate and brake using the accelerator pedal, I like that I can charge my car every night at home (using solar panels on our roofs) and don't have to go to the gas station anymore, and I like that the maintenance costs and hassle are much lower with an EV. There is certainly an environmental benefit from driving EVs, but in my view, EVs are also better cars (and trucks). But EVs remain expensive and "risky" for most folks and only 9% of global car sales are electric and that percentage is smaller in the US (more like 5%). So how do we change that? With gas prices sky-high, policymakers are looking to do something about the cost of driving. They are talking about short-term solutions like gas tax holidays that will do little to reduce the price of gas. I believe they should spend that money on longer-term solutions that will accelerate the conversion to EVs and reduce our reliance on the fossil fuel industry. So what would those things be? Here is a list: 1/ A government-backed loan program (like student loans) that makes buying an EV less expensive to the average car and truck purchaser. 2/ An incentive program for merchants (think Starbucks or 7-Eleven, but it could be any merchant) to install and offer fast-charging stations. 3/ Subsidies to build battery manufacturing facilities (80% of EV battery manufacturing is in China). 4/ Policies to produce more cathode materials (which are roughly half of the cost of an EV battery). Most automobile manufacturers are making EVs now. They understand EVs are the future. But there remain real impediments to consumer adoption of EVs. We need policies that work to reduce those impediments and speed the adoption of EVs and we need them now.

Staying Positive

URL: <https://avc.com/2022/06/staying-positive-2/>

Date: 2022-06-21T07:23:22

Content:

The last six months have been a challenging time for tech and tech startups. Macro events have weighed on the sector, valuations have come crashing down, revenue growth has slowed (or stopped), and layoffs are happening across the sector. Many of the folks I work with are frustrated. The things that were working in their business stopped working and they can't get it moving again. They are struggling to project the business and plan for the year and next year. They feel terrible about letting so many great people go and blame themselves for it. It helps to work with many companies in times like this. We see this happening almost everywhere. And so we have some perspective. Yes, it is our collective fault for getting out over our skis during the good times and not seeing tougher times ahead. Yes, we could have and should have been more conservative with our growth plans and hiring. Yes, it is our fault for putting our companies in the position where they have to let go of so many people. But it is also the case that the number one thing in times like this is staying in the game so you can play another round. You don't want to go bust right now. So it is time to take your lumps, learn some valuable lessons from them, and move on. It is also time to stay positive. When you are the leader of a company (or anything else), you have to lead with optimism, enthusiasm, and positive energy. There are people out there declaring tech is dead, web3 is over, and cheering on the fall from grace. It is best to ignore all of that, focus on what you are building, and find some wins for the team, and for yourself. The great thing about working in tech is that there are always new problems to solve, new markets to create, new products to ship. The macro events don't change that. So focus yourself and your team on building and shipping those things, get some wins, and move forward with optimism and positive energy. It will be infectious.

The Partnership

URL: <https://avc.com/2022/06/the-partnership/>

Date: 2022-06-12T07:34:09

Content:

I have worked in three venture capital firms in the thirty-six years I have been doing venture capital investing. They have all been small partnerships, between three and seven investing partners, where there is little to no hierarchy among the partners. There are many models out there for building and managing investment firms. They vary from a single partner to an organization structure that looks like a Fortune 500 company. There is no best way to structure an investment firm. But for early-stage investing, I believe that the small flat partnership is the best structure if the goal is to produce high return on capital funds. Here are some reasons why this model is superior for early-stage investing: At the early stage, investors must bet on teams and ideas that have not been proven. The biggest winners almost always come from the investments that are the most controversial and "out there". A small tight partnership where there is a lot of trust between the partners is a place where you can make a lot of these kinds of investments. Being a lead investor in a company you start working with when it is very young (sub 10 employees) and remain actively involved with until exit can take a decade or more of work. Staying aligned as a partnership on the company and supportive of it is hard to do but incredibly important if you want the best outcome. That is hard, if not impossible if the investing team is large, hierarchical, bureaucratic, and largely disengaged with the company. No single investor has the entire package. Not even the best investors out there. Trust me. I know this. Surrounding top investing talent with other top investors is a magical thing. Some have great deal instincts. Some have great networking skills. Some are great working with founders. Some have great financial minds. Some are great technical minds. Some see new markets before others. If you can put together a team that has all of this, they fill in each other's gaps and everyone gets better. This describes the team we have at USV right now and it is a joy to work in a team like this. It is very hard to make an investment that will produce over a billion of proceeds. You need to get and keep double digit ownership and the company needs to be worth over \$10bn at exit. I've made less than five of these in my career, over almost forty years. So if you want to produce a high return on capital fund, you have to raise a lot less than a billion. I think a quarter billion is probably where it starts getting really hard to produce a high return on capital fund. This means you need a small partnership and a small firm. The key to all of this is partnership. Real partnership. A real partnership is where everyone is equal, not just in terms of economics (which is critical to sustaining this model), but also in terms of influence and stature. This is actually quite rare in the venture capital business. I see it in some other firms. But I don't see it very frequently. The firms that have this are special places. They are special places to work at. And special partners to take capital from.

The Gillibrand Lummis Bill

URL: <https://avc.com/2022/06/the-gillibrand-lummis-bill/>

Date: 2022-06-07T09:01:29

Content:

New York Senator Gillibrand and Wyoming Senator Lummis have teamed up to propose a bi-partisan bill that would shift much of the regulatory oversight of crypto assets from the SEC to the CFTC, acknowledging that these tokens are much more like commodities than securities. The details of the bill will be made public today and then there will be a lot of feedback from elected officials, regulators, and industry. It is not certain that this bill will become law and if it does, it is not certain that it will look anything like the initial bill. But even so, I am very encouraged by this development. Crypto tokens are a foundational element of web3, a technology architecture that allows for decentralized applications which lessen the control of big tech monopolies on our lives and our data, and that allows for users to own their data and a share of the networks that the applications are built on. Constraining these user tokens as securities is not only incorrect but also would inhibit much of their utility and therefore the potential for web3 to remake the technology industry as is so desperately needed. So I applaud the work of Senators Gillibrand and Lummis and their staffs. They are making an important statement with this bill and I believe that this is a big step in the right direction.

Gotham Gives

URL: <https://avc.com/2022/05/gotham-gives/>

Date: 2022-05-31T06:05:50

Content:

Gotham Gives is a public charity that the Gotham Gal and I started one year ago to complement the family foundation that we have been using to make philanthropic gifts for over two decades. A public charity allows us to raise capital from others in addition to our family's philanthropic gifts. We use this public charity to put together syndicates of donors and raise more capital for our projects than would be possible on our own. It reminds me very much of the way early-stage venture capital works. We started raising funds in addition to making gifts over a decade ago when we started our computer science education work in New York City and Gotham Gives takes that approach to philanthropy and allows us to use it in other areas. This page shows the projects we have supported in our first year and who we have partnered with on them. This page hosts videos we have recorded with some of the founders and operators of these projects and we plan to produce more videos in the coming months. You can subscribe to our YouTube channel to see more videos as they come out. You can also follow Gotham Gives on Twitter if you want to follow our activities on social media. Gotham Gives is run by Jennifer Klopp and we are joined on the board by our long-time friend and philanthropic partner Sarah Holloway. The entire team is shown on this page. Philanthropy is an incredibly rewarding way to invest in the change you want to see in the world. In our case, that is change we want to see in our home, New York City, and we are committed to investing in programs that leverage community, knowledge, and culture to drive positive change for New York City.

How This Ends

URL: <https://avc.com/2022/05/how-this-ends-2/>

Date: 2022-05-22T06:56:06

Content:

Back in February of last year, I wrote a blog post with the same title and said this about the asset price bubble we were living in and investing in over the last few years: The big question is how does this end? I believe it ends when the Covid 19 pandemic is over and the global economy recovers. Those two things won't necessarily happen at the same time. There is a wide range of recovery scenarios and nobody really knows how long it will take the global economy to recover from the pandemic. But at some point, economies will recover, central banks will tighten the money supply, and interest rates will rise. We may see price inflation of consumer goods and labor too, although that is less clear. When economies recover and interest rates rise, the air will come out of the asset price bubbles that have built up and the go go markets will hit the brakes. Well now the markets have hit the brakes and the new question is how that ends. I have been using the early 80s as a bit of a mental model. The late 70s saw oil prices rise and stagflation emerge and while that is not exactly what has happened with COVID and the war in Ukraine, there are some similarities. In the early 80s, the G7 economies tightened the money supply, raising interest rates dramatically, in an effort to bring inflation under control. You can see the effect in this image: The early 80s had a double dip recession (one in 1980 and another one for 18 months in 1981 and 1982). The economy was weak for three years at the start of the decade. But the latter half of the decade was one of the best economies in modern times. So I suspect we are either in a recession right now or headed to one, brought on by tightening money supply/higher rates that are being used to control inflation. That recession could easily last until the end of 2023. But we don't really know how long it will take for this cycle to play out. Markets have already corrected and I think that public tech stocks have already seen most of the damage they are going to see. I don't know if we have hit bottom but I think we are closer to the bottom than the top now. But that does not mean they will turn around and go right back up. This is a price chart of the NASDAQ during the early 80s recession and you can see that prices did not start to move up until the second half of 1983, when the recession was starting to end. So how does this market meltdown that we are now in end? First, we need to see the economy slow down and inflation slow down. We need to see stocks bottom out and hang out there for a while. And we need to be patient. None of this is going to happen fast. I would be planning to ride this thing out for at least eighteen months or more.

Funding Friday: The \$2.5mm Match

URL: <https://avc.com/2022/05/funding-friday-the-2-5mm-match/>

Date: 2022-05-13T05:48:41

Content:

I blogged about the \$1k Project For Ukraine a couple of months ago. Since then over 5,000 families in Ukraine have gotten a \$1k gift, no strings attached, to help them survive during this crisis. That is \$5mm of direct aid to families in Ukraine. Yesterday, Stewart Butterfield, the founder of Slack, tweeted that he and Jen Rubio will be matching another \$2.5mm of \$1k donations over the next 48 hours, starting at mid-day yesterday. "All" means no need to tweet receipts (or even read this): we'll get the total donations worldwide & match that, up to \$2.5M. I've personally had a tour of the backend & seen how vetting & approvals happen. We believe this direct giving model is worthy of investment and scaling. — Stewart Butterfield (@stewart) May 12, 2022 I just supported another five families and with this generous match, that is ten families. You can join me in supporting a family, or five, or however many you'd like here .

The Founder Resolve

URL: <https://avc.com/2022/05/the-founder-resolve/>

Date: 2022-05-11T06:23:50

Content:

Investing in founder-led businesses is comforting to me. They have the ability to see the forest through the trees and do what is necessary to evolve the business. Two great examples of this are Microsoft in the mid 90s and Facebook a decade ago. Microsoft had spent more than a decade competing and winning the desktop software market and then Netscape came along and presented an entirely new market opportunity that had both major upside and major downside for Microsoft. Microsoft reacted by moving aggressively to compete with Netscape by launching Internet Explorer and using its desktop software dominance to establish IE as the dominant browser by the end of the decade. Facebook had spent about a decade competing and winning the social networking market and then Apple launched the iPhone and new mobile social networks like Instagram emerged that both threatened Facebook's existing dominance and also presented new large opportunities in social networking. Facebook went on a year-long effort to become a "mobile-first" company and also acquired Instagram that year. This all happened in Facebook's first year as a public company. I was thinking about that because as many are wringing their hands about the collapse of crypto prices and stock prices and cutting back costs and playing defense, Coinbase announced yesterday that they are investing heavily in the next wave of web3: The application era of crypto is upon us and products/companies like Metamask and OpenSea are showing how important and lucrative that market is. Coinbase has reacted by making huge new bets on Coinbase Wallet and Coinbase NFT and is committed to winning in those markets like it did in the investment era of web3. It is very hard to do this sort of thing when your stock price is under pressure and when the markets are in free fall. And yet that is what leaders must do when new use cases emerge and present themselves as both an opportunity and a threat. Disclosure: I am a Director of and our family is a large shareholder of Coinbase.

Tech Year NYC

URL: <https://avc.com/2022/05/tech-year/>

Date: 2022-05-09T06:40:52

Content:

Tech:NYC is launching a new initiative, Tech Year NYC , which helps young people from underrepresented backgrounds get access to careers in NYC's fast-growing tech sector. Tech Year NYC is a rollup of several existing city programs into a single point of entry and engagement for tech companies and students. The idea is to make it easier for local tech companies to engage with this population and easier for the students to get access to these pathways to jobs. Students are compensated for their participation by the city and industry partners and will come out of the program with professional skills essential to work in the tech sector and additional skill-building opportunities. Tech Year NYC is an expansion of a project-based learning curriculum that Tech:NYC developed with the Mayor's Office of Youth Employment back in the summer of 2020 called Summer Bridge. Over the last two years, over 100 tech companies and over 3,000 students have participated in this effort. The summer 2022 Tech Year NYC pilot will run from July 5th to August 12th and serve over 1,000 students. 500 of these students will continue career exploration and skills development through the fall semester. If and when this pilot proves successful, Tech Year NYC will be expanded to reach many more students and employers. Tech NYC is recruiting employer partners to lead these 5-week long project-based programs, open your doors for "tech open houses", and participate in professional skills workshops for these students. You can learn more and register to be an employer partner this summer [here](#) .

Getting Together In Person

URL: <https://avc.com/2022/05/getting-together-in-person-2/>

Date: 2022-05-01T06:53:27

Content:

Last week we held USV's annual Portfolio Summit here in NYC. Every year we invite the leaders of our portfolio companies to come to NYC and spend a couple of days with us and each other. However, we were not able to do that in 2020 and 2021 so this was our first Portfolio Summit since 2019. In the three years that have passed since our last summit, we roughly doubled the size of our portfolio, adding 65 new investments. That is 65 founders and leaders that had not been to a USV Summit, and in some cases, we had not met them in person. This is a photo of folks arriving on the first day and settling in: There is nothing particularly interesting about that photo. Most of us have been to these sorts of business affairs countless times. Except that we have not been able to do it for the last two years. I have always felt like our two-day Portfolio Summit is my favorite work event of the year. And I had not realized how much I had missed it. It is so great to see everyone together in person, sharing experiences and ideas with each other and building relationships. We learned some new tricks over the last two years. Those of us who work in VC and startups can work remotely and get most everything we need done. But we have to remember the power of being together and do more of it. It really makes a difference.

Some Thoughts On Twitter

URL: <https://avc.com/2022/04/some-thoughts-on-twitter/>

Date: 2022-04-26T06:30:45

Content:

When I read the news a few weeks ago that Elon Musk had offered to buy Twitter, I wrote this: Twitter is too important to be owned and controlled by a single person. The opposite should be happening. Twitter should be decentralized as a protocol that powers an ecosystem of communication products and services. — Fred Wilson (@fredwilson) April 14, 2022 I continue to believe that decentralization is the right long-term answer for a core communications protocol of the Internet and hope that Elon will think about doing just that once he owns it and is not concerned with the stock price and meeting quarterly revenue targets. My partner Albert wrote this yesterday: <https://twitter.com/albertwenger/status/1518684477052096515?s=20&t=m8f3FHeCqU72HUGvzqOhPw> Albert's suggestion would return Twitter to where it was a decade and a half ago when it first launched and that would be a fantastic first step towards full decentralization. I continue to believe that a single person owning one of the most important communications protocols of the internet is a bad idea, but maybe it can be a bridge to something better. Certainly being a public company has not been the right ownership model to make the big fundamental changes which are badly needed.

An Earth Day Message To The New York State Legislature

URL: <https://avc.com/2022/04/an-earth-day-message-to-the-new-york-state-legislature/>

Date: 2022-04-22T06:52:10

Content:

It is Earth Day, a day to celebrate our planet and rededicate ourselves to saving it. I plan to walk and ride my bike, avoid cars, and enjoy being out and about in NYC today. But I'd also like to talk about something that is bothering me. The New York State Assembly and Senate are working to pass a bill that would put a two-year moratorium on "proof of work" cryptocurrency mining. Here is the most important part of the bill: 1. For the period commencing on the effective date of this section and 25 ending two years after such date, the department, after consultation 26 with the department of public service, shall not approve a new applica- 27 tion for or issue a new permit pursuant to this article, or article 28 seventy of this chapter, for an electric generating facility that 29 utilizes a carbon-based fuel and that provides, in whole or in part, 30 behind-the-meter electric energy consumed or utilized by cryptocurrency 31 mining operations that use proof-of-work authentication methods to vali- 32 date blockchain transactions. 33 2. For the period commencing on the effective date of this section 34 and ending two years after such date, the department shall not approve 35 an application to renew an existing permit or issue a renewal permit 36 pursuant to this article for an electric generating facility that 37 utilizes a carbon-based fuel and that provides, in whole or in part, 38 behind-the-meter electric energy consumed or utilized by a cryptocurren- 39 cy mining operation that uses proof-of-work authentication methods to 40 validate blockchain transactions if the renewal application seeks to 41 increase or will allow or result in an increase in the amount of elec- 42 tric energy consumed or utilized by a cryptocurrency mining operation 43 that uses proof-of-work authentication methods to validate blockchain 44 transactions. I believe this bill resulted from an application to fire up an old coal-powered electric plan to power a Bitcoin mining facility and I will be the first to admit that is a horrible idea. We should not be firing up old fossil fuel plants for any sort of economic activity. It is time to retire fossil fuel-powered plants and replace them with nuclear, hydro, wind, solar, and other clean energy sources. But the idea of targeting a specific industry for this moratorium and leaving all other economic activity in NYS free to use fossil fuel is just absurd. Is it OK to use fossil fuels to power bowling alleys, movie theaters, car washes, sports stadiums, data centers, banks, homes, cars, etc, etc? Is it just not OK to use fossil fuel to power a network that secures our next-generation technology stack? And at the same time New York State is doing this, the State of California is preparing an Executive Order that will be extremely friendly to the emerging crypto/web3 industry. New York State is already fighting an uphill battle with the crypto/web3 industry with its god awful BitLicense law and now they want to do this. New York State should just put signs up on the Holland Tunnel, the Lincoln Tunnel, the George Washington Bridge, the Peace Bridge, and everywhere else people arrive in New York State that says "Web3 Is Not Welcome Here." And save themselves the time and energy of doing nonsense like this. We get the message loud and clear.

A Visit To The 6529 Museum District

URL: <https://avc.com/2022/04/a-visit-to-the-6529-museum-district/>

Date: 2022-04-18T05:52:49

Content:

6529 is one of the top NFT collectors in the world and last week he launched the first destination in an Open Metaverse that he is encouraging people to develop along with him. That destination is the 6529 Museum District and you can visit it here . When you arrive you will see this map which gives you a sense of what is there right now. All of these museums are fun to visit, but I particularly recommend: – Genesis – Sunshine Square – Imagined Worlds – General Assembly – ACK Bar I hope you take a stroll through the Museum District this week and if you do, I expect you will enjoy it. Full Disclosure: USV and I both own interests in many of the NFTs shown in the Museum District.

Content Moderation and Free Speech

URL: <https://avc.com/2022/04/content-moderation-and-free-speech/>

Date: 2022-04-10T08:00:30

Content:

Mike Masnick wrote a good piece on this topic on his Techdirt blog last week. I particularly like this part: First, let's look at the world without any content moderation. A website that has no content moderation but allows anyone to post will fill up with spam. Even this tiny website gets thousands of spam comments a day. Most of them are (thankfully) caught by the layers upon layers of filtering tools we've set up. Would anyone argue that it is "against the principles of free speech" to filter spam? I would hope not. But once you've admitted that it's okay to filter spam, you've already admitted that content moderation is okay — you're just haggling over how much and where to draw the lines. And, really, the spam example is instructive in many ways. People recognize that if a website is overrun with spam, it's actually detrimental for speech overall, because how can anyone communicate when all of the communication is interrupted or hard to find due to spam? <https://www.techdirt.com/2022/03/30/why-moderating-content-actually-does-more-to-support-the-principles-of-free-speech/> I, like many in tech, would prefer a world where there is little to no moderation and where you get a lively expression of different views. I use Twitter explicitly to hear voices I don't hear in my day-to-day routines. It helps me understand people who are and think differently than me. It is why I try to follow people who I don't agree with and try not to follow people I do agree with. It opens my mind. I love it. — Fred Wilson (@fredwilson) March 30, 2022 But as Mike notes, you must moderate content online in order to create spaces where conversations can be had. And inevitably, this leads me to the same conclusion that Mike comes to at the end of his post. What we need are way more venues for conversations and way more venues with different moderation policies. In other words, the concept of free speech should support a diversity of communities — not all speech on every community (or any particular community). And content moderation is what makes that possible. <https://www.techdirt.com/2022/03/30/why-moderating-content-actually-does-more-to-support-the-principles-of-free-speech/> The early days of Twitter are instructive here. The Twitter website was unreliable and the API allowed anyone to build a third-party client. So many Twitter users used a different user interface to access Twitter and use Twitter. Had that architecture endured it could have created many "clients" with different moderation policies. Just like we have many email clients. It did not endure and so we have one company controlling the moderation policy of the entire Twitter conversation. That is not ideal. Contrast this with Ethereum. We have a single protocol with many self custody wallets. Each self custody wallet has a slightly different user interface that allows users to access the Ethereum network in slightly different ways. But all of the teams working on the Ethereum ecosystem have a shared incentive to improve the network because they all own ETH. So a single protocol with a rich variety of third-party clients becomes sustainable. If we want free speech then we want less concentration of market power and business models that allow for that. Advertising does not. Token-based business models do.

Scaling The Ethereum Ecosystem

URL: <https://avc.com/2022/04/scaling-the-ethereum-ecosystem/>

Date: 2022-04-04T05:26:11

Content:

I went to renew a .ETH domain I own this morning and the gas fees were so high that I decided to come back another time. Ethereum is the most popular smart contract blockchain by far but it frequently gets congested and expensive. Using it to acquire and renew domains, normally a transaction that costs less than \$100 USD, is challenging. That is why there are a host of Ethereum Virtual Machine (EVM) compatible layer one blockchains (L1s) and a number of layer two networks (L2s) that run on top of the Ethereum mainnet. These networks allow decentralized apps (dapps) that use Ethereum smart contracts to operate much less expensively. I went into my Coinbase Wallet this morning to see how many of these L1 and L2 networks they currently support and found this list. There are many more L1s and L2s that have launched, but that is a list of some of the most popular ones. I expect that Coinbase Wallet and Metamask and other self custody wallets will continue to add additional ones over the next few years. My son went to the Knicks game on Saturday and they were offering Knicks NFTs on the Jumbotron. I told him to buy me one. He did and bought it on the Polygon network to save fees. He sent it to my self custody wallet and when I switch networks to Polygon in the wallet, I can see the NFT. That's how these L1s and L2s work in self custody wallets today. I don't think that is how they will always work. I think that a lot of the Web3 "plumbing" that is now visible to users in the wallets and dapps will eventually be hidden by developers so users don't need to worry about which network their assets are on. They will be able to find them, use them, transfer them, sell them, etc without needing to know which chain they are dealing with. But for now, this is the state of play with the Ethereum ecosystem. You increasingly need to go to a different L1 or L2 to do things cost-effectively. And when you do, there is added complexity for the user. This is both progress in the sense that third-party developers are building technology to scale the Ethereum ecosystem and pain in the sense that an already complicated user experience is getting more complicated. Hiding all of this complexity for the end-user is definitely one of the big opportunities in web3 right now.

Competing To Win Deals

URL: <https://avc.com/2022/03/competing-to-win-deals-2/>

Date: 2022-03-28T09:42:39

Content:

So I saw this tweet by Semil Shah yesterday: A friend who works in an industry far from tech startups & VC asked what would be the single article I'd share to read on each topic. Here's what I sent him: 1/ Startup = Growth by PG: <https://t.co/LNkCsoyYxs> 2/ Competing To Win Deals by Fred Wilson: <https://t.co/oBpqy4Nhwg> [pic.twitter.com/q7GG2k7UAX](https://t.co/q7GG2k7UAX) — Semil (@semil) March 27, 2022 So I clicked on the link to my Competing To Win Deals post, which I wrote in 2010, and read it. I often read things I wrote a decade or more ago and cringe at how out of date they have become. Not this one. It is as relevant today as when I wrote it almost twelve years ago. So I am reposting it below: The venture capital business is highly competitive. There is more money out there chasing good deals than most people imagine. It is also true that there are good deals and good entrepreneurs that can't find anyone to invest in them. That is a failure of the system. But this post is not about that. It is about how a VC can compete and win a deal that many others want. Here are my rules: 1) Do your very best to connect with the entrepreneur. If you don't have a great personal connection, you won't win the deal. Don't even bother to try to win a deal where you don't have good personal chemistry with the founder/CEO. 2) Bring your full partnership into the deal process early and consistently. Entrepreneurs are smart and they know they are doing a deal with a firm as well as an individual. Let them see the full picture early. Make it easy on the entrepreneur to meet the full partnership. Don't make the entrepreneur do all the work. 3) Encourage the entrepreneur to get feedback on you and your firm. Instead of references, I like to give a list of every entrepreneur I've ever worked with and an email address. I tell them "throw a dart at that list and talk to four or five of them randomly. you'll hear the same thing from everyone." 4) Don't pressure the entrepreneur to make a decision. Don't issue exploding term sheets. Don't put no shops into your term sheets. Those kinds of things are signs of insecurity. I prefer to tell people that we'll have an exclusive relationship when the deal closes and not before then. If someone wants to leave me at the altar, better it happens then than after we are married. 5) Make your offer in person and don't do it via a term sheet. Tell the entrepreneur you want to be their business partner. Tell them how much you will invest and how much ownership you want. Leave it at that. Tell them that if they are interested, you will send them a term sheet. Leading with a term sheet focuses the discussion on the wrong things. The process should be all about personal fit and very high level deal terms. Once the decision is made to try to work together, you can get into the specifics of the deal. 6) Add value during the process. Talk about the strategy issues facing the company. Talk about the hiring challenges the company faces. Try to help with these issues even before you are an investor. Show what you can do right away. 7) Use the product or service. Ideally you should be using it well before you start chasing the deal. But use the product/service actively and smartly. The entrepreneur will be watching. I assure you of that. 8) Don't feel the need to pay the highest price. Offering a crazy price to win the deal scares off most smart entrepreneurs. They will be wondering why you are so aggressive. Offering a fair price that is in the range is what you need to do. And communicate that if the entrepreneur chooses to work with you, you will be flexible on your offer. That way you put yourself in the position to win and you can work the specifics to close the deal when the opportunity presents itself. 9) Don't team up with another firm. We've made this mistake a few times recently. Entrepreneurs want to choose their syndicate partners. By pairing up with another firm, you signal to the entrepreneur that you want to choose the syndicate and that is a mistake in a highly competitive deal. 10) Be prepared to lose the deal and if you do, lose gracefully. There are plenty of good deals out there. You don't have to win them all. Lose gracefully and maintain your good relationship with the entrepreneur at all costs. They might come back to you on the next round. Many of these rules are counter intuitive. But they work well for my partners and me. You might say they will only work for you if you are a top tier investor. That may well be true, but you have to act like a top tier investor to become one. So you might as well play the game that way from the start.

Keeping It Simple

URL: <https://avc.com/2022/03/keeping-it-simple/>

Date: 2022-03-20T10:56:33

Content:

Investing is humbling. At 60, with 35 years of venture investing experience, I still get most things wrong. Which is why I like to keep things simple. And when I do I am rewarded. My friend Gordon asked me last night how I got into Bitcoin. I told him the story of how I bumped into Rikki Tahta walking through the garment district in NYC in the spring of 2011 and Rikki told me he was working on a Bitcoin startup. I replied, "a what coin startup?". And Rikki told me to read the Bitcoin White Paper. I did and I was hooked. I didn't even understand parts of the white paper. But what I did get was that it described a way of making permissionless money. And it was not just an idea. It was a working system that had been operating for several years. I understand how important permissionless servers and applications (web 1.0) turned out to be and so I understood how important permissionless money was going to be. That was all it took for me. I bought Bitcoin and went about finding a Bitcoin investment to make. That was Coinbase. The same was true with blogging and tweeting a decade earlier. I met Mena Trott at a Nick Denton party in NYC in 2003 and she explained blogging to me. I was struck by the idea that anyone could be a publisher. And I became one myself a few days later (when I wrote the first post here on AVC). That led me to Twitter a few years later when I saw that most people would prefer to write a text message to the world over a long-form blog post. For those that don't know, Twitter was initially built to use SMS to post and so the initial 140 character limit was just under the max characters you could put into a text message. The same is true with NFTs. When I saw Rare Pepes, I was struck with the idea of making unique, rare, and scarce digital goods. And when I saw what Dapper Labs made with Crypto Kitties, I didn't think too much about making that investment. It helped that the team had contributed to the ERC 721 spec and coined the name NFT. The point of these stories is that aha moments come around every so often and you just need to let them grab you and take you to a foundational investment. You don't need to do much due diligence on these. I did none on Twitter, Coinbase, or Dapper. What I did do is use the products, get in the game, feel the power, and get conviction. You can read the investment memos for those investments on USV.com. Twitter Coinbase Dapper We publish our investment memos for the world to see. When you read them you will notice that they are basically an articulation of a big idea, what could happen, and in these cases, what did happen. That's all. No technical diligence (had we done any on Twitter, we would have passed on it), no financial models, no talking to industry experts. Just an aha moment and an idea of what could happen. That's keeping it simple. It doesn't always work. We get more wrong than we get right. But when we get it right, amazing things can happen.

The Benefits Of Venture Capital In Web3

URL: <https://avc.com/2022/03/the-benefits-of-venture-capital-in-web3/>

Date: 2022-03-14T09:11:03

Content:

There is a lot of criticism of venture capital in web3. Bitcoin did not have or need venture capital. Ethereum did not have or need venture capital. So why would any web3 project need venture capital? It is a good question. In the age of community-funded projects, why would a web3 project want to take funding from venture capitalists? Well buried deep in a 66 page blog post on the Flow blockchain by Packy McCormick lies the answer. In a section called Kitty Down , Packy describes the challenges that the Dapper Labs team went through between late 2017, when CryptoKitties launched, and the summer of 2020, when Top Shot launched. What Packy lays out is a series of notes that the venture capitalists (including yours truly) provided to Dapper during the last crypto winter that kept the project alive. As Packy says: In Dapper's case, VCs kept the company alive during the bear market and the company sold tokens to the public at the same price it sold them to VCs, even though VCs invested first. That latter bit is quite important. After Top Shot launched and it was clear that Dapper and Flow were gonna make it, Dapper offered Flow tokens to the community at the same price that the venture capitalists got in the conversion of the notes. There are many alternatives to venture capital these days, particularly in web3, but there are few, if any, alternatives that stick with you, when times are tough, when a global pandemic hits and you have weeks of cash left, when everything seems lost and you are at rock bottom. But venture capitalists do, particularly good, experienced, and confident venture capitalists. And that is what Dapper had by its side. And that is why Dapper was able to launch the Flow blockchain, NBA Top Shot, the Dapper Wallet, and a bunch more hit products too. That's why you might want to take venture capital for your web3 project.

The Range Anxiety Weekend

URL: <https://avc.com/2022/03/the-range-anxiety-weekend/>

Date: 2022-03-07T09:59:29

Content:

Electrified cars were greater than 10% of the US market in 2021 and EVs were about 5%. EV sales are growing at nearly 100% YOY and could reach 25% of the US market in a few years. This is good news for the effort to reduce our dependence on fossil fuels. But there are still challenges for the EV market. Range anxiety and charge times are among the top reasons that consumers avoid EVs. Electrek The Gotham Gal and I have owned EVs for eight years now and have struggled with a few of these issues. But we continue to buy EVs and prefer them to gas-powered cars. This past weekend, we took a five-hour road trip with our brother and sister-in-law. We each drove our own cars, both EVs. We drove our eight-year-old original Tesla Model S. They drove a Volvo XC40. We ran into a number of challenges that led us to call this road trip our "range anxiety weekend." The first issue that arose is that our destination was slightly beyond the range of both of our cars. We needed about 250-260 miles to get to our destination and we both had about 240 miles of range. So we selected a stop for lunch that had EV charging stations. Fortunately, when we arrived for lunch, both charging stations were free. They were the only charging stations that we could find in this small town. If either had been taken, we would not have been able to charge during lunch and would have had to go on a charging station hunt after lunch. We had a leisurely two-hour lunch and when we got back to our cars, we had each gotten another forty miles. That was enough to get to our destination so off we went. We did get to our destination with some spare battery but both of us were below twenty miles when we arrived. The hotel we stayed out told us they had EV charging stations, but it turns out what they had were two Tesla charging stations and we could not find an adapter to charge the Volvo XC40 on the Tesla charger. So the Gotham Gal and I charged our Tesla both nights at the hotel but our brother and sister-in-law were not able to do that. The next morning we went on an EV charging station hunt and found an Electrify America fast-charging station which took the Volvo XC40 from empty to full in about two hours. We left that car charging for most of the day and toured the area in our Tesla. We charged our Tesla again overnight at our hotel and we both had full batteries for the drive back. We picked another lunch destination halfway home that had charging stations and started the trip back. While the lunch destination on the way home did have both Tesla and non-Tesla chargers, the charging rate was so slow on them that we were not able to get enough additional mileage over lunch to make it home. So the Gotham Gal and I headed to a Tesla Supercharging Station and in about ten minutes got another fifty miles and then made our way home. Our brother and sister-in-law had to find a fast charger in town and did but it was not easy. And it took a fair bit longer for them to get the extra fifty miles they needed to get home. But get home they did and the range anxiety weekend ended without any major issues. But here is what we learned from this trip about the availability of charging stations on the road in California: When hotels and restaurants say they have EV chargers, they mostly mean Tesla proprietary charging stations that you need an adapter to use if you are driving something other than a Tesla. When you are on the road, you need fast charging stations. The slow variety, which is mostly what is out there, only work for an overnight charge. So they are OK for a hotel but not for anything else. Tesla has done an incredible job with their supercharging stations. Range anxiety is a significantly reduced issue if you drive a Tesla. While Electrify America is doing a nice job of building out fast charging stations for non-Tesla EVs, their charging stations are significantly slower than Tesla's superchargers and they are not nearly as prevalent. Given that range anxiety and charge times are among the top reasons that consumers don't purchase EVs, it would make sense for the automobile industry to come together and standardize charging outlets and invest heavily in fast (super fast) charging stations. Tesla can likely get away with its own charging network and charging outlets, but everyone else cannot. I don't understand why this is not a bigger priority for the industry. It needs to be.

1K Project For Ukraine

URL: <https://avc.com/2022/03/1k-project-for-ukraine/>

Date: 2022-03-01T09:41:21

Content:

My friend Alex Iskold ran the 1K project during the pandemic to help families that were struggling with lost jobs/income, etc. I blogged about it here and AVC readers were generous with their support. Alex came to the US from Ukraine many years ago, but he has many friends and family members there. So naturally, he has relaunched the 1K project focused on the suffering that is happening in Ukraine.

https://twitter.com/1kprojectorg/status/1498129537095372804?s=20&t=WeAWZMrKoskW7jn1dC_fBg I supported a family and hopefully, some of you can join me in doing that. And those of you who don't have the resources to support a family might be able to chip something in. Every little bit helps.

Funding Friday: Codrone

URL: <https://avc.com/2022/02/funding-friday-codrone/>

Date: 2022-02-25T08:54:28

Content:

I love using robotics to teach kids to code. A K12 teacher told me many years ago, “when the robot doesn’t do what you told it to do, you know your code is wrong and you need to fix it.” Robotics brings code to life for kids and that’s a great thing. So when I saw this Kickstarter project, Codrone , I backed it immediately. So did 120 other people and so this project is going to come to life. If you want to back it too, you can do so here .

A Return To Fundamentals

URL: <https://avc.com/2022/02/a-return-to-fundamentals/>

Date: 2022-02-20T10:30:05

Content:

I wrote a fair bit last year about the disconnect between how companies were being valued and the fundamentals of those businesses. It seemed to me that many companies, from the founders, to the leadership teams, and the rank and file employees got more focused on raising capital and valuations than the basics of a business (people, product, customers, revenues, profits, etc). That is starting to shift. I can feel it. With the public markets bringing high flyers back to reality, you can now buy the best companies out there at multiples of earnings and profits that make some sense in a historical context. And we are seeing reports that many mutual funds and hedge funds are leaving the private markets because the values in the public markets are so compelling. All of this is healthy. Vitalik Buterin, the founder of the Ethereum project, said this at ETH Denver this past week . The winters are the time when a lot of those applications fall away and you can see which projects are actually long-term sustainable, like both in their models and in their teams and their people Vitalik was talking about a “crypto winter” but the basic point is more broadly applicable. Business models need to be sustainable. Teams need to stick together and ship things. The fundamentals need to be in place for a business to succeed. All the money in the world at eye-popping valuations won't do that for you. I have no idea if we are in for another crypto winter. I have no idea if the stock market will continue to go down. I have no idea if the slump in the public markets will seep into the private markets. All of those questions are above my pay grade. What I do know is that the businesses that focus on the fundamentals will succeed in any market, up or down. And I do feel that there is more of that going on in 2022 than we saw in 2020 and 2021 and that's a very good thing.

Funding Friday: The Right To Speak

URL: <https://avc.com/2022/02/funding-friday-the-right-to-speak/>

Date: 2022-02-18T09:02:53

Content:

A friend sent me this Kickstarter project which is about a public art project highlighting three languages that are at risk of extinction. I backed it and I think you might want to as well. You can do so here . The project ends this weekend so if you want to back it, do so now.

A Blistering Pace

URL: <https://avc.com/2022/02/a-blistering-pace/>

Date: 2022-02-15T09:00:33

Content:

I wrote about pacing a few years ago. I am a fan of a steady pace, not too fast, not too slow. Sometimes the opportunity set forces you to go faster. As I wrote then: I don't think a VC firm should manage to a pacing number. It should manage to the opportunity set that it sees. In the last two years, the VC business has been operating at a blistering pace, the fastest I've witnessed in my 35 years in the business (including the 99/00 era). Whether that is because of the opportunity set or the changing dynamics of fundraising (in-person to zoom, endless capital) we will only know in time. But it is exhausting. Every day I heard some form of this from an entrepreneur, "we got a pre-emptive term sheet and will be making a decision in the next 24 hours." Making sound investment decisions in a week is doable. We have done it. We have done it long before the last two years. We have done it a lot more in the last two years. It helps to have a thesis, to know what you are looking for. But even so, the VC business has turned into a sprint. And you can't sprint forever. My friend Howard tweeted out this blog post yesterday and suggested that every VC read it. So I did. The author, Abraham Thomas, wrote this: Across every aspect of venture, timelines keep compressing. Abraham suggests in that post that this hyperactive market has become riskier even though the numbers don't show it. I learned a long time ago not to try to time markets. I don't know if the VC business is near a top or near a bottom. It doesn't matter to me. I believe you have to just keep investing, slowly and steadily, in the best opportunities that come your way and the rest will take care of itself. But we all need to pace ourselves. This is not the public markets. Venture investments take many years to unfold. It is a buy and hold business. It is an invest and help business. It is seeding not harvesting. If you start a marathon with a sprint, you are gonna be puking by mile ten. And that's my concern right now.

NFPs

URL: <https://avc.com/2022/02/nfps/>

Date: 2022-02-07T08:56:32

Content:

Early in my career, I was taught that any team member was replaceable and that as long as you had sufficient time to find a suitable replacement, you would be fine. I have operated on that basis since then, imparted that wisdom to the founders and teams that I work with, and have always advocated for that approach to management. But I have learned that on any team there are always a few members who are extremely difficult to replace. While most team members are “fungible”, there are always a few “non-fungible people” and retaining these NFPs can be incredibly important to the long-term success of the business. The first, and most important, NFP is the founder. The person who originally conceived of the opportunity, recruited the first few team members, scoped (and often built) the first product, brings immense value to the business, mostly around long-term vision, setting the culture and values, and knowing when something is “off.” Retaining the founder’s interest in and involvement with the business is critical. There are times when the founder is bringing more difficulty to the business than value and they should depart. But those situations are to be avoided if possible because of how important a founder is to the business. NFPs are usually individual contributors, not managers. The management function is much easier to replace than a uniquely skilled individual. A common mistake that I and others have made is to promote an NFP into management when they are much happier not managing people. A classic role for an NFP is the CTO of the business. In this role, the person sets the overall technology direction of the business, makes the hardest technical decisions, builds technology themselves, but does not manage the engineering function. In many companies, the CTO has no direct reports. You can find NFPs in any part of the company. They are not limited to technical functions. You can have an NFP in customer service, finance, legal, marketing, really anywhere. The key is to identify them and recognize them, reward them, compensate them, and retain them. More and more companies are moving to compensation models where critical individual contributors can make as much, or more, than their manager or any manager. This has long been common in sales where commission models create such opportunities and where there are often NFPs, but I am seeing more and more companies recognize that simply compensating people on the basis of their management level is incorrect and leads to their best people moving into management, underperforming in that role, and departing. NFPs are pretty rare. Most people are easily replaceable given sufficient time to do a proper search. But there are always a few people who are not replaceable. Identifying them and retaining them should be a key goal of the management of the business.

Get Paid In Crypto

URL: <https://avc.com/2022/02/get-paid-in-crypto/>

Date: 2022-02-01T09:01:50

Content:

Coinbase launched the first in a series of payroll offerings: Proud of the team for continuing to roll out new product innovations at a rapid pace. Our US customers can now deposit a portion of their paycheck into @Coinbase as crypto or USD. Another great way to keep growing your participation in the cryptoeconomy. <https://t.co/vy81VhxxvGn> — surchatt.eth (@surojit) January 31, 2022 If your employer offers direct deposit, you can deposit some or all of your paycheck in your Coinbase account and immediately convert it into USDC, BTC, ETH or any other asset that is available to you in your Coinbase account. This is just a first step in a broader set of payroll products for employers and DAOs. I've always been a fan of "averaging into crypto" instead of trying to time the market. I wrote about this back in 2014 when I was buying 1.5 Bitcoin every week. That was back when you could buy a bitcoin for several hundred dollars. But regardless of how much you can buy, the idea is to just have a regular buy program going on. Putting some of your paycheck into crypto is a good way to do that and Coinbase now offers that to all of its users.

On Covid

URL: <https://avc.com/2022/01/on-covid/>

Date: 2022-01-24T08:45:37

Content:

Two years ago this weekend, the Gotham Gal and I were in Park City at the annual Sundance Film Festival with another couple we have been great friends with for thirty years. On Monday morning we came down to breakfast and our friends announced they were flying back to NYC a few days early. Our friend Phil has been trading the financial markets for as long as we've known him and he knew, about a month before most of us, that something big was going to happen and he wanted to get prepared for it. That's when it first hit me that we were in for something big. The financial markets tend to see things a bit ahead of us. If you look at the financial markets now, as I wrote two weeks ago, what we see is the unwinding of the Covid trade. Companies like Zoom and Peloton have seen their stocks come way down. Fiscal and monetary policies around the world that kept people fed and housed for the last two years are being unwound. And the financial markets are reacting as one would expect. Stocks are down. All risk assets are down a lot. This is the "tell" that Covid, as we have known it, is coming to an end in many parts of the world. There are three primary reasons why Covid, as we have known it, is coming to an end in the wealthier parts of the world. First, we have less severe variants now. Second, most people in the developed world who want to be vaccinated have been vaccinated, many multiple times. And third, we have antivirals that can protect those who get very sick. One of the first wake-up calls I got early in the pandemic was a blog post I read called "The Hammer And The Dance" that was written by Tomas Pueyo on March 19th, 2020. In that post, he described the series of lockdowns and other drastic measures that we would all go through over the last two years in order to attempt to protect vulnerable populations and the medical system from a virus that would otherwise wreak havoc on the world. He was prescient and accurate. About a week ago Tomas wrote a Twitter thread explaining that we are now in the midst of the end of the pandemic. You can read it here. This tweet particularly rang true to me: <https://twitter.com/tomaspuoyo/status/1483198842417950720?s=20> We all have been through a crazy, trying, stressful, and dangerous two years. Many of us have what Tomas calls PCSD, including our governments. And we all need to "unlearn many of the behaviors we've learned in the last two years", particularly our governments. But I am not one to criticize our governments too much. Almost 6mm people have died because of Covid around the world in the last two years. The death toll in the US is approaching 1mm people. If our governments had not done "The Hammer and the Dance", those numbers would be massively higher. The death toll from the Spanish Flu pandemic of 1918-1920 was between 20mm and 50mm around the world. We can all find faults with the way our governments handled Covid, but I think it was largely a job well done. In the US, the Trump administration prioritized vaccines with Operation Warp Speed which was a massive success. The Biden administration prioritized getting those vaccines distributed broadly and prioritized the most vulnerable populations. In NYS and NYC, vaccine mandates helped to get over 95% of NYers vaccinated and almost 75% "fully vaccinated". And yet, most Americans find fault with our government's response. Trump lost his re-election bid at least in part because of Covid. And Biden is facing massive unpopularity, also at least in part because of Covid. We have people who oppose vaccination and masks. We have people who believe that everyone should be required to be vaccinated and masked. Nobody can agree on anything and everyone is angry. It is time to stop obsessing about Covid. It is time to stop politicizing Covid. It is time to stop tweeting about Covid. It is time to stop reading about Covid. It is time to start healing and it is time to start moving on. We can live with Covid and most of us will. The current death rate of Covid in the US is about what a bad flu season would be. We have vaccines if you want them. We will have anti-virals if you need them. We should take a lesson from many Asian countries and mask up if we are feeling sick from now on. And you can wear masks if you are uncomfortable on the plane or the subway. We've normalized mask-wearing in the US now and that is a good thing. We've got other pressing matters to deal with. We have a warming planet that desperately needs our attention. We have economic challenges that need our attention. We have gun violence in our cities. We have other health care challenges to tackle. Covid was terrible, we are scarred from it, but we cannot let it divide us and we cannot let it drive us crazy. There are more important things facing us and let's go deal with them now.

New Leadership At Tech:NYC

URL: <https://avc.com/2022/01/new-leadership-at-technyc/>

Date: 2022-01-19T09:51:01

Content:

Six years ago this month Julie Samuels got together with a group of technology leaders in NYC and we decided to form an industry group for the growing tech sector in NYC. I agreed to co-chair the organization and have been in the chair role since then. We called it Tech:NYC and I first wrote about it here at AVC in March of 2016 . Last year, after more than five years at the helm, Julie decided it was time to pass the baton to a new leader and she and I and a group of board members spent the fall talking to lots of people and we found a fantastic new leader named Jason Clark . Jason starts as the Executive Director of Tech:NYC next week. Jason takes over an organization of 800+ member companies, from the largest names in tech to the three-person startup you have yet to hear of. Tech:NYC has succeeded in getting tech “at the table” in Albany and City Hall and helping to make the tech sector more civic-minded and more integrated into the city and state. Julie and her team have done a tremendous job of taking an idea and making it a reality and I am incredibly grateful for her leadership. The tech sector finds itself at an interesting moment in NYC. It is quickly becoming the largest employer in NYC and is bringing much-needed innovation to the city, state, and world. We have new leaders in Eric Adams and Kathy Hochul who are eager to work closely with the tech sector to do new things and move the region forward. But with great success comes great responsibility and the tech sector needs to employ a broader and more diverse group of NYers, it needs to be more civic-minded, it needs to be more philanthropic, and it needs to think beyond Manhattan out to the five boroughs and on to New York State and the NY Metropolitan region. And Jason is the perfect leader to take Tech:NYC in those directions. Jason is a born and bred NYer, from southern Queens, a product of the NYC public schools, a lawyer who has started a law firm and worked in the Attorney General’s office in Harlem, and a former candidate for public office for the City Council seat in his home neighborhood in southeast Queens. Jason has the relationships, the lived experiences, and the mindset to lead NYC’s tech sector in the directions it must go as it becomes the leading industry and employer in the city and state. I welcome Jason to Tech:NYC and look forward to working closely with him and the city and state leaders to step up to the opportunity that is in front of us. It is an exciting time. Also, Jason is already on the hunt for a strong policy director with lots of tech experience. If you would like to fill that role or know someone great, please visit [this job spec](#) with instructions on how to get into the process.

Exciting Protocol Lead Opportunity

URL: <https://avc.com/2022/01/exciting-protocol-lead-opportunity/>

Date: 2022-01-12T10:18:14

Content:

Last month our portfolio company Kickstarter announced the creation of a protocol organization that will develop a web3 protocol for the crowdfunding of creative projects. They are now assembling a protocol team and are talking to candidates to lead that effort. The protocol lead role is an exciting one that combines product leadership, smart contract development, team management, and a lot more. I believe Kickstarter is at the forefront of a wave of companies that have been built on web2 technologies that will be adopting web3 approaches to move their products and stakeholder networks forward. And so leading this protocol effort will be an opportunity to help shape what that looks like. If you are interested in this role or know someone who would be great for it, please email me and I will make the connection.

The Selloff

URL: <https://avc.com/2022/01/the-selloff-2/>

Date: 2022-01-06T10:07:42

Content:

The stock and crypto markets have started off the year in selloff mode, with the Nasdaq down almost 5% this week and the big crypto assets down almost 10% this week. But this selloff has been going on for a lot longer than one week. It has been going on since early November when the Nasdaq peaked at \$16k and BTC hit \$67k. Since then it's been downhill and the biggest carnage has been in the highflying "cloud" stocks. The Gotham Gal and I own a few stocks that have been cut in half in the last two months. Yes, they lost half of their value in the last two months. Of course, these highflying stocks have only given up some of their gains over the last two years. In the case of a few of our public stock holdings, they went up 10x in the last two years and are now "only" up 5x. Easy come, easy go. Even at these new "discount" prices, none of these stocks look cheap to me. Most are still trading well in excess of 10x revenues which has always been my baseline for a subscription-based software business. I don't know where they will bottom out, but it certainly could be lower. Or the sector could have already bottomed out in this first week of 2022 blowout sale. One never knows where the bottom is until you are well on your way back up. The capital markets have been awash in money for the entire pandemic and it has resulted in some crazy prices being paid for public stocks and for growth rounds in high-performing privately held companies. The optimist in me sees this selloff as a return to normalcy, in the capital markets and in the world we live in. It's hard to see a return to normalcy when offices remain closed, events are being postponed or moving to virtual. But markets tend to see things first and I do wonder if the capital markets are coming back to earth in anticipation of things getting better this year. It also makes me wonder if the "pay any price" mentality in venture may ease up a bit this year. When the IPO markets or the M&A markets can't/won't be able to pay more for a business than the private markets are paying, that's unsustainable. It can last a few quarters, maybe even a year. It can't last forever. We will see.

What Is Going To Happen In 2022

URL: <https://avc.com/2022/01/what-is-going-to-happen-in-2022/>

Date: 2022-01-01T13:57:58

Content:

So last year I made a bunch of predictions that with one exception were kind of obvious. I don't want to do that again, so I am going to list five things that I think will happen this year that most people would not likely agree with. 1/ As the pandemic evolves into an endemic in the first half of 2022, companies will reopen their offices and their employees will largely opt to go back to working together in offices. I qualified this with "largely" because I don't think we will go back to everyone in the office again. Companies have become much more comfortable hiring remote employees who don't live near a company office. Employees have made it clear that they want/need the flexibility to work from home a day or two a week. Some companies have moved to an entirely remote work environment. But I think the dominant form of working will return to "in office, with others" by the end of this year. 2/ Carbon offsets, effectively a voluntary form of self carbon taxation, will take off in 2022 and by the end of the year, we will have a global market in excess of \$10bn (up ~10x in 2022). I think the big unlock will be bridging between the existing carbon offset market and the crypto markets where decentralized finance tools can bring massive innovation and demand to this market very quickly. 3/ K12 systems around the US (and around the world) faced with teacher shortages and desperate to erase several years of learning shortfalls, will increasingly adopt online learning services in the school building in lieu of and in addition to in-class learning. This may be obvious. I don't really know. But there are many forms of learning that work in addition and in compliment to teacher-led classes and school leaders will need to be open to using them aggressively to turn around several years of learning losses. 4/ Twitter opens up its APIs and allows anyone to operate Twitter clients that compete with its own. Now I am going out on a limb. But why not? That would be so amazing if it happened. 5/ As I predicted back in the spring of 2017 [8:30 into this video], only five years too soon, Ethereum's market cap will surpass Bitcoin's in 2022. I hope I get at least as much abuse for this prediction as I did for that one. Ethereum's merge in 2022, combined with the understanding that productive assets must be worth more than non-productive assets, make this a fairly obvious prediction. But I got it wrong last time, so I surely can get it wrong again. I hope that 2022 brings us more positive surprises and less negative surprises than the last two years. Happy 2022 everyone!

What Happened In 2021

URL: <https://avc.com/2021/12/what-happened-in-2021/>

Date: 2021-12-31T14:52:32

Content:

As is my custom here at AVC, I like to end the year looking back and start the year looking forward. This post will be the look back and I started by revisiting my look forward into 2021 that I wrote on New Year's Day 2021 . In my typical optimist fashion, I was dead wrong about how quickly the pandemic would fizzle out. I predicted that vaccines plus immunity from those who had been infected would end the pandemic by mid-year 2021. That was obviously totally wrong and I am sitting here isolating with my own Covid case (seven days in now). I can't imagine a more appropriate "punishment" for getting that one wrong. I got the rest mostly right and when I look back at 2021, what I see is a world that is changing before our very eyes; becoming more digital (leading to metaverse fever in tech), less tethered to a job and place to work (and live because of work), warmer, more prone to natural disasters, and tribalizing along different dimensions than what has divided us in the past. In truth 2021 was a deeply troubling year and no wonder that mental health issues abound among all of us, but particularly our young. Nothing seems right anymore. We must face that and then fix it. Of course, 2021 was a great year for the financial markets, both stocks and blockchain assets. Even with a big year-end selloff, which I believe was mostly tax-driven (we will see soon if I am right about that), investors who owned tech stocks and blockchain assets saw huge gains in 2021. USV was no different. We had a banner year. But that also means that it is on us who have benefitted the most to work harder and invest to address some of these troubling issues. We are doing that with our first climate fund, which we have been investing aggressively and we hope to have a second one to invest before the end of 2022. We are seeking to both invest in technologies/companies that can mitigate the climate crisis and that can help us adapt to the changes that are permanent and we must accept that many will be. I want to return to the pandemic before I wrap this year-end post. Sitting here with a mild case but isolating so I don't pass it on brings home for me that our society has really struggled to find the right balance between what is right for the individual and what is right for society during this pandemic. We can't agree on anything. Vaccines, masks, lockdowns, schools, offices, etc. Those who have a high tolerance for risk believe that we have gone way overboard in trying to manage this pandemic when we never could. Those who believe in government, public health, etc, believe that those with a high tolerance for risk are putting all of us at risk. And I think the truth lies somewhere in between. This pandemic is a metaphor for the broader inability of society to find a way to move forward together. Beyond climate or covid, it is this plague of dissension, doubt, fear, distrust, hate, and worse that is our biggest challenge and one that is very much raging across our world right now. That's what 2021 brought home for me.

Why Web3?

URL: <https://avc.com/2021/12/why-web3/>

Date: 2021-12-29T11:07:03

Content:

Over the last month, there has been a ton of debate and conversation about web2 vs web3 with many leading voices raising doubts about web3. Debate and doubt are healthy. And web3 enthusiasts, particularly on Twitter, remind me of missionaries trying to recruit the unwashed to their belief system. Frankly, it is all too much for me. However, the debate is important, the pushback is healthy, and ultimately web3 will have to deliver on its promise which means teams building things that provide new unique value to society. If that doesn't happen, then web3 will turn out to be the snake oil that some are suggesting it is. I am confident that won't happen, but it is important to understand that the proof is in the pudding and talk is cheap. With that backdrop, I want to point everyone to a post my partner Albert wrote yesterday that explains why we at USV believe that web3 will allow teams to build new things that provide unique value to society. It all comes down to the database that sits behind an application. If that database is controlled by a single entity (think company, think big tech), then enormous market power accrues to the owner/administrator of that database. If, on the other hand, the database is an open public database that is not controlled and administered by a single company, but instead is a truly open system available to all, then that kind of market power cannot be built up around a data asset. As Albert says in his post : It is difficult to overstate how big an innovation this is. We went from not being able to do something at all to having a first working version. Again to be clear, I am not saying this will solve all problems. Of course it won't. And it will even create new problems of its own. Still, permissionless data was a crucial missing piece – its absence resulted in a vast power concentration. As such Web3 can, if properly developed and with the right kind of regulation, provide a meaningful shift in power back to individuals and communities. You can already see this effect at work in the most developed areas of web3, like decentralized finance (aka DeFi) where literally hundreds of financial applications have been built on top of Ethereum that all share the same database and users can move from application to application, keeping their data (and their login credentials stored in their wallet) as they go. But until teams build the same experiences for a wide swath of consumer and business applications, we will continue to have this debate. As we should. The good news is there are literally tens of thousands of teams building new things on a web3 stack now. Some of the best entrepreneurs and developers have moved over. The tooling is getting better. It reminds me of the early days of web2 in 2001/2002/2003, when we started USV. That was also a time of great cynicism. We almost did not get our first fund raised. Nobody was buying the story we were telling. But of course, that story turned out to be true. And I am confident this one will too.

The Pull Forward

URL: <https://avc.com/2021/12/the-pull-forward/>

Date: 2021-12-20T05:46:55

Content:

I saw two charts last week that showed the same thing: This chart was in the deck I shared here last week called Consumer Trends 2022 . It shows that after a big lift in 2020 and a bit of a lull in 2021, the e-commerce trendline is back to its old baseline. This is our portfolio company DuckDuckGo 's search traffic curve, available here , on a ten-day moving average. You can see after a huge move up in late 2020, it had a pullback in early 2021 and has now gotten back on its normal growth curve. Both of these are examples of what is called "the pull forward", an event or a series of events that draws a large and unsustainable boost of new users. It is often followed by a lull where growth is flat or even down for a while, but then the normal growth pattern resumes. We have seen curves like this throughout our portfolio this year as the pandemic and other factors (in DuckDuckGo's case the presidential election also played a big part) have whipsawed growth curves. It feels great when things are growing faster than ever. It feels bad when things are flat or down. My suspicion is a lot of these odd-looking curves are going to resume their normal shapes in 2022 when things gradually start to normalize. The last two years have been a challenge to manage through. There have been endless curveballs coming our way. Boom and bust. It is important to see things for what they are and not get too up or down in times like this.

Consumer Trends 2022

URL: <https://avc.com/2021/12/consumer-trends-2022/>

Date: 2021-12-16T06:05:45

Content:

My friends at The New Consumer and Coefficient Capital have published their annual consumer survey. There are many interesting slides in it, none more than this one. I guess that explains this chart: But back to the consumer survey, there are lots of interesting slides in it and you can get it here by creating a free account to The New Consumer. I strongly recommend doing that and enjoying your coffee this morning mulling over the report.

Getting Together In Person

URL: <https://avc.com/2021/12/getting-together-in-person/>

Date: 2021-12-14T05:59:51

Content:

After skipping a year last year, USV held its annual team party last night. It has felt great getting back to getting together with friends, family, and co-workers this holiday season. It has meant a lot of rapid testing for me, all negative thankfully, including one this morning. We also had every single team member in the USV office yesterday, which was a first since we fully re-opened in March of this year. And for our weekly team meeting yesterday, we had everyone around the conference room table. Nobody on Zoom. I can't remember the last time that was the case. I've been doing in-person board dinners and in-person board meetings a lot lately as well. While Zoom has certainly transformed the way we work and I don't expect that we will ever go back to everything in-person, the last few months of getting back together in groups has reminded me how important the human connection is to life, love, and work. I met with a founder yesterday and he told me that his executive team gets together in person once a quarter. I encouraged him to get the exec team together in person at least once a month, if not more frequently. It is hard to be a tight team, that gives and takes, debates and commits, and moves fast in sync without the in-person connection. We have a great team at USV and we did great working remotely during the pandemic, but being back in the office since March, working together, and celebrating together, has made things so much better. I am very appreciative of that.

Computer Science Education Week

URL: <https://avc.com/2021/12/computer-science-education-week/>

Date: 2021-12-10T07:27:20

Content:

The second week of December every year is Computer Science Education Week . It is a week to celebrate efforts to get computer science education into the K12 system around the world, and it is also a week in which schools do events, like The Hour of Code , to encourage students and teachers to get excited about learning computer science. Most AVC readers know that my passion project for the last decade has been getting computer science education broadly available in the NYC public school system. I have also been involved in efforts to get computer science education adopted around the US and around the world. But my primary focus has been NYC. This Computer Science Education Week, I celebrated by meeting with a very large employer in NYC and talking about getting that company's employees deeply engaged with computer science education in the NYC schools and supporting the CS4All Capital Campaign, which I Chair. CS4All is NYC's ten-year effort to get computer science classes into every school building in NYC by training 5,000 NYC public school teachers to deliver computer science classes. The CS4All Capital Campaign is a \$40mm fundraising effort to support CS4All. We are now within spitting distance of the \$40mm goal as we are in our seventh year of the campaign and program. If you know any individuals or non-profits or companies that would like to support the capital campaign, reply to this email or hit me up on Twitter and I would love to talk to them. I also participated in an event at Hunter College last night to discuss their effort to provide computer science certification courses to NYC teachers. This is a program that has run for two years now, led by my friend Mike Zamansky, who I like to call "the godfather of CS education in NYC." The Hunter computer science certification program is supported by our public charity Gotham Gives and Google. We provide scholarships to high-performing teachers who want to get NYS certified as computer science teachers. If you know individuals, non-profits, or companies that would like to join Gotham Gives and Google supporting this effort, reply to this email or hit me up on Twitter. My one regret about this computer science education week is that I did not make it into a school building. This is the second year in a row that has been the case and I miss seeing teachers and students working together on projects and problems. My best moments over the years in this work have always been in the schools. This photo of incoming mayor Eric Adams and former Chancellor Richard Carranza was taken by me at PS24 in Sunset Park Brooklyn during CS Education Week in 2018. I wrote about that visit here . Computer science is the first new subject to be taught in K12 in 50+ years. Getting it broadly available in schools is hard work and requires commitment and persistence and a massive investment of time and money. But it is all worth it. Seeing the kids get excited about coding brings a big smile to my face every time.

The Great Formation

URL: <https://avc.com/2021/12/the-great-formation/>

Date: 2021-12-06T06:46:23

Content:

On Friday, the US jobs report produced a confusing result. From Bloomberg : The jobs report is composed of two surveys — one of employers and the other of households. The employer survey, which determines the payroll and wage figures, showed hiring slowed across industries, including declines at automakers and retail outlets. The household survey, which determines the jobless and participation rates, showed employment surged by 1.14 million people and many came off the sidelines. So employers are reporting sluggish job growth (and an inability to hire in some sectors) and households are reporting a huge surge in newly employed. What is going on? I don't know but I have a theory. I believe more people are going to work for themselves and/or going into small businesses that are not part of the employer survey. Here is US Census data on new business formation: What was an upward trend for the last decade has become an explosion during the pandemic. Maybe what we are witnessing is not the Great Resignation but the Great Formation.

Funding Friday: Flic Twist

URL: <https://avc.com/2021/12/funding-friday-flic-twist/>

Date: 2021-12-03T11:29:10

Content:

I backed this project the minute I saw it this morning. The idea of a wall-mounted device like a Nest Thermostat that controls/dims lights and lets you turn up or down your music seems awesome to me. The Nest interface is simple, intuitive, and works wonderfully. Also, the video is fantastic. More like a movie trailer than a promotional video. It's embedded below on the blog but if you are reading this on email, [click here](#) and watch it.

Partnerships

URL: <https://avc.com/2021/11/partnerships/>

Date: 2021-11-29T06:55:39

Content:

Like many did, we spent much of this weekend watching Peter Jackson's wonderful documentary of the Beatles making Let It Be, titled Get Back. I enjoyed so much of the film, particularly the music, but the big thing I took away is the power of real partnerships. While this was the Beatles last recording session, what you see in the film are four partners working together creatively and wonderfully. I wasn't really expecting that and I found it so enjoyable to watch. I have worked in partnerships for most of my adult life, since I was in my mid 20s. I have spent 35 years in three partnerships, all of them "equal partnerships", the kind where everyone brings their own ideas, they are worked on together, and there is mutual respect and admiration. Partnerships are not easy. Everyone has to dial back their ego a bit and let others have their say on things. But what you get when you do that is an environment where everyone gets better than they would be on their own. And you can see that in the Beatles work. All of the four Beatles went on to have solo careers, but none of them produced a sustained level of work that the four of them were able to make together. Watching Paul, John, George, and Ringo work together for a month to make an incredible record was a reminder that when we sacrifice a little bit of our self and commit to a team dynamic, wonderful things can and do result.

Giving Thanks

URL: <https://avc.com/2021/11/giving-thanks-4/>

Date: 2021-11-25T06:57:50

Content:

Like most holidays we celebrate, the essence of the Thanksgiving holiday hides underneath our celebration of it. Ask anyone about Thanksgiving, and you will hear about turkey, stuffing, a big meal, family, and maybe football. I'm fine with all of that, particularly the stuffing and family parts. But the thing that I like most about Thanksgiving is the idea that this is a time of year to give thanks. The story I heard is that the first Thanksgiving was done to give thanks to the bounty of the harvest. That makes sense to me given the time of year in late fall. But regardless of why this tradition started, I am a big fan of a day set aside to be thankful. And I am very thankful this year. Here are some reasons: 1/ We are starting to learn to live with Covid. Between vaccinations, testing, therapeutics, behavior modifications, and more, we are starting to understand the risks and the protections that allow us to live with a virus run amok. The Gotham Gal and I traveled to Paris and back earlier this month and we were able to enjoy a city we love while the virus was still very much a thing in both NYC and Paris. I am starting to attend more and more board meetings in person. The USV office has been open since March and our team enjoys being able to work together face to face. I get to go to MSG, the greatest arena in the world, and watch NBA basketball with twenty thousand other people a few times a week. While the pandemic may not be over, the panic and isolation are easing. And I am thankful for that. 2/ Technology continues to make our lives better. While the narrative has grown that tech and tech companies are bad for society, our everyday lives suggest that the opposite is true. I facetime with my mom when I used to call her on the phone. Seeing her smile warms my heart every time. I can drive to the east end of long island and back in a car that has been entirely powered by the sun. An artist can make a beautiful image and sell it in such a way that they get compensated every time that image trades hands. A founder in Egypt can (and did) raise millions of dollars for their company on one zoom with a team of investors in NYC. I can go on and on, but you get the idea. Technology continues to improve our lives and I can play a role in that. I am incredibly thankful for that. 3/ Aging gracefully is a wonderful thing. We have watched our children become wonderful adults. We have watched the things we have created have an impact on others. We have found time to give back. We have found time to write. We have found time to have great fun with great friends. Time spent on planet earth is such a gift and I've now spent 60 years here. I am so thankful for that. That felt good to write. Giving thanks is awesome. I encourage everyone to take some time to do it. That's what today is all about.

Founder Led Companies

URL: <https://avc.com/2021/11/founder-led-companies/>

Date: 2021-11-24T07:37:15

Content:

I remember about fifteen years ago, a well-known VC said to me “you need to sell a company within a few years of the founder leaving. Companies can’t sustain their innovation after a founder leaves.” I told that VC that my experience has been different on that measure and that I did not agree. I have seen leadership teams take over great businesses from founders and get them to the next level. Etsy, where I am Chair of the Board and a large shareholder, is a great example of that. There are many others in my career as well. However, there is a special something that founders provide companies. I’ve heard it called “moral leadership.” I’ve heard it called “the soul of the business.” I’ve heard it called “long-term thinking.” This podcast with Brian Armstrong, founder and CEO of Coinbase, another public company where I am on the Board and a large shareholder, is a good example of that. If you are into crypto or a Coinbase shareholder, you might want to watch the entire one hour and forty minutes of this video. But if you want to see what I am talking about with founder-led businesses, there are a few conversations in this podcast I would direct you to. They are: 25:48 The Drive and Vision 29:36 The Future of Coinbase 47:30 Public Goods & Decentralization 51:39 Eating All the Banks 1:32:12 Maturing and Growing

Swapping NFTs

URL: <https://avc.com/2021/11/swapping-nfts/>

Date: 2021-11-22T06:45:26

Content:

We own a fair number of NFTs that I have collected since 2017 when I was buying Rare Pepes and CryptoKitties . We have accumulated a nice collection of Top Shots and a bunch of other NFTs as well. But I don't want to sell our NFTs. We also don't like to sell the art we have collected over the years. We also don't like to sell the crypto assets we hold. But I am very interested in swapping NFTs for other ones. Here's how I would imagine an NFT swapping service would work. 1/ I visit the swapping service and connect with a wallet. 2/ I list the NFTs that I own that I am willing to swap. 3/ I browse the service to see the NFTs that others have listed to swap. 4/ I find an NFT I would like to swap and I make a swap offer to the owner. 5/ The owner accepts, declines, or proposes a different swap. 6/ If a swap is accepted, it is processed on-chain. I could imagine that swaps would not need to be one NFT for another NFT, although you might start there. Over time, you could end up with multiple NFTs for a single NFT, or possibly one NFT for another plus some crypto to sweeten the deal. I have been asking around to find a service like this and have not found one yet. If you know of such a service, pls let me know via email or Twitter. If there isn't one, maybe someone should build it.

The David Prize

URL: <https://avc.com/2021/11/the-david-prize-2/>

Date: 2021-11-17T05:08:29

Content:

Are you a New Yorker doing something amazing and could use \$200,000 to support your work? If so, you should apply for a David Prize. I have written about this program before so you might remember. But for those who haven't heard about it, here's the deal: Here are the most recent cohort of David Prize winners : ● Cesar Vargas : Fighting for immigrants in the armed forces and their right to stay in the U.S. ● Fela Barclift : Sparking academic excellence and positive self-esteem among NYC's youngest learners (this video is amazing) ● Felicia Wilson: Inspiring foster care alumni to support young people "aging out" ● Mr. Five Mualimm-ak : Creating essential community for justice-impacted youth serving supervision sentences ● Jaime-Jin Lewis : Envisioning a childcare system where providers, families, and children can thrive The folks behind the David Prize are looking for broader representation from the "the tech / science / invention circles" which describes many AVC readers. If you want to apply for a David Prize, you can do so here . Applications are due by December 21st.

Seed Rounds At \$100mm Post Money

URL: <https://avc.com/2021/11/seed-rounds-at-100mm-post-money/>

Date: 2021-11-15T05:16:33

Content:

We have been seeing quite a few seed rounds getting done in and around \$100mm post-money and that concerns me for a few reasons: Seed stage is when a company has a good team, a good idea, but has not yet proven product market fit and a go to market model, and has not yet demonstrated a sustainable business model. These investments have a high failure rate. In my experience, roughly half of seed stage investments fail completely, wiping out everyone's investment, including the founding team's. There is a lot of dilution from the seed round to exit, in my experience, a seed investor will be diluted by around 2/3 between seed and exit. A power law distribution exists in outcomes in any early stage portfolio and a seed portfolio is no different. So given that I am jet-lagged and got up at 3:30 am this morning, I modeled this out to see how this all works. Here is the google sheet in case you want to look at my model. Here are the assumptions: Assumptions: Fund Size \$100,000,000 Number Of Investments 100 Post-Money Value \$100,000,000 Investment Amount \$1,000,000 Ownership 1.00% Average Dilution from Seed to Exit 66.67% Top-Performing Investment Outcome \$10,000,000,000 Power Law Number 0.75 Power Law Distribution Of Outcomes: Given those assumptions, a \$100mm seed fund that makes all of its investments at \$100mm post-money will barely return the fund. And that number is gross, before fees and carry. Total Value At Exit \$133,333,323 Fund Return 1.33 Now all of this depends on a few important assumptions. If you believe your top-performing investment, out of 100 investments, will end up being worth \$100 billion, then the numbers change a lot. You end up with a 13x fund instead of a 1.3x fund, before fees and carry. The dilution from seed to exit also matters a lot. If you believe the dilution from seed to exit is only 50% and your top-performing investment, out of 100 investments, will be worth \$10 billion, then you will end up with a 2x fund, before fees and carry, instead of a 1.3x fund (at 2/3 dilution). There are only several hundred companies in the world with market caps of over \$100 billion and roughly a quarter of them have come out of venture capital portfolios in the last thirty years. So it can happen, but it is very unlikely. In almost twenty years of producing some of the highest performing VC funds in the business, USV has never had a portfolio company become worth over \$100 billion. That is a very high bar, too high to expect in your portfolio. So, in a world where we are seeing more and more \$100mm valued seed rounds, one has to ask the question what are the investors expecting? A \$100 billion outcome? Doubtful. Less dilution, maybe. A different power-law distribution? Don't count on it. I think they are being delusional, comforted by the likelihood that someone will come along and pay a higher price in the next round. But it seems that person may also be delusional. Because when you model things out, the numbers just don't add up. I think a strong case can be made for seeds in the low eight figures. If you run that same model with a \$20mm post-money value, you get a 6.667x fund before fees and carry. That's a strong seed fund, probably a tad better than 4x to the LPs, after fees and carry. If you think you can get one of your hundred seed investments to a \$10bn outcome, then paying \$20mm post-money in seed rounds seems to make a lot of sense. The exit values in VC have increased significantly over the last decade leading to escalating entry values. That makes sense. But the two things that have not changed materially over the last decade are the dilution from seed to exit and the power-law distribution of outcomes in an early stage portfolio. The failure rates are so high in early-stage investing that the power-law curves are steep. If your best-performing investment, after taking significant dilution, cannot return your early-stage fund, then you are doing something wrong. Update: I saw this tweet just now and thought that it makes a great addition to this post: Some historical context on @fredwilson 's latest. Between 1/1/2010 – 12/31/2019, 166 tech startups went public. Here's where their valuations sit now: 2 = \$1T+ (TSLA/FB) 4 = \$100B+ (SHOP/NOW/TEAM/SQ) 48 = \$10B+ 35 = <\$1B Median = \$4.4B Deploy wisely! <https://t.co/6levc7OkXd> — Flaherty.eth (@josephflaherty) November 15, 2021

Buying Crypto Assets

URL: <https://avc.com/2021/11/buying-crypto-assets/>

Date: 2021-11-10T02:57:14

Content:

A number of friends have been asking us how to buy crypto assets. This is not the first time we've gotten this question and it won't be the last. When I first started getting this question, my answer was "open a Coinbase account and buy Bitcoin." Then there was a period when my answer was "open a Coinbase account and buy Bitcoin and Ethereum." Today, my answer is "open a Coinbase account and buy a diverse set of crypto assets." A diverse set of crypto assets would include Bitcoin, Ethereum, the other major layer one blockchains (Solana, Flow, Avalanche, Polkadot, Algorand, etc), the major Defi protocols (Uniswap, Aave, Compound, etc), storage protocols (Filecoin, Arweave, etc), telecommunications protocols (like Helium), some layer two protocols (like Stacks, Polygon, etc), some gaming assets (like Axie, Decentraland, etc), a maybe some NFTs. That last paragraph is not meant to be specific. It is meant to be illustrative. And that list contains assets that I own and USV owns as well as many assets that I and USV do not own. I am not recommending any specific assets here. I am recommending a diverse portfolio and those are some good examples of what might be in one. I do not believe the web3/crypto opportunity can be captured by simply holding Bitcoin and Ethereum anymore. You must own a broader set of assets because the market is expanding beyond the OGs now and you need to be exposed to more of it. I believe there will be index funds that can do this for you someday. But today your options are limited unless you have the wealth and access to the premier token funds and that is hard to achieve. Finally, I have no idea where we are in this bull cycle we are in (that is leading to so many people asking us this question right now), so I would be conservative and dollar cost into crypto. If you want to put \$10,000 into crypto, I would put \$1,000 a month each month for the next ten months, for example. It is hard to be patient like that when prices are rising so fast, but they can fall even faster so it is best to be careful and conservative with an asset class like this. Finally, these are very long-term investments. If you want to buy crypto assets, you should think of them as a ten-year buy-and-hold portfolio (or longer). That will help you make better decisions as you invest in this exciting new asset class. I wrote this mostly to send to friends who ask but figured I'd share it with everyone else too. Good luck, be careful, be patient, and have a long-term view when investing in high-risk assets.

Biking In Paris

URL: <https://avc.com/2021/11/biking-in-paris/>

Date: 2021-11-08T02:59:18

Content:

We have been coming to Paris regularly for about 15 years and back in 2008, I started using the Velib bike share system and wrote about it here . A lot has changed in a decade and a half when it comes to biking in Paris. There are more bikes, more bike lanes, and more bikers. Velib is still a big piece of the Paris bike scene and they have a ton of pedal assist e-bikes in the system now. At most kiosks I see about half regular and half e-bikes. I wish NYC's Citibike system had that mix in their kiosks. But I've been using a service called DOTT this stay in Paris. Every morning I like to go out to a coffee shop that is a twelve minute walk but a four minute bike ride. So I launch the DOTT app and find the nearest bike which is usually less than a block away and unlock it with my app. I took this one for coffee this morning: There are bike parking stations on almost every block in Paris and so it is easy to find a good and appropriate place to leave your bike. There are also a ton of scooters in Paris but that's always been the case here. It does seem like the use of car transport is down a bit since we were here two years ago. Biking around Paris is great. It's a wonderful city to see in slow motion. Walking is certainly the best way to get around Paris but biking is a close second.

Traveling Again

URL: <https://avc.com/2021/11/traveling-again/>

Date: 2021-11-04T04:25:20

Content:

On Tuesday night the Gotham Gal and I boarded an overnight flight at JFK and arrived in Paris on Wednesday morning. That sounds like a normal thing to do and it is something we have been doing together since we met forty years ago. But we have not done any international travel since November of 2019 due to the Covid pandemic. So for us, it is quite a thrill to be traveling again. I took this photo last night walking back from an evening out on the town. Being in Europe is different. The language is different. The people are slightly different. The culture is slightly different. Soaking all of that up and in is so great. We are here on vacation and I'm not working or seeing folks outside of friends and family. So it is going to be a great couple of weeks and I think it will bring out some great posts about things I'm seeing and thinking. I've already got one on e-bikes and biking forming in my head.

The Metaverse

URL: <https://avc.com/2021/11/the-metaverse/>

Date: 2021-11-01T09:58:13

Content:

I've been hearing the term Metaverse for at least twenty years and I have always struggled with it. As I told my colleagues last week "I like the real world, I don't want to live in a video game." My colleagues explained to me that I am thinking about it incorrectly. They said that as digitally mediated experiences have become a more important part of our everyday lives, we are already living in the metaverse. I've started thinking about it that way and it has helped me to be more enthusiastic about these digitally mediated experiences. I read this tweet stream yesterday and I found it very helpful in this new understanding I am developing. Hot take: Everyone is wrong about the Metaverse. here's my 3 part theory.. — Shaan Puri (@ShaanVP) October 29, 2021 But then I was passing by the Bright Moments NFT Gallery in Soho yesterday and there was literally a line around the block to get into the Bored Apes Yacht Club event. It seemed like there were thousands of Bored Apes NFT owners standing in line for hours to be able to hang out together in person. I texted my colleagues "I guess this metaverse thing is overrated". That's mostly me amusing myself. But it does suggest to me that hanging out together online is still not quite as much fun as hanging out together in person.

Funding Friday: The Tether Bike Light

URL: <https://avc.com/2021/10/funding-friday-the-tether-bike-light/>

Date: 2021-10-29T06:55:17

Content:

I backed this project this morning. The Tether Bike Light is “a bike safety device that projects a safe zone around your bike, responds to road users around you, identifying safe and unsafe roads in your city.” I like the idea that “locations of overtakes are recorded to identify safe and unsafe zones in your city to help plan safer routing.” That is very cool. Here’s the video if you want to learn more.

Web3 vs Web2

URL: <https://avc.com/2021/10/web3-vs-web2/>

Date: 2021-10-27T07:50:59

Content:

Now that we are beginning to see what consumer applications are like in the decentralized web (web3), it is interesting to compare that to what consumer applications are like in the centralized web (web2). It became clear early in the 2000s that the big opportunity in the web would be to build large networks of engaged users. That was USV's initial web2 thesis: USV in 140 characters: invest in large networks of engaged users, differentiated by user experience, and defensible through network effects — Brad Burnham (@BradUSV) June 8, 2011 And the way many/most of those networks were built was by delivering single user utility day-one and then building out network effects around that utility. Chris Dixon called that “come for the tools, stay for the network” in this blog post . We are seeing a different go-to-market action in web3. Most consumers start with the token/asset and go from there. Initially, it was Bitcoin and you'd store it at Coinbase. Then it was Ethereum and you'd stake it. Then it was a Cryptokitty and you'd sire it. Then it was a TopShot and you'd collect it and trade it. Then it was a CryptoPunk and you'd make it your Twitter avatar. Then it was an Axie token and you'd use it to play Axie Infinity. I could go on and on but you get the idea. And what is most interesting to me is that these assets that you start with don't need to stay in the networks you first use them in. You can move your Bitcoin to your ledger wallet. You can pool your Ethereum on Uniswap. You can list your CryptoPunk on OpenSea. You can use your Axie token to buy a car . Which leads me to believe that the go-to-market action in web3 is: Come for the assets, stay for the experience. I shared that on twitter yesterday and putting it here today.

Startups Galore

URL: <https://avc.com/2021/10/startups-galore/>

Date: 2021-10-25T07:20:18

Content:

When you look at the recent Q3 numbers on seed and early-stage VC fundraising, you might think we are in the late stages of a VC bubble: The words I would use to describe the current environment in early-stage VC are “fast and furious.” And yet the thing that makes me think this could be the new normal and not the late stages of a bubble is the dramatic increase in the number of people who are choosing to work in or form new startups. It has never been easier to start a company, build a team, and build a product. And many people are choosing to do just that. It could be that we are in an environment where too much money is chasing too many good deals.

Funding Friday: Posterized

URL: <https://avc.com/2021/10/funding-friday-posterized/>

Date: 2021-10-22T06:33:05

Content:

My friend Stephen sent me a text with a link to this Kickstarter project . I backed it immediately and went one step further than I ordinarily do, I bought a pre-order copy of the book. The NBA is back in season, I went to the opener on Weds night here in NYC, and it was a thrill to be in the arena watching incredible athletes play my favorite game to watch. So I am excited to get this book and put it on my coffee table. I will have endless fun rifling through the pages. And if you are an NBA fan like me, do yourself a favor and watch this video .

The Mainstreaming Of Crypto

URL: <https://avc.com/2021/10/the-mainstreaming-of-crypto/>

Date: 2021-10-20T06:34:37

Content:

We started looking at crypto ten years ago, starting investing nine years ago, and have had a front-row seat to its development ever since. It has been enlightening, exciting, rewarding, but definitely not mainstream. I think that is changing quickly now and yesterday I saw this tweet: BREAKING: The @NBA and @Coinbase have announced a multiyear partnership that makes Coinbase the exclusive cryptocurrency platform partner of the NBA, WNBA, NBA G League, NBA 2K League and USA Basketball. The deal is the first cryptocurrency platform partnership for each league. pic.twitter.com/eHgoMWlaVJ — Boardroom (@boardroom) October 19, 2021 Though I am on the board of Coinbase, I had not been aware of this partnership until I saw the tweet. Seeing it made my day. Two of my favorite brands in the world are teaming up to educate and increase the awareness of crypto around the world. That's going mainstream right there.

Working Multiple Jobs

URL: <https://avc.com/2021/10/working-multiple-jobs/>

Date: 2021-10-18T06:48:07

Content:

Since 2016, I have been working “half time” at USV and taking half of a partner’s carry. That has allowed me to allocate more time to things like building green buildings with the Gotham Gal, building a philanthropic organization with the Gotham Gal, sitting on non-profit and civic boards, and a few other things. The truth is I still work at least 40 hours a week at USV, probably a fair bit more some weeks, but I still have time to spend on these other things and my partners understand that I am doing that and my compensation reflects that. The move away from commuting to the office, spending eight hours a day or more there, and the rise of working remotely has upended so much in the last 18 months and one of the things I am noticing is how many people are doing what I am doing – working multiple jobs at the same time. I am not talking about freelancing, consulting, and the other forms of working for many clients. I am talking about holding down multiple full-time jobs at the same time. Early in the pandemic, there was a story about a software engineer that had full-time jobs at both Google and Facebook. It was somewhat amusing to read that Google and Facebook were being played like that, but the truth is this is happening all over the place. In some cases, like mine, the employer(s) know about the arrangement and the compensation reflects it. In most cases, the situation is not transparent for everyone. And that is a problem because eventually, most things become public. Employers are going to need to wrap their heads around this situation and create plans that allow this. I suspect the reason many employees are not transparent about what they are doing is that their employers won’t allow it. So they do it anyway and keep it under wraps. Employers are probably reading this and saying “But I need 100% of their time. I can’t allow them to give me only half of their time.” But here is the thing. They are already only giving you half of their time. I can tell you that being able to work on many different things at the same time makes me better at every one of those things. I have always had that situation in the VC business. I get to work with dozens of companies at the same time. But now I get to work on all of them and also different problems in different industries. It keeps me energized, motivated, curious, and excited. And productive as hell. I think it is high time for employers to understand that some of their employees, often their best employees, need to work this way and will be happier working this way. The employers that lead on this issue will become the places the best people want to work. And they will be more productive and more successful. We already have a model emerging where this happens. The most common form of organization in crypto is the DAO and most DAOs have this model of part-time work and compensation that reflects the contribution. I know of many people who work for multiple DAOs, get paid by multiple DAOs, and where all of this is out in the open and transparent to everyone. I am certain that the model of employees working for multiple companies at the same time is here to stay and will grow over time. The only question for employers is whether they will lead or follow in this new model of work.

Tracking Crypto For Taxes

URL: <https://avc.com/2021/10/tracking-crypto-for-taxes/>

Date: 2021-10-13T08:59:26

Content:

For the last ten years, my tax prep on crypto was pretty easy. I have always had a buy and hold mindset and have custodied with Coinbase. So a simple report on Coinbase was all I needed to send to my tax folks. Pretty simple. But as DeFi and NFTs have exploded on the scene, things have gotten more complicated. Swapping, bridging, staking, buying with ETH, SOL, FLOW, yield farming, liquidity mining. Across chains. On hardware wallets. On mobile wallets. It is giving me a headache just typing all of this into my browser. So I'm on the hunt for the very best cross wallet/cross chain tax prep software for crypto. I am not seeking to invest in this sector, although I have friends who are. What I am seeking is suggestions from all of you. What do you use to deal with this headache? If you have suggestions, please click on the link that says "Discuss on Twitter" and leave your suggestions there so everyone can see them. If you must email me, that's fine too. I appreciate suggestions however you can send them. But I prefer Twitter because everyone will be able to see them.

NYC's Tech Resurgence (continued)

URL: <https://avc.com/2021/10/nycs-tech-resurgence-continued/>

Date: 2021-10-12T06:49:56

Content:

A few weeks ago, I wrote about NYC's Tech Resurgence . I observed that NYC continues to develop as one of the world's leading centers of tech innovation. And then yesterday, I saw this tweet : NYC startups are getting funded at 2/3 the rate of Silicon Valley startups. That's a huge change from where NYC was even two or three years ago. It wasn't that long ago that a NYC-based startup had to agree to move to Silicon Valley to get money from the VCs out there. I think that was still a thing into the latter part of the 2000s. Now a decade and a half later, we see NYC startups raising capital almost as much as Silicon Valley startups. Wow.

IRAs and Wealth Creation

URL: <https://avc.com/2021/10/iras-and-wealth-creation/>

Date: 2021-10-06T09:54:17

Content:

A couple of years ago, I wrote about buying crypto in an IRA . I went and did that with an old unused IRA that was sitting in cash and I have 8x'd the value of that IRA in the last 18 months. While my family is fortunate that we don't have to rely on our IRAs to generate wealth like this, many folks do. Tens of millions of people in the US rely on IRAs to save money tax-free for their retirement. There is \$13 Trillion invested in IRAs and only 30,000 of those accounts have more than \$5mm in them. IRAs are the retirement accounts for main street, not wall street. And yet, the House Ways and Means Committee is now suggesting eliminating the ability of these IRA holders to invest their IRAs in the highest returning assets available; VC funds, private equity, and private companies (page 689, section 138312). I am sure they are proposing this to prevent wealthy people like me from using the tax shield of the IRA to invest in private businesses. But there are better ways to do that than a blanket prohibition. A blanket prohibition will hurt main street, not wall street. We already limit what folks who aren't wealthy can invest in by virtue of a multitude of regulations. It upsets me to no end that this paternalistic approach keeps the wealthy making lots of money and everyone else on the sidelines. I have railed about this set of issues here at AVC since I started blogging almost twenty years ago now. What we should do instead is limit the tax advantages of an IRA to a set amount of money, something like single-digit millions. That will limit their attractiveness as a tax shield for millionaires but maintain them as a wealth generator for everyone else. Please tell your elected officials in Washington that Section 138312 of the Reconciliation Bill must go. It hurts main street, not wall street, and is bad policy.

Dapper Collectives

URL: <https://avc.com/2021/10/dapper-collectives/>

Date: 2021-10-04T10:32:45

Content:

Our portfolio company Dapper Labs , creator of CryptoKitties , the Flow Blockchain , and the NBA Top Shot collectible game, is announcing Dapper Collectives today. Dapper Collectives comes by way of an acquisition of Brud , a company that has been developing “community-owned media and collectively built worlds” for the last five years. Dapper Collectives will be led by Trevor McFedries, the founder and CEO of Brud and the co-founder of the FWB DAO. Trevor is also an LP at USV. Dapper Collectives has a mission to “bring decentralized organizations (“DAOs”) to the mainstream”. The initial efforts of Dapper Collectives will include: Bring community ownership and collective building to Dapper Labs products — starting with Lil Miquela and her 10 million fans ; Build and release open source tools to help other mainstream communities engage in decentralized ownership and governance on Flow blockchain ; Help the most forward-thinking “web 2” companies decentralize their operations, engaging at the CEO and Board of Directors level to assist in tokenomics as well as technical implementation. DAOs are quickly becoming the preferred organizing model for crypto projects, community efforts, and investing activities in Web3 and Dapper Collectives will energize these activities on the Flow blockchain.

NYC's Tech Resurgence

URL: <https://avc.com/2021/09/nycs-tech-resurgence/>

Date: 2021-09-30T07:09:34

Content:

Early in the pandemic, we were all deluged with stories of tech workers, companies, and founders leaving Silicon Valley for Miami and Austin. And that was true. But from my personal experience, they also left for many other places too, including Los Angeles and New York City. I met with a founder last week who has left the bay area for good and now splits his time between homes in LA and NYC. It is hard to know what cities have been the biggest beneficiaries of the great relocation but I am certain that NYC is one of them. Here are some tweets I've seen in recent weeks talking about this: Feels like every fourth bay area tech person I talk to is moving to New York. — Sam Altman (@sama) September 26, 2021 2 mtngs yesterday w/ w coast crypto folks where they proclaimed NY the epicenter of crypto. I guess I've been feeling the activity, but didn't realize it was so conclusively here. if true & if crypto eats internet, there's a path to NY dethroning s valley as epicenter of tech. — Jordan Cooper (@jordancooper) September 23, 2021 I am not proclaiming the death of Silicon Valley. It is alive and well and will continue to be the epicenter of tech in the US for as far as I can see. What it has lost is the power to hold onto people who don't really want to be there. One of the most important things the covid pandemic has done to work in the US, particularly tech work, is to make it so that people can work for great companies wherever they want to live. That's a huge shift and I believe it is permanent. But that's not the only thing that's driving NYC's tech resurgence. As yesterday's IPO of Warby Parker reminds us, NYC is now home to a growing number of large entrepreneurial companies that are now public and will remain independent and growing in NYC. They may employ people all around the world, but they are HQ'd in NYC and will continue to be. And Jordan is correct in the tweet above that NYC is particularly strong in Web3 because of its roots in trading, speculating, DeFi, etc and because of large Web3 software players like Consensus that have been operating here for many years now. And as Web3 is now exploding into the creative class via things like NFTs, DAOs, gaming and more, we will only see NYC's strengths come to the front and center in the most important new sector in tech. It's a great time to be working in tech in NYC. You get all of the benefits of living in this amazing city without the hassles of the commute every day. I'll end with a plug for a startup competition that Google, Tech:NYC, and Cornell Tech are putting on called the "NYC Recovery Challenge". The challenge will bring together startup entrepreneurs from across the five boroughs to pitch tech solutions for New York's recovery to a panel of business, economic, and policy experts with the chance of winning cash prizes, technical mentorship, and more. The top three founders and their teams will be recognized as "NYC RecoveryFellows" and will receive cash awards from a prize fund totaling \$150,000. The first-place founder and their team will receive a non-dilutive cash award of \$100,000, and two runners-up will each receive non-dilutive cash awards of \$25,000. Seven other entrants will be recognized as "Founders to Watch" and will participate, along with the three cash award recipients, in a month-long, equity-free mentorship program — dubbed the "NYC Accelerator" — led by Cornell Tech, Google for Startups, and Tech:NYC advisers. If you and your startup want to apply, you can do so here .

The Token Race

URL: <https://avc.com/2021/09/the-token-race/>

Date: 2021-09-28T06:50:54

Content:

Our portfolio company Mirror has been using a “game mechanic” called The Write Race to onboard users to the Mirror service. Mirror is something between a blogging platform, a crowdfunding platform, and a community platform, built for the crypto sector. Mirror is built on decentralized protocols and is a web3 version of all of those things and more. Users need a \$WRITE token to publish on Mirror and the best way to get \$WRITE tokens is to join the Write Race that happens every Wednesday 5pm eastern. Anyone who holds a \$WRITE token can vote for new users in the Write Race. The top ten vote getters are airdropped a \$WRITE token and can publish on Mirror. I earned a \$WRITE token a while ago and now publish a mirror image of this blog on Mirror. Yesterday, Mirror announced that they have expanded this game mechanic to any activity that requires a token. They call it Token Race. Imagine your DAO wants to admit new members but needs a way to do that. Token Race. Imagine your DAO wants to distribute funds to worthy crypto projects. Token Race. You get the idea. Here is how Token Race works: To create a token race, a user specifies the address of the ERC20 token contract to use, uploads a list of proposals that they’d like their community to vote on, and specifies the minimum number of tokens members need to hold to be eligible to vote. We take a snapshot of balances, and once the voting opens members get to vote on the various proposals proportional to their wallet balance at the block height of the snapshot. Once the voting period ends, winners are selected based on the highest number of votes. All data is backed up on the Filecoin network and accessible via IPFS (h/t [estuary.tech](https://github.com/estuary)) so even if Mirror goes under, your token races are preserved in the annals of the metaverse.

<https://dev.mirror.xyz/dLLlq4lebg5DLWJbOWa3sU6oQuwbogkmqPnz-ZbzPUg> So if you’ve been looking for a tool to do your own version of the Write Race, look no further. Token Race is here.

E-Bikes

URL: <https://avc.com/2021/09/e-bikes/>

Date: 2021-09-27T06:48:23

Content:

I used to ride a Vespa around NYC. I rode it to work and back for about ten years, from roughly 2003 to 2013. I stopped riding it when Bloomberg's Traffic Enforcement people started towing it when it was parked between cars on the street (something I had been doing since I started riding it). A few visits to the tow pound will do that to you. Since then, I've been Citibiking to and from work when it is nice out and subwaying when it is not. That has worked fine. A few weeks ago, I had breakfast with my friend Alex Ljung, who co-founded our portfolio company SoundCloud with his friend Eric Wahlforss. Alex and Eric are back at it with a new company called Dance which makes a beautiful e-bike that is sold via a subscription service, currently only in Berlin, but coming to your city sometime in the future. I told Alex that I was nervous about riding e-bikes. He told me to get over it and get on one. So I have been doing that, using Citibike's e-bikes, for the last few weeks. Alex was right. I love riding e-bikes around NYC. I can see riding them out to Brooklyn and back for meetings, using the new Brooklyn Bridge bike lane. I still like riding my traditional bike for exercise, something I do three mornings a week, and something I will do when I finish this post. But for getting around NYC, in the awesome bike lanes that have been created all around our amazing city, I think e-bikes are the way to go. I put in an order for one this weekend. I'm sold.

Funding Friday: Newly Finite Themes

URL: <https://avc.com/2021/09/funding-friday-newly-finite-themes/>

Date: 2021-09-24T06:20:53

Content:

My friend Mike Masnick , founder and leader of Techdirt , is crowdfunding a new paper on NFTs . I backed the project just now with 0.1 ETH and you can do the same here .

Citibiking (Continued)

URL: <https://avc.com/2021/09/citibiking-continued-2/>

Date: 2021-09-22T07:13:45

Content:

Yesterday I wrote about NYC's Citibike system , which I love, and said this: There should be financial rewards for taking a bike from a kiosk that is completely full or nearly full and returning to a kiosk that is empty or nearly empty. There should also be a financial reward for docking an E-Bike in a kiosk where there are no E-Bikes or very few. I got a ton of feedback via email and Twitter that Citibike already offers this via a program called Bike Angels that rewards riders for doing things like this. I know about that program but there are three big problems with Bike Angels that Lyft, the owner of Citibike, needs to fix. 1/ Bike Angels is not part of the core service, available to everyone by default. 2/ The rewards are too small. They need to be increased significantly. 3/ Angels is not a cash rewards program and you cannot take cash out of the system. It needs to be like Venmo. Basically Angels sucks, but it is directionally correct. If Lyft fixed all of this and offered attractive cash rewards for moving bikes and E-bikes around the system, it would be a game changer. But Bike Angels is not that. It is not even close to that.

Citibiking (Continued)

URL: <https://avc.com/2021/09/citibiking-continued/>

Date: 2021-09-21T06:36:01

Content:

I have written about my love for NYC's Citibike service many times. This will be one more. Yesterday I left the USV office at the end of the day and hopped onto a Citibike E-Bike at the brand new kiosk that has been installed in the "no cars" section of Broadway between 23rd and 21st. I rode that E-bike all the way to Central Park West and 81st Street to get to the Delacorte Theater in Central Park. I was able to stay in a bike lane for that entire ride and it took me about twenty minutes. There is no way I could have gotten from 21st and Broadway to the Delacorte Theater in less than twenty minutes any other way. Google Maps told me it would take 28 mins on the subway and I'd have to make at least one transfer. I did not check Uber, but given how Uber is working in NYC these days, it would have been at least a ten-minute wait just for the car to arrive. It would have likely taken twice as long in a car as a Citibike. When the weather is good, like it has been in NYC the last few weeks, there is no better way to get around the city than Citibike. The subway is a close second, but there is something about being out and about, a breeze in your face, seeing the sights and sounds of NYC. The addition of E-bikes has made longer rides, like the one I did yesterday evening, a good option. I generally take the regular bikes to commute to and from work (a roughly ten-minute ride), but the E-bike makes the 60 block trip, or a trip to Brooklyn or back, a decent option. I do have a suggestion for Lyft, the owner of NYC's Citibike service. There should be financial rewards for taking a bike from a kiosk that is completely full or nearly full and returning to a kiosk that is empty or nearly empty. There should also be a financial reward for docking an E-Bike in a kiosk where there are no E-Bikes or very few. The single biggest challenge with Citibike is the empty kiosk and the full kiosk. And the lack of E-Bikes in many kiosks is also a challenge. If riders were rewarded financially for taking bikes and moving them to where they are most needed, the distribution of bikes would become more even. And there would be a "cottage industry" of people who ride Citibikes around the city for a living making sure that the bike distribution is optimal. This would require the Citibike app to be like Venmo, with a wallet that builds up or down over time, and where balances can be transferred out. That's not very hard to build in this day and age, and would be a game-changer for the Citibike system.

Blinking

URL: <https://avc.com/2021/09/blinking/>

Date: 2021-09-20T08:05:56

Content:

Back in 2005 Malcolm Gladwell wrote a book called Blink that was about how our subconscious allows us to make fast decisions that are often as good or better than slow considered decisions. I was talking to someone yesterday evening about how the venture capital business has changed over the last decade and I explained that we used to have weeks, if not months, to make our investment decisions and now we have days or if we are lucky a week or two. And I observed that the rapid pace of venture investing and decision making has not, yet, impacted the quality of our portfolio and that it may have actually improved it. The woman I was talking to said "like Malcolm Gladwell describes in Blink." And I nodded affirmatively. There is another thing going on with our decision making at USV, which is that we are regularly taking the time to articulate to each other, and ideally the world at large, what we want to invest in and why. That work, which we call thesis building, helps us make rapid decisions in the absence of time and information. It is tempting to mourn the loss of careful and considered investing but from where I sit it seems gone for good, at least for early stage venture capital, so I think it's a better use of our time to spend adapting to the market, as my partner Brad likes to say, and building the conviction to act quickly and decisively.

Funding Friday: Honk NYC! 2021

URL: <https://avc.com/2021/09/funding-friday-honk-nyc-2021/>

Date: 2021-09-17T06:54:20

Content:

I just backed this project to support a festival of street musicians in NYC in late October. Street bands have been picking up the slack for the last year in NYC, performing for outside diners and more throughout the city. This festival celebrates them and puts them front and center. Email readers can see the video here .

Large Group In-Person Meetings

URL: <https://avc.com/2021/09/large-group-in-person-meetings/>

Date: 2021-09-15T06:39:24

Content:

I have been doing a bunch of large group in-person meetings in the last few weeks and I must say that it feels great to be doing these large group meetings in person. There is a different energy in the room than on the screen. In order to make everyone comfortable meeting like this, the way these meetings typically happen is everyone provides a proof of vaccination and everyone gets a covid test within 24 hours of the meeting. It is best if the host of the meeting can provide rapid tests so anyone who wants to arrive in advance of the meeting can get tested right there. It is also the case that in each of the large in-person group meetings I have done in the last few weeks, there have been a few folks on video. I think that is likely to be the new normal for large meetings and it really helps to have great audio and video in the room so the people on the screen feel as much like they are in the room as possible. But I must say that I am very happy and very relieved to be meeting in person again in large groups. I missed it a lot and I am glad to be back doing it.

The Apple Epic Decision Is A Breakthrough For Crypto

URL: <https://avc.com/2021/09/the-apple-epic-decision-is-a-breakthrough-for-crypto/>

Date: 2021-09-13T06:35:06

Content:

In her decision last week on the Epic vs Apple case, Judge Yvonne Gonzalez Rogers wrote this: I am not a lawyer, but I read that to say that apps that use crypto rails for payments cannot be blocked by Apple anymore. If so, that is a decision of enormous consequences for the crypto sector and yet another opening for it. That is so fucking awesome.

Generalist vs Specialist

URL: <https://avc.com/2021/09/generalist-vs-specialist/>

Date: 2021-09-09T07:53:51

Content:

At USV, we have a fairly narrow thesis that sets out what we want to invest in, but all of us work across all of our thesis areas. We see ourselves as generalists not specialists. In an environment when everything is moving so fast, that can be challenging, as I wrote about on Tuesday . But there are also great benefits to working this way. As a team, we benefit from working together on everything versus having silos within our partnership and firm. And as individuals, there is something quite helpful about moving back and forth between domains. It stimulates the mind in ways that going deep and staying deep on one thing cannot. There are many ways to build a successful investment business. Specializing in a specific domain works well for many firms. But I personally prefer being a generalist. Being able to meet founders in multiple different sectors back to back to back is really something special. It challenges and opens the mind in a way that really works for me.

Staying Plugged In

URL: <https://avc.com/2021/09/staying-plugged-in/>

Date: 2021-09-07T06:57:06

Content:

I wrote in my 60th birthday post that my late career mantra is less hustle more conviction. It has been working for me and has kept me in the game. But there are times, usually after an opening emerges, when a market moves so fast it is hard to stay on top of it all. I don't worry about missing out. That's part of the venture capital business. Fear of missing out is a counterproductive emotion and I refuse to engage in it. But I do worry about not understanding what is going on. When you stop understanding things, you are done. There is no way to be a great investor if you have no clue. It is possible to surround yourself with others who can help you understand what is going on. I do that and I have terrific colleagues who keep me engaged in what's happening. These colleagues are inside USV and also spread around many other firms too. But at some level, you have to understand things yourself. Osmosis only works to a point. I find that you have to get your hands on the technology, use it, and feel it to understand it. And that is the hard part when things go bananas as a market opens up. Less hustle works against you. And you have to find a way to engage in it all. That's where I am right now.

Funding Friday: land to sea

URL: <https://avc.com/2021/09/funding-friday-land-to-sea/>

Date: 2021-09-03T06:34:03

Content:

I backed this project to fund a creator space and coffee shop in Williamsburg Brooklyn this morning. As many companies make the decision to move to hybrid and remote workforces, we will need more of this kind of space to work in. I am excited to see entrepreneurs stepping in and filling that role. And I like to support them when they do. Email readers can see the video here .

Diversification

URL: <https://avc.com/2021/08/diversification-2/>

Date: 2021-08-31T06:34:35

Content:

I am a fan of and a practitioner of investing in risky assets. I believe you must take significant risk to earn significant returns. But I also am a huge fan of diversification when holding a lot of risky assets. It has been easier for USV to get into new sectors, like crypto and climate for example, knowing that we also have large positions in other parts of the early stage tech sector. When crypto went crazy in 2017 and then blew up, it was mostly a blip in our portfolio values. The same was true in the second quarter of this year when crypto had a big pullback. This is not an argument against crypto only funds. USV has invested in a number of them and so have the Gotham Gal and I. But I would not be comfortable with a portfolio that was only crypto funds. I like to have a mix of assets, ideally uncorrelated, in our portfolio. An asset class that I really like as a hedge against early stage tech sector risk is real estate. The Gotham Gal and I own a lot of income producing real estate and it feels very uncorrelated to early stage tech. But there are many ways to get diversification. If you don't want to think about your investments, something I cannot bring myself to do, then a stock index fund or a portfolio of stock index funds, and some fixed income funds can get you the diversification you need. But the level of risk taking in that strategy is a lot lower. But regardless of how you get there, it is very important that you not have all of your eggs in one basket. That basket can drop and then you have a mess.

The World After Capital

URL: <https://avc.com/2021/08/the-world-after-capital/>

Date: 2021-08-30T07:50:20

Content:

My partner Albert has been writing a book in public over the last decade called The World After Capital . There have been alpha and beta versions which he has put out there, gotten feedback on, and revised. Yesterday he tweeted that he has now finished the book and will have it printed . That means I will read it again and you should too. If you want to read it online, you can do that here.

Funding Friday: EcoFlow DELTA Pro

URL: <https://avc.com/2021/08/funding-friday-ecoflow-delta-pro/>

Date: 2021-08-27T06:58:48

Content:

This project on Kickstarter is cool. A UPS (uninterrupted power supply) for your entire home. I backed it this morning along with almost 2,400 other people who have backed it so far. You can see the video and back it here .

Bright Moments DAO

URL: <https://avc.com/2021/08/bright-moments-dao/>

Date: 2021-08-25T08:11:31

Content:

Occasionally, I will write at USV.com and today is one of those days. I wrote about an investment in a DAO called Bright Moments that we made this week. DAOs are interesting and we plan to do a bunch of DAO investing going forward. You can read the post here .

Office Utilization

URL: <https://avc.com/2021/08/office-utilization/>

Date: 2021-08-24T07:12:56

Content:

I saw a statistic from one of our larger portfolio companies yesterday. They have had their offices around the world open for some time now with office usage optional. They are seeing office utilization rates of around “20-30%.” They are also seeing “flexibility” as the number one issue in recruiting new talent. That was interesting to me because we are seeing a much higher office utilization at USV. We kept our offices open for much of the last 18 months and encouraged a return to the office once we were all vaccinated in early April. On most days, we see about half of our team coming into the office. I think that number was higher in the spring and will be higher in the fall. We also see friends in the VC business and startup world working at our office from time to time and that has been fantastic. We have also seen that office utilization is much higher for our team members that live in NYC vs the suburbs, which is not surprising. This chart says it all: We surveyed our portfolio companies last month on the topic of their work environment plans. We got 56 responses which is a tad under 50% of our active portfolio so this data could be off a bit. But it is interesting. Pre-pandemic, 75% of these respondents were fully “in office” with most of the rest using some sort of hybrid model. Very few were fully remote. Now the distribution looks like this: That is a dramatic change from the pre-pandemic norm. I am sure that there will be some movement back to the office when we get to a new normal, whatever and whenever that is, but no matter what, tech companies have moved away from the “fully in-person” model and that will mean very different office utilization models. We also asked our portfolio companies about “seat to employee” ratios and got these responses: For those companies that will continue to have an office, it looks like the average seat to employee ratio nets out around 65%. And that is for the 75% of the respondents that plan to have some sort of office. At USV, we are taking a contrarian approach to the office. We plan to build a new office that can seat 100% of our employees and we want to be able to host board meetings and other events frequently. We are also looking at other ways to invite the broader “community” to work and be at USV regularly. But that does not mean we will expect our employees to be at the office every day. We understand that those with long commutes and children or parents at home need more flexibility and we have seen that providing that flexibility builds loyalty and commitment. So we will continue to support that way of working. Startups and high-growth companies seem to have embraced fully or partially remote models for the most part in an attempt to attract and retain talent and leverage the increased productivity that comes from eliminating long and painful commute times. But that doesn't mean an office isn't a good thing from time to time. It may be that organizations that support startups and high-growth companies, like USV, can step into the mix and be part of that answer. That is an interesting idea to me and one that USV is looking at right now.

VC Investor Relations

URL: <https://avc.com/2021/08/vc-investor-relations/>

Date: 2021-08-23T10:00:05

Content:

I realized a long time ago that the VC's customer is the founder/CEO/portfolio company and that our investors (called LPs in VC speak) are our "shareholders". That was a very defining moment for me and has clarified what matters the most in a VC firm. That said, we take investor relations very seriously at USV and always have. This is our model: 1/ We are loyal to our LPs and offer them the opportunity to invest with us fund after fund after fund unless something has materially altered the relationship. That is very rare but has happened. 2/ We regularly provide our LPs with a lot of information on our portfolio. We send financial reports including detailed schedules of investments quarterly and we provide detailed one-page writeups on each and every portfolio company twice a year. 3/ We do two "quarterly calls" a year, one in the spring to review Q4 and Q1 and one in the summer to review Q2. These are now Zoom meetings. We are approaching our summer call which is what prompted me to write about this today. 4/ We do one annual meeting in the fall after Q3 results are out. These used to be in-person meetings in our office featuring several (3-5) presentations from a representative mix of portfolio CEOs. We like to have a wide variety of companies present (by stage, performance, etc) and absolutely do not do a "greatest hits" experience at these meetings. We did our annual meeting over Zoom last year and may continue to do that going forward as it makes it much easier for the portfolio CEOs to present and easier for our LPs to attend. If we do that, I will miss the in-person interaction we have at our annual meeting but also believe making things easier for everyone is very important. 5/ We don't do splashy meetings at fancy places with our LPs. We believe in substance over form when it comes to investor relations and we believe that our LPs do as well. The Gotham Gal and I are investors in dozens of VC funds/firms and there are many ways that VCs do this. Some provide little to no information and let the returns speak for themselves. That can work too. But I believe frequency, regularity, and transparency are the key factors to focus on with investors. It has worked well for us.

Sixty Years

URL: <https://avc.com/2021/08/sixty-years/>

Date: 2021-08-20T07:25:45

Content:

Today is my sixtieth birthday and I plan to goof off with friends and family all day and night in celebration. If I don't respond to an email, text, or tweet, well that's because I'm celebrating. I've been told that turning 60 is a big one and to expect to feel a lot. I will make sure to do that but as many know, it is not my nature to do that. So I will have to work at it. I have cut back on blogging a lot in the last year. Four posts a week on AVC is now a lot. Many weeks there are only three. I'm hoping that the quality has gone up as the quantity has come down. At least that is the goal. I've caught a second (or maybe third or fourth) wind with my work in the last year. It is a combination of covid, climate, and crypto. The world is changing and there is so much energy being released from these changes that draws me back. At sixty, it is a different kind of work; less hustle and more conviction. I like that. As the Gotham Gal and I enter our fifth decade together, I am struck by how much we have become one. We often say the same thing to each other at the same moment. A mind meld. As I told my partner Albert this morning on text, I am a very fortunate person. Life has given me many blessings. I try to give them back as much as I can and AVC is an important part of how I do that. With that, I am off to have fun with friends and family for the rest of the day.

Splitting Ownership and Display/Consumption

URL: <https://avc.com/2021/08/splitting-ownership-and-display-consumption/>

Date: 2021-08-18T10:07:35

Content:

I wrote about NFTs last week and said this in that post: But when a party emerges online that anyone is invited to attend and the 500 person group picks up a punk with a party hat and they all change their social network avatar to this, well that got my attention. <https://avc.com/2021/08/the-opening/> Fractional/collective ownership is something we have been interested in at USV for a while. It fits well with our thesis about expanding access . We have an investment in Otis that is providing fractional ownership for collectibles and NFTs . But there is an important difference between fractional/collective ownership of physical and digital goods. When you purchase a share of a 1985 Air Jordan collection, as I did , you can't showcase it in your home or office. It is shared ownership with many others. So it goes to a gallery or somewhere it can be shown publicly. That's fine but somehow less satisfying than having it in your home or office for everyone who comes to visit you to see. Contrast that to what happened with the punk. Everyone who bought it put it on their Twitter avatar. They collectively displayed it on their own digital property. That is because of an important point my partner Albert made in this post a few months ago . The underlying misconception here is to think that in the digital world copies are indistinguishable from originals. In a trivial sense this is true. Let's say you copy a digital artwork, you will now have exactly the same bit sequence as the original. But in a much more profound sense it is not. <https://continuations.com/post/645017712412786688/a-word-on-nfts> What NFTs do for digital art (images/Punks, videos/Top Shots, music, animations, etc, etc) is they separate the concept of ownership and the display and consumption of them. The ownership is on a public secure ledger. The display and consumption of them is out in the open for everyone to see and hear and more. That's not something that is easy to wrap your head around but it is profound.

Telegraphing

URL: <https://avc.com/2021/08/telegraphing/>

Date: 2021-08-17T07:38:58

Content:

I recall when my partner Brad and I were raising our first USV fund, back in 2003, and potential investors wondered about my blogging habit. They asked if I was making a mistake telegraphing our investment thesis for everyone to see, including our “competitors.” We strongly defended the practice and explained that the benefits of telling the world what we were looking to invest in, and why, strongly outweighed any costs. We explained that telegraphing would bring entrepreneurs to us. And that turned out to be the case. So many of our top-performing investments over the years came to us because of our telegraphing strategy. It is hard to know who is working on a problem you are interested in. But if you put the word out far and wide, they will find you. I was reminded of those conversations almost twenty years ago now when I read this post on USV.com by Hanel outlining our interest in measuring carbon . She explains that we have made one investment in that area already and are looking to make more. And she explains why. I am sure that Hanel has already heard from a bunch of founders working on measuring carbon and will hear from more in the coming weeks and months. That’s excellent and how it should work in our view.

Dune.xyz

URL: <https://avc.com/2021/08/dune-xyz/>

Date: 2021-08-12T10:26:44

Content:

Dune.xyz is a community of crypto enthusiasts, analysts, and investors who use the open data available to all via public blockchains to create charts and other analyses to understand what is going on in these systems. One of the most important differences between blockchain-based systems and traditional web-based systems is that the blockchain has an open data layer. That means that we all control our data when we use a blockchain-based system. But it also means that this shared data layer is available to all to observe, measure, and analyze. Here are some examples of community-built charts: The P&L of the Maker lending system : A time-based comparison of trading volume on the leading AMMs : What is interesting and different about Dune vs traditional analytics services is that everything is built on open data. There is no proprietary data involved. And this is as much a community (like Reddit or Wikipedia) as an analytics service. USV recently participated in a financing for Dune.xyz and we plan to start using it to observe and analyze blockchain-based systems that we are involved in and interested in. It makes sense to me that analytics tools for blockchain-based systems will be open, community-driven, and composable. And that describes Dune.xyz.

The Opening

URL: <https://avc.com/2021/08/the-opening/>

Date: 2021-08-11T07:29:27

Content:

I like to think of investing in new things a bit like a football running play. Imagine you are the running back. You've been handed the football and you are looking for a hole to open up and run through. What you really want is some running room beyond the opening. We've known for a while that crypto is the next big tech architecture. We've known that once the wave breaks on the shore, there will be enormous opportunities unleashed. Like the web. Like mobile. Like the PC. But what has been hard to see is the opening. It wasn't trading/speculating, although that has been huge. Coinbase announced yesterday that 68 million verified users. It wasn't DeFi, although that has also been huge. What we have been looking for is the consumer opportunity to emerge. Until you have billions of consumers around the world using a technology, you don't have a new wave to ride. So like the running back, you wait and hope you don't get hit. But in the last few months, the opening is emerging. In slow motion. I can see the left tackle move his man off the line. I can see the left guard move his man off the line. And there is running room. The defensive backs are on the other side of the field. I've always thought the opening would be at the intersection of gaming, online communities, and social networks. Why? Because those are the mainstream consumer experiences where geeks tend to be the first adopters. But it is hard to take on the existing gaming companies with a new architecture. The user experience around new stuff always sucks and who wants to play a game with a shitty UI? It is also hard to take on the existing social nets. Why would someone with a million followers on Instagram or TikTok or Twitter leave those behind for a new social net? So the existing incumbents are the defensive line. They look impenetrable. Until they aren't. That's when the opening emerges. The opening is emerging around NFT experiences, something we've been excited about for quite a while now. But not the NFTs that Sothebys sells for \$69mm. Not even the CryptoPunk that sells for \$7.5mm. But when a party emerges online that anyone is invited to attend and the 500 person group picks up a punk with a party hat and they all change their social network avatar to this, well that got my attention. PartyBid is cool. That's why I wrote about it on Friday. TopShot is cool. And so is Axie. And so is the Bored Ape Yacht Club. But what is cooler is that these NFT experiences are operating at the intersection of gaming, communities, and social nets. And they are not taking on any of the incumbents directly. They are building on top of them all. I am not saying NFTs are the next big thing. I am saying that consumer experiences built on a crypto stack are the next big thing. I am saying that NFT experiences are showing the way. They are the left tackle that you can run behind into the opening. Where enormous opportunity exists.

Science To The Rescue

URL: <https://avc.com/2021/08/science-to-the-rescue/>

Date: 2021-08-09T15:56:22

Content:

It would be easy to get depressed reading the morning news. Climate change is happening more quickly. The Covid pandemic shows no signs of abating. And there are all sorts of other things that are challenging our way of life. But on days like today, I find it helpful to remember that science and technology helps us address these challenges. We understand the carbon cycle and how far it is out of equilibrium. We also have many of the technologies we need to bring it back to equilibrium. And more are being invented every day. We also understand the Covid virus and how to create vaccines that reduce its severity. And scientists have developed and continue to develop therapies that will do even more to reduce its severity. Over the course of history, mankind has leveraged science and technology to meet big challenges and overcome them. And we can continue to do that. We simply need the will to make the required investments and societal changes that go along with them.

Funding Friday: PartyBid

URL: <https://avc.com/2021/08/funding-friday-partybid/>

Date: 2021-08-06T06:56:52

Content:

PartyBid is a fun way to collect NFTs with others. Here are some live parties you can join and bid with others: Funding Friday has always been about the idea that others might want to fund things that I am funding. Party Bid takes that idea a step further and makes funding things more social and fun. That's a really neat idea.

Sticking With The Plan

URL: <https://avc.com/2021/08/sticking-with-the-plan/>

Date: 2021-08-05T07:17:04

Content:

Managing a business is about having a plan, sticking with it, and not panicking or looking for hail mary passes. There are no silver bullets or shortcuts to success in life. You need to have a five to ten-year plan and you need to stick with it and execute against it day after day, week after week, year after year. I was reminded of this watching my NY Knicks navigate the off-season after making the playoffs for the first time in eight years. The Knicks front office stuck with the core of the team, kept all of their young talent, and upgraded significantly at point guard and small forward. They also do not have a guaranteed contract that extends beyond the 2022-2023 season. I am sure it was tempting to think about accelerating the plan after a season that went better than anyone was expecting. I am sure that they thought about taking bigger risks and going for broke now. But I am glad they did not do that. Instead, they rewarded players like Derrick Rose, Alec Burks, and Nerlens Noel who were a big part of getting them into the playoffs with multi-year contracts, they got Kemba Walker and Evan Fournier as upgrades at point guard and small forward, and kept all of their youngsters. That's a model for how to think about building a business and a leadership team. It is much more likely that you can get a win with a five-year plan than a one-year plan. And you need to build your team over time, developing promising talent, and making smart upgrades when they are required. There are times when you need to throw in the towel on the plan, blow things up, and execute a turnaround. That usually comes with new leadership at the top and a new five-year plan. But that should be rare and done only when it is clear that the current plan is not working. When the current plan is working, even better than expected, it is best to stick with it, make incremental improvements here and there, and keep at it.

Crypto and the Infrastructure Bill

URL: <https://avc.com/2021/08/crypto-and-the-infrastructure-bill/>

Date: 2021-08-03T09:53:59

Content:

I mentioned the infrastructure bill here last week. I continue to be impressed by the way Senators and the White House are working across the aisle to get a very big piece of legislation across the finish line. It is not done, but it sure looks like it will get done. As I mentioned in the post last week, there is language in the initial draft of the bill requiring crypto “brokers” to report gains and losses to the IRS. The Treasury expects this provision to produce upwards of \$30bn in new tax revenues over the next ten years. I personally have no issue with crypto gains and losses being treated the same as stock gains and losses and we have been doing that at USV for quite a while now. But I do have concerns that the way “brokers” are defined in the context of crypto is very different than how it is defined in the traditional financial sector. The language in the initial draft is overly broad, infringing on privacy, and technically unworkable. Crypto industry participants like miners, wallets, smart contracts, and other kinds of hardware and software cannot carry the same obligations as “brokers” like Coinbase and Square Cash. But here is the good news. The crypto sector has come together to get the language changed in a way that I have never seen before. Everyone in crypto is working together, staying on message, working all of the avenues, and creating the appropriate amount of pressure on the process. And while we do not yet have the language we need, we are getting there and I am hopeful that we will land in a good place. It is also the case that when a government decides that a sector is an important producer of revenues, that is a sign that it has arrived. Many out there think these new regulations are bad for crypto but I think they are a bullish sign. Crypto is here to stay and is a mainstream industry now. For these reasons, I think this is a watershed moment for crypto in the US. The industry has come together like never before and is acting in concert, professionally and productively. It is on message and effective. And the government is getting in business with the crypto sector to finance it's own needs. That sounds like a win to me.

Leaving Well

URL: <https://avc.com/2021/08/leaving-well/>

Date: 2021-08-02T07:39:41

Content:

I have watched countless companies and leadership teams manage transitions over the years and I have come to believe that companies and leaders should do everything they can to promote “leaving well.” What I mean by “leaving well” is a smooth transition of a leader out of a role/company. This typically means that a departing leader gives a company a heads up that they are planning to transition out, that news is shared broadly internally, allowing for a transparent process to find a new leader. A similar process is used to transition a leader out when a new one is needed. For this to work, companies need to do their part to facilitate this process. This means reacting well to the news that an executive would like to move on. It can also include a financial incentive to stick around during a transition. A culture that embraces leaving well puts everyone in a better place during transitions. There are certainly times when leaving well is not possible. If an executive is terminated for reasons that require an immediate departure, there is no way to execute a smooth transition. It is also the case that an executive could get an offer that requires an immediate start date that they feel that they have to accept. This is exactly the kind of thing a tradition and culture of leaving well is designed to prevent. Generally speaking, it is preferable to run a process to find your next role versus accepting an offer that comes in unsolicited. If a company has a culture of leaving well, executives will feel that they have the option of running a process versus accepting an offer that comes at them. It is best to set this culture up at the very beginning. Precedent is powerful. If people see that others have been treated well on the way out, they will be more comfortable being open and honest. If people see the opposite, then they will be more mercenary in their actions. Cultures that allow for open honest transitions are better places to work and easier companies to manage. Nobody likes a fire drill. Sometimes you have no choice, but if your company has them all of the time, it is a tough place to be.

Funding Friday: Still Standing

URL: <https://avc.com/2021/07/funding-friday-still-standing/>

Date: 2021-07-30T08:21:30

Content:

I backed a documentary project this morning about two 80-year-olds pursuing their lifelong dreams to be stand-up comedians. I think people of any age should chase their dreams and I can't wait to watch this film.

The Lost Art Of Compromise

URL: <https://avc.com/2021/07/the-lost-art-of-compromise/>

Date: 2021-07-29T07:39:45

Content:

I am heartened to see both sides of the political aisle in the US came together yesterday to agree to move forward on a \$1 Trillion Infrastructure Bill. There are parts of the bill that I don't like (asking blockchain smart contracts to send 1099s to the IRS seems nuts to me) and parts that were taken out that I think are critical (like building a nationwide EV charging network). But perfect is the enemy of the good. We have not had a functioning legislative branch at the federal level in the US in a long time. I am hopeful that a bipartisan victory on infrastructure will pave the way towards other bipartisan efforts and the right and left will start talking to each other, respecting each other, and governing again. I have spent my adult career making deals with people. I have learned that you can never get exactly what you want when you make deals. You must compromise so that both sides can feel that they won. And when you do that, there are many times when both sides do win. If you choose to sit on the sidelines, you almost always lose. I am happy to see that our elected officials in Washington have decided to get back into the game again.

Cash on Cash vs IRR

URL: <https://avc.com/2021/07/cash-on-cash-vs-irr/>

Date: 2021-07-27T06:49:32

Content:

The two most used measures of a venture fund's performance are the "cash on cash" return and the "internal rate of return" (IRR). One measures how much an investor got back divided by how much they put in (cash/cash). The other measures what the effective rate of return is on the investor's money. You might think these measures go hand in hand, but that is not the case. I was reminded of that last week when I was reviewing USV's second-quarter reports that we will send to our investors soon. Three of our most mature funds showcase how these numbers can behave differently. Our 2008 vintage early-stage fund has generated about 5x cash on cash but only generated a 22.5% IRR. Our first Opportunity Fund, raised two years later in 2010, has generated only 3.9x cash on cash but generated a 58.6% IRR. And our second Opportunity Fund, raised in 2014, has generated 7.3x cash on cash but only 46.7% IRR. Our Opportunity Funds invest in the later stage rounds of our top-performing portfolio companies plus a few later-stage investments in companies that are new to USV. The average holding period of these investments is materially shorter than our early-stage funds and so they typically produce higher IRRs for a given cash on cash performance. That explains why our 2010 Opportunity Fund has a lower cash on cash return but a much higher IRR than our 2008 early-stage fund. But even for the same strategy, you can get materially different numbers. Our 2014 Opportunity Fund has a higher cash on cash return but a lower IRR than our 2010 Opportunity Fund. That is because our 2010 Opportunity Fund had a few very fast material exits and our 2014 Opportunity Fund had a more typical holding period for its material exits. Venture capital funds do not take down the entire capital commitment upfront. They take it down over time, often over four or five years. And the money comes back over time as well. So the timing of the cash in and cash out has a very big impact on IRR, but zero impact on cash on cash. So if these two measures behave differently, what is the more important number? For me, it is cash on cash. I care less about how quickly the money goes in and comes out of a fund and more about the total return of the fund. Our early-stage funds can often take 15-20 years to be fully liquidated but they can also produce much higher total returns. I have found that patience is often rewarded in early-stage investing. If you want to make 5-10x on your money, you need to be prepared for long holding periods. That reduces the IRR but generates high cash on cash returns.

100% Solar Match

URL: <https://avc.com/2021/07/100-solar-match/>

Date: 2021-07-26T15:18:24

Content:

Rocky Mountain Power emailed me last week and offered us a “100% Solar Match” which means that we can “match” all of our energy consumption in our home in Utah with power from their 20 megawatt solar plant in Holden Utah. This doesn’t mean our home will be now be operating with energy from that plant but it does mean that we have opted for 100% solar. If every Rocky Mountain Power customer opted for this match, they would have to build more solar plants and decommission carbon based energy facilities. There is the question of how Rocky Mountain Power could operate an all solar grid (they can’t as far as I know) and whether most customers care enough to specify what kind of power they want to purchase. But I found the experience simple and easy. One phone call and I was cut over. And now I feel better about the energy we consume in Utah. It does feel like a bit of a gimmick but it’s a positive one in my book.

Funding Friday: Patron Hunt

URL: <https://avc.com/2021/07/funding-friday-patron-hunt/>

Date: 2021-07-23T07:36:16

Content:

I'm going with something a bit different today on Funding Friday. Longtime AVC reader Kirsten Lambertsen has created an email newsletter featuring creators and their projects across many different creator platforms. It is called Patron Hunt. It looks like this: I just signed up and you can do that too right here .

Stablecoins vs CBDCs

URL: <https://avc.com/2021/07/stablecoins-vs-cbdcs/>

Date: 2021-07-22T07:26:16

Content:

I have written about stablecoins in the past . I think they are a very important part of the crypto asset landscape. Two of the top ten crypto assets by market cap are stablecoins, Tether (\$62bn) and USDC (\$27bn). You don't buy these assets to generate gains because they are price stabilized. You hold them like cash, to be able to move in and out of trades, purchase things, etc. Countries around the world are looking at stablecoins and thinking "we should issue these assets via our central banks." That is called a "central bank digital currency" or CBDC for short. China is the farthest along on a CBDC but many other countries around the world are thinking about CBDCs or building them. Yesterday, SEC Commissioner Hester Pierce suggested that stablecoins are preferable to CBDCs. "In some sense, stablecoins are a more exciting option than a central bank digital currency," SEC Commissioner @HesterPeirce says on "All About Bitcoin." Watch the full interview with "crypto mom": <https://t.co/ZeBK3svQOG>
pic.twitter.com/Q51BpI4DqH — CoinDesk (@CoinDesk) July 22, 2021 Hester focused on the privacy concerns around CBDCs, and I agree with her that I would rather hold USDC than a Fed issued digital dollar. But there is another more important reason to want stablecoins to win over CBDCs – competition. When you have competition, you get innovation, new features, composability, and a host of other important benefits. When you have a monopoly, like the US Government or any government, pushing out the alternatives and forcing us to use their digital dollar, you lose all the value of competition. And that would be a terrible thing. I am all for central banks issuing digital currencies. But they should compete for our usage with market-based stablecoins. Then we get the best of both worlds. I hope policymakers in the US and around the world understand the importance of competition and allow stablecoins to co-exist with CBDCs.

News Items

URL: <https://avc.com/2021/07/news-items/>

Date: 2021-07-20T06:57:25

Content:

This morning I was sitting outside of my coffee shop, sipping on a cortado and reading the news on my phone while the NY Times, which I buy for The Gotham Gal every morning, sat folded up next to me. I gave up on mainstream news media two decades ago and have been relying on the Internet for news for a long time now. By "Internet", I mean blogs, Twitter, and increasingly, email newsletters. What I was reading this morning on the bench sipping coffee was News Items , an email newsletter by John Ellis. News Items is a subscriber-only newsletter, as opposed to the free stuff you can get on Axios. But you get what you pay for with John. His newsletter is smarter, edgier, and out in front of most anything else out there. The topics that interest John the most are technology (lots of biotech), geopolitics, and finance. The way John describes it is: Three baskets: (1) World in Disarray, (2) Financialization of Everything and (3) Advances in Science and Technology. Bonus basket: Electoral politics in the US and around the world. Six days a week, not Sundays. I paid \$3 for the New York Times at my coffee shop this morning. I pay \$99 a year for News Items. And I get things every day from News Items that I never get from the New York Times. And I don't have to read the nonsense that the New York Times churns out non-stop these days. If you want more news and less nonsense, you might want to give News Items a try. You can do that here . You can also listen to John five days a week on our portfolio company Recount's podcast network . He and his co-host Rebecca Darst cover the same news stories that John puts in his newsletter. Here are the most recent episodes:

The Bad Marriage Problem

URL: <https://avc.com/2021/07/the-bad-marriage-problem/>

Date: 2021-07-19T08:47:00

Content:

Over the last 18 months, the early-stage financing market has seen dramatic changes characterized by these three things: A shift from in-person fundraising to virtual fundraising A reduction in financing process timelines from months to weeks A continued increase in the amount of capital available for early stage companies I believe that for the most part, these changes will be permanent. And I believe that for the most part, these changes are good for early-stage company formation and innovation. However, there will be some negative side effects from these changes and one that I worry about is the “bad marriage problem.” Unlike public markets, private market investments are held for many years, often a decade or more. If an investor and an entrepreneur find each other difficult to work with, there is no easy solution. There is no divorce court for startups. And so the result is likely to be entrepreneurs and investors getting stuck in bad marriages. There are a few opportunities to address this issue. There is a vibrant secondary market for private investments and while it is mostly limited today to well-known later-stage companies, it could develop into a broader market as the capital seeking to get invested in early-stage innovation continues to grow unabated. It is unlikely that founders will be able to force investors out of their cap tables via the secondary markets, but a voluntary separation via the secondary market seems more likely to me. I also think startup boards need to evolve. There should be many more independent directors and many fewer investor directors on startup boards. Investors should be more open to observer seats and founders should have more say in which investors sit on their boards. I am not arguing that founders should control their boards, but I am arguing that investors should not control the boards. I think independent control is the most sustainable solution. We know that bad marriages are hurtful to everyone, not just the spouses. Companies that have dysfunctional founder/investor relationships suffer from them. And the shotgun marriage environment we are operating in right now (and for the foreseeable future) will likely create more of them. So we should be thinking about solutions to end these bad marriages and let everyone move on to better ones.

Funding Friday: Ethereum: The Infinite Garden

URL: <https://avc.com/2021/07/funding-friday-ethereum-the-infinite-garden/>

Date: 2021-07-16T07:23:51

Content:

ETHEREUM: THE INFINITE GARDEN is a “feature-length documentary film that explores the innovative real-world applications of the Ethereum blockchain, the die-hard community of enthusiasts and developers, and its creator, Vitalik Buterin, whose vision for the internet has the potential to change the world.” The film is being crowdfunded on the Ethereum blockchain and the campaign ends at 6pm eastern time today. When you choose to back the project, you will have a choice to pledge one ETH and get an NFT from the film or pledge less and get a token recognizing your contribution. I backed the film earlier this week and as of this morning, the film has raised 500 ETH of the 750 ETH goal. You can back the film [here](#) .

From The Lab To Your Home

URL: <https://avc.com/2021/07/from-the-lab-to-your-home/>

Date: 2021-07-13T07:56:51

Content:

My family has a history of irregular heartbeats, from PVCs to AFIBs. So when I saw my cardiologist recently, I asked him how I could track my beats. I have worn a Holter Monitor a few times and did not want to do that again unless it was absolutely necessary. He pointed me to this Kardia Mobile device which I purchased on Amazon a few weeks ago. This Kardia Mobile 6L device is remarkable. It delivers a "6 lead" EKG reading into your smartphone by putting the device on your knee and pressing both thumbs on it. I realize that 6 leads is not the same as what you get with a Holter Monitor or an EKG in your doctor's office. But it is really amazing because it is so easy to use in your own home. It is the size of an Apple TV remote, maybe even a tad smaller. I just email my cardiologist the result and he tells me what is going on without him having to take fifteen minutes or more to see me and without me having to visit his office. This is just one example of the revolution underway in health care. Driven by advances in technology, a computer in everyone's pocket, ongoing changes in the healthcare system accelerated by the pandemic, among other forcing functions, we are seeing more and more healthcare being accessed in our homes vs in the doctor's office. This does not mean that doctors are needed less. I think they are needed more. But they can focus their time and energy where it is most needed, in providing the care itself vs all of the other things that lead to the care. This has the potential to both increase access to care and also reduce the cost of it. We will need other changes to the healthcare system for those things to be realized. We will need the healthcare system to move away from a business model based on the provision of care in favor of a business model based on outcomes. We will need the power of the payors to be reduced in favor of the power of the patients. Those changes must be driven by society/politics and they won't come easy. But the conditions are ripe for a reshaping of the healthcare system. Entrepreneurs (like the folks who made the Kardia Mobile device) and risk capital can and will be an important force in driving that change.

The Walk Away Move

URL: <https://avc.com/2021/07/the-walk-away-move/>

Date: 2021-07-12T08:16:43

Content:

The Gotham Gal and I are watching Succession after being told by so many friends and family members that we had to see it. We are in season two and last night we watched an episode where Logan Roy tries to acquire a family-owned media business. The selling family, led by the mother, tells him they will do the deal if he names his daughter Shiv as his successor. Logan explains that is not how he does things and that he will name his successor on his time and terms. The mother explains it is a requirement of the deal. And so Logan leaves the meeting without closing the deal. On his arrival back in NYC Logan hears that the selling family has “caved” and will do the deal without a named successor. The walk-away move is a bold one and does not always lead to winning on your terms. It can cause you to lose the deal. But I am a fan of the walk-away move because it shows the other party that you are not going to move on your offer anymore and forces a hard decision instead of endless negotiating, which I personally don't like. I am often counseled to keep talking and relax. But I find walking away to be very effective if done at the right time and after being very reasonable until then. It is a very powerful way to send a message.

Funding Friday: L'Appartement 4F

URL: <https://avc.com/2021/07/funding-friday-lappartement-4f/>

Date: 2021-07-09T06:55:38

Content:

There are many stories of chefs, bakers, etc cooking from their homes and apartments during the pandemic and now turning that activity into permanent businesses with storefront leases. I've backed quite a few projects like this on Kickstarter and found a great one today. L'Appartement 4F is a couple who baked in their tiny Brooklyn apartment during the pandemic, found a clientele for their products, and now are opening a bakery in Brooklyn Heights. Email readers can watch the video here .

Betting On The Price Of Carbon

URL: <https://avc.com/2021/07/betting-on-the-price-of-carbon/>

Date: 2021-07-07T06:53:31

Content:

My partner Albert shared this article yesterday which suggests that the price of carbon will have to reach \$150/ton by 2030 in order to create the conditions for the world to get to zero carbon by 2050. The current price of a ton of carbon on the EU's Emission Trading System is about \$60/ton and you can buy carbon offsets for much less than that although you may be purchasing junk credits if you are not careful. If you bought carbon today at \$60/ton and held it until 2030 and sold it at \$150/ton, you would get 2.5x on your money and a roughly 11.4% annual rate of return. If you can figure out how to buy carbon for a lot less than \$60/ton, then your returns could be a lot higher. It is increasingly obvious that the world will need to get off its addiction to carbon in order to stave off very serious climate impacts. The path to doing so is fairly clear but will be expensive. This chart from our portfolio company Wren's website shows how we might get there: The bet on the price of carbon is a belief that the world will choose to eliminate its addiction to carbon over the next thirty years and that one way or another carbon emissions will become very costly and carbon capture will become very profitable. If you believe that will happen, you can profit from it by investing in the price of carbon. There are many ways to do that and some will be more profitable than others. But a "macro bet" on the price of carbon feels like one of the strongest ones out there right now.

First Friends

URL: <https://avc.com/2021/07/first-friends/>

Date: 2021-07-06T07:39:01

Content:

My friend Gary Ginsberg's book, *First Friends*, is out today. Gary gave me an advance copy a few weeks ago and I have been reading it. *First Friends* is a book about US Presidents and their best friends who influenced them in the office. The book starts with Thomas Jefferson and James Madison and ends with Bill Clinton and Vernon Jordan. In between, there are chapters about Abraham Lincoln, Woodrow Wilson, and six other Presidents and their best friends. My favorite chapter was Richard Nixon and Bebe Rebozo. That is a particularly interesting story and friendship. If you enjoy history books and/or are a student of the US Presidency, you should grab this book and give it a read. You can do that [here](https://avc.com/2021/07/first-friends/).

Funding Friday: Biscuit

URL: <https://avc.com/2021/07/funding-friday-biscuit/>

Date: 2021-07-02T07:22:22

Content:

I am a fan of wireless charging for my various devices and I am glad that there is a standard, called Qi , for wireless charging that many manufacturers support. This means you don't need to buy your wireless charging device from Apple or Google, you can buy it from any manufacturer you prefer. This nice looking small charging device, called Biscuit , is a great example of that: I backed it this morning on Kickstarter and so can you. The video is here for email readers.

Anti-fragile Systems

URL: <https://avc.com/2021/06/anti-fragile-systems/>

Date: 2021-06-30T07:24:11

Content:

The Internet was developed by the US Defense Department to create a network that was capable of surviving a military attack. They accomplished that with a design where no part of the system was central to its operation. You can take out any part of the Internet and it will still operate. When I read the Bitcoin White Paper for the first time, I was struck by the similarity of its design to the Internet. And we are watching an “attack” on the Bitcoin system right now, in the form of a purge in China. Over the last three months, the government in China has moved to rid the country of Bitcoin mining. You can see the effect of the purge on the chart of Bitcoin Hashrate : This is a significant reduction in the processing power of the Bitcoin network and the result has been slower transaction clearing times : It will take time for miners outside of China to pick up the slack and get the hashrate and transaction times back to where they were, but that will happen. There are economic incentives for that to happen. What would be even better, and could happen, is for this new mining capacity to get built on clean/renewable energy. I believe the Chinese purge of Bitcoin mining is short term bearish but long term bullish for Bitcoin and crypto more broadly. It shows that a powerful government can take its best shot at a cryptonetwork and the only thing that will happen is capacity will move elsewhere. Anti-fragility is a beautiful thing to behold.

Short and Sweet

URL: <https://avc.com/2021/06/short-and-sweet-2/>

Date: 2021-06-29T15:35:10

Content:

This should be obvious to AVC readers but I am a fan of short and sweet. Why take two pages to say something you can say in one page? Why take two paragraphs to say something you can say in one paragraph? This letter to potential investors from the CEO in the Duolingo S-1, which was flipped to the public yesterday, is a fantastic example of that. Disclosure: USV is an investor in Duolingo and we stand to profit from their IPO. This is not in any way an endorsement of the offering. Investors should read the S-1 and make up their own mind about it.

AVC Infrastructure

URL: <https://avc.com/2021/06/avc-infrastructure/>

Date: 2021-06-28T07:53:48

Content:

A reader asked me if I had ever written about the infrastructure I use to run AVC. We both searched the archives and could not find a post on that topic. So here it is: 1/ Content Management System – WordPress – I use the open source software version of WordPress to write these posts and manage them. 2/ Hosting Provider – Cloudways – I have used a number of hosting providers over the years. If you use WordPress, it is fairly easy to migrate from one to another. Cloudways is the current favorite. 3/ Comments – Twitter Comments Plugin – I have used various comment systems over the years. I am currently using a WordPress plugin to host the comments on Twitter. 4/ Email – Feedblitz – This allows me to send an email out to over 30,000 people whenever I post. 5/ Search – Algolia – Fast and simple site search. It's relatively easy to set all of this up and then you are not locked into a service provider. I strongly recommend this approach.

Regulating Software

URL: <https://avc.com/2021/06/regulating-software/>

Date: 2021-06-24T16:19:47

Content:

I understand that regulators and elected officials need to raise concerns about new technologies and their impact on society. It is their job or at least part of their job. But I am also dismayed regularly by how poorly many elected officials and regulators understand the technologies they are talking about. In particular, I am deeply concerned with how poorly many elected officials and regulators understand blockchains, smart contracts, and decentralized applications and organizations. They assume that these things are run by companies and people and can be regulated with traditional corporate regulatory activities. What people need to understand is that blockchains, smart contracts, and decentralized applications and organizations are not companies. They are software. And they can and do run without any company operating them. Let's look at Bitcoin. There is no Bitcoin Inc. There is no company to sue. The founder is unknown and may not exist. So she can't be sued either. There is nobody to call before Congress. There is no entity to make regulatory filings. AMMs are smart contracts. These smart contracts operate liquidity pools that allow for decentralized trading of assets without any company operating them, controlling them, or managing them. Once these software programs are published on a decentralized blockchain, they just keep running without any intervention by anyone. I could go on and on, but I expect you get the point. So when someone says that one or many of these decentralized software applications needs to be regulated or, god forbid, shut down, I wonder the heck they are talking about. I don't even know what that means. Of course, using this decentralized technology could be deemed illegal in places and I fully expect that we will see that happen. But we won't see it happen everywhere. And the places that embrace these new technologies will benefit immensely from them. So, like the criminalization of alcohol and gold, those approaches will eventually fail and will harm those regions that try it relative to the regions that embrace it. I believe the more productive path for regulators and elected officials is to take the time to understand how this stuff actually works and think about new ways that society can mitigate the risks while gaining the benefits. That's a harder path but a better path.

Analog Summer

URL: <https://avc.com/2021/06/analog-summer/>

Date: 2021-06-21T06:58:37

Content:

It is officially summer now and with adult vaccination rates passing 70% in many parts of the US, people are out and about. I've heard the term "analog summer" used to describe this moment. If the past 15 months have been a digital lockdown, then the next three months are going to mark a return to analog activities; beaches, parks, concerts, bars, restaurants, nightlife, etc, etc. We've already seen the effect of this change in behavior in our portfolio companies, many of which benefited significantly from the digital lockdown. Digital providers of education, entertainment, shopping, and so much more had banner months in 2020 and the first half of 2021. I am looking forward to the analog summer. I can't wait to do all of the things that we could not do in the last year and a half. I think it will be a much-needed return to normal for all of us. As for our portfolio and the tech sector more broadly, I am not too concerned about the return to normal. These businesses all got a huge boost in business over the last year and they aren't going to give it all back. But their growth rates will be more like what they were in 2019 than 2020. And they will be growing from a much larger base. I think we all learned some new behaviors during the pandemic and while we are eager to shed some of them this summer, I think we will keep a lot of them going forward. The covid pandemic will mark an inflection point in the adoption of digital services and our analog summer, as great as it is going to be, will not change that.

Funding Friday: Naperville Bakery

URL: <https://avc.com/2021/06/funding-friday-naperville-bakery/>

Date: 2021-06-18T09:08:05

Content:

My friend Kirk backed this project earlier this week and I got a notification and checked it out and backed it immediately. I like everything about this project. Finding opportunities for people with special needs to work productively and happily is such a great thing to do. Email readers can watch the video here .

Pier 76

URL: <https://avc.com/2021/06/pier-76/>

Date: 2021-06-17T08:44:01

Content:

For as long as I can remember, Pier 76 on the west side of Manhattan has been home to the west side tow pound. Some of my worst moments as a NYC resident have been there retrieving a car or a scooter, something I've done more than I want to remember. It was pure misery to have to go there and I think that was intentional. So over the last four months on my morning bike rides up the west side bike path, I have been watching the city tear down the west side tow pound and replace it with an urban park. I believe Pier 76 opened last week and is hosting one of the outdoor locations for the Tribeca Film Festival which is going on in NYC right now. So today on my morning ride, I took a slight detour and visited the new Pier 76. It is so great to see the city making itself nicer. The entire west side park along the Hudson in Manhattan has been a slow but steady version of that and it just got a little bit nicer. Well done NYC.

ENS

URL: <https://avc.com/2021/06/ens/>

Date: 2021-06-16T14:26:08

Content:

ENS stands for Ethereum Name Service and it is a decentralized domain name system built on the Ethereum blockchain. You can get domains with the .eth extension by going here , connecting a wallet, and searching and purchasing a domain. I have purchased fredwilson.eth and avc.eth and a bunch of other .eth domains for my family. It does not cost a lot of ETH to register a domain, but you need to remember to go back and renew it as there is no company/registrar operating a business to do that for you. An interesting angle on ENS is that the .xyz extensions are interoperable with ENS and that is explained here . So if you own .xyz domains, you can participate in the ENS system. I also bought fredwilson.xyz and avc.xyz and a bunch of other .xyz domains for my family. It is interesting to me to see blockchains and smart contracts being used to replicate many of the things we use to build applications on the Internet. Slowly but surely a decentralized infrastructure that mirrors the centralized infrastructure is getting built out. While there aren't a lot of things you can do with a ENS domain today, I expect that there will be a lot of things you can do with one in the future. And that is why I think it is a good idea to purchase ENS domains for the ones you own in the .com world.

Early Voting

URL: <https://avc.com/2021/06/early-voting/>

Date: 2021-06-15T06:44:14

Content:

NYC has a primary next week (June 22nd) in which parties will pick their nominees for Mayor, City Council races, Borough President races, and Manhattan will pick candidates for Attorney General. Because NYC is overwhelmingly Democratic, the primary is the main event. Most of the time, Democratic candidates prevail in the General Election in November. So this is a big election for NYC and everyone who cares about the future of NYC should make it a point to vote in this primary. Early voting started last Saturday and I made my way to my early voting location (which is different from the regular voting location) yesterday morning and was in and out in two minutes. It was the smoothest voting experience I have had in NYC since we moved here almost 40 years ago. If you live in NYC want to do early voting this week, go here and enter in some address info and you will be shown your early voting location. Early voting is such an awesome addition to the election process. It makes it way easier for many people to get out and vote. And I hope you all do. And make sure to vote for five people, not just one, as NYC is doing rank choice voting this year. Pick a slate of your favorite candidates from one to five and fill in all of the columns. Hopefully one of your top five will win.

Meme Investing

URL: <https://avc.com/2021/06/meme-investing/>

Date: 2021-06-14T16:00:20

Content:

I remember when a friend of mine told me five or six years ago that he had bought some Dogecoin. I thought “what is he doing?” and dismissed it as something silly and or crazy. Dogecoin was initially introduced in late 2013 and 7 1/2 years later it has amassed a market cap of \$43bn and is one of the most popular crypto assets in the world. It may be silly and crazy, but it has also been a good investment for my friend and anyone who bought it in the early years. For those that don't know, Doge is an internet meme that became popular around that same time. The combination of memes and investing is a powerful cocktail that I have been ignoring for a long time, probably incorrectly. More recently we have seen meme investing move into public market stocks like Gamestop, AMC Theaters, Wendy's, and more. The community that drives these “meme stocks” is based in Reddit and the combined purchasing power of this community is substantial, particularly in illiquid stocks (and crypto assets). It is easy to dismiss meme investing. The market capitalizations that these meme assets trade at make no sense on any fundamental analysis. But, as I've come to understand, that is not the point. Memes are fun and memes are also something to come together around. Speculating on the popularity of memes and their staying power is no different than any other form of speculation. But more than that, and this is where my head has been going on this topic, the market caps of these memes are also economically powerful. If the board and management teams of the companies with meme stocks choose to issue more shares at these prices, they can raise a lot of capital to transform these companies. Similar opportunities could exist with meme tokens. AMC recently did this with their “meme stock.” I've decided that I am going to stop ignoring and dismissing meme investing and start trying to understand it better. I think it is not something that is going away anytime soon and may turn into something even more interesting. That said, I am not suggesting that anyone invest their retirement money or their savings for their kids' education into memes. I believe it is more appropriate for speculating right now. That may change. Or it may not. That is yet to be determined.

Funding Friday: The Wireframe Deck

URL: <https://avc.com/2021/06/funding-friday-the-wireframe-deck/>

Date: 2021-06-11T06:28:51

Content:

I just backed this project . I love the idea of a simple deck of cards that can let anyone or any group design a website without any software or device. So many times, I have known pretty much what I want for a website for a project, an event, a new business, or whatever, but I am a terrible sketcher and I don't know how to use the software tools that web designers use. A deck of cards would be ideal for me and probably a lot of other people too. Email readers can watch the video here .

Startup CXO

URL: <https://avc.com/2021/06/startup-cxo/>

Date: 2021-06-09T08:16:33

Content:

On Monday, a copy of Startup CXO , my friend Matt Blumberg's new book, arrived at the USV office. I picked it up to take a quick look and thought "this a heavy book!" So I texted Matt, congratulated him on getting the book out, and then asked why it was so heavy. He replied "because it is 640 pages, there is a section on every C-level function in that book." That's when I realized that Startup CXO is not really a book. It's a "field manual" to scaling a leadership team and company. It is the kind of book you will keep by your desk and pull out from time to time to figure out how to approach an issue or to help one of your senior leaders figure out how to do that. And in that context, it's a very valuable resource for CEOs and leadership teams as they scale a company and find new challenges around every corner. The book is now out in Kindle and Hardcover. I recommend the Hardcover so you can keep it handy and pull it out from time to time when you need a quick primer on something.

Digital Asset Mining In New York State

URL: <https://avc.com/2021/06/digital-asset-mining-in-new-york-state/>

Date: 2021-06-08T08:09:20

Content:

Digital Asset Mining is shorthand for “proof of work consensus validation of public blockchain infrastructure”.

Thankfully we have the shorthand. But it is important to understand what digital asset mining is. Public blockchains, like Bitcoin and Ethereum, store data securely but publicly in a cooperative ecosystem that is not controlled by any company or government. When you store data on a public blockchain, it is your data, secured by your keys, and nobody can do anything to it without your approval. That is a big deal and it is the future of all internet data. In time, all software systems will operate on top of secure public blockchains. The consensus mechanism in public blockchains is the method that they use to cooperatively validate transactions without a controlling party. Proof of work consensus is when computers all over the world run software (called nodes) and validate transactions and are rewarded with digital assets (tokens). So proof of work mining and its cousins like proof of stake validating is the foundational infrastructure for the coming architecture for internet data. Think of Bitcoin mining operations as the next Amazon, Google, and Microsoft Cloud offerings except that they are owned by everyone. That's a huge deal. As big of a deal as anything in tech and tech policy right now. Ok. Now that we've had that discussion, let's talk about a bill under consideration by the New York State Legislature that would put a three-year moratorium on proof of work mining in New York State. I had thought that this bill was going nowhere as of last weekend, but it seems to be back on the table now. I am a fan of regulation on the emerging blockchain and crypto sectors. Anything as important as the next generation of internet data architecture needs regulation. But this New York State bill is like using a sledgehammer when what is needed is a scalpel. Three years is a long time in a fast growing emerging tech sector. The foundational infrastructure for public blockchains is being built now and regions that get going now will have long lasting businesses that provide good jobs and lots of growth. Who wouldn't want Google, Amazon, and Microsoft operating their data centers in their state? This is the next generation of that. The issue that has everyone up in arms is the carbon footprint of proof of work mining and that is something that is important to discuss and using regulation to address it makes sense. It may well be that proof of work consensus has no larger carbon footprint than the data centers of the cloud era, but that's not really the point. We can and should do better. We can have a climate-neutral data architecture when we build the next-generation tech stack. So here is what I think would be better policy for New York State: 1/ Apply a tax surcharge to digital mining operations in New York State that use fossil fuels to power them. 2/ Use those tax revenues to subsidize digital mining operations in New York State that use clean (renewable, nuclear, etc) energy to power them. 3/ Encourage digital asset mining in New York State with other policies that will bring the data centers here vs elsewhere. 4/ Become the home to the cleanest and largest digital asset mining operations in the world. We can do that New York State. We just need to want to.

Community Solar

URL: <https://avc.com/2021/06/community-solar/>

Date: 2021-06-07T08:40:38

Content:

We had a situation recently where a rooftop solar project on a building we own became too expensive (because of NYC Fire Department requirements) and it no longer made economic sense to do the installation. And yet we want to avail ourselves of solar energy to benefit from the economics of solar, to reduce our carbon footprint, and to increase the resiliency of our property. So we are reaching out to some community solar developers in NYC who have built out solar infrastructure that the community can participate in. I've been interested in community solar for a while now. It makes sense to me that a group of people can build and participate in a solar installation where it most makes sense and then share in the energy that installation generates. Community solar works best when a consumer can receive a credit on their electrical bill for their community solar output. This is possible in the states that have deregulated their electrical systems. At USV we think community solar represents an interesting way to participate in the renewable energy business and we are looking at a few opportunities now and would like to look at more.

Funding Friday: Terra

URL: <https://avc.com/2021/06/funding-friday-terra/>

Date: 2021-06-04T07:52:35

Content:

I backed this project last week and think the idea is really great. You put a Terra device outside where you hear the sounds of birds in nature and you can then listen to those sounds indoors. There are also features that let you identify the species of birds and track their migration. The video is here for email readers.

Scaling Ethereum

URL: <https://avc.com/2021/06/scaling-ethereum/>

Date: 2021-06-03T08:58:50

Content:

One of the biggest challenges for developers building on Ethereum's market leading smart contract platform/blockchain are the high fees and slow transactions. These issues arise from the fact that the Ethereum blockchain's current architecture is not particularly scalable. The Ethereum core developers have been working on these issues for years and there are changes coming in the core Ethereum protocol that will help with scalability. But the broader Ethereum community is not relying entirely on the core developers to address these issues. There are a number of "layer two" solutions that have emerged that will bring very significant increases in speed and lower fees. One of these layer two solutions, called Zero Knowledge Rollups, is particularly exciting to us at USV and earlier this year we invested in a project called Matter Labs (also known as ZKSync) that has built what we think is the best approach to Rollups on top of Ethereum. My partner Nick posted today about ZKSync and outlined why we are so excited about this approach. If you are a developer building on Ethereum and are looking for a good layer two solution, you should absolutely read Nick's post . I would also recommend it for anyone who is invested in or interested in Ethereum as layer two scaling solutions will likely unlock a lot of value in the Ethereum community over the coming years.

The Globalization Of Venture Capital Investing

URL: <https://avc.com/2021/06/the-globalization-of-venture-capital-investing/>

Date: 2021-06-01T10:47:15

Content:

I've written a bunch about the globalization of the startup economy. You can start and build a tech company almost anywhere these days. That has been true for at least the last decade. But until very recently, raising capital for your startup was significantly easier if it was located in the major startup hubs, most notably Silicon Valley. I believe the pandemic changed that equation dramatically and USV's "deal log" is a great example of that. When I look at all of the opportunities we are currently considering plus all of the investments we have made this year to date, what stands out most to me is the location of the founders and teams. It seems to me that about half of our "new deal activity" right now is happening outside of the US. And very little of it is in western Europe where most of our non-US investing has been for the last decade. This is a big change from where it was just last year and the year before. The emergence of raising money and supporting investments on Zoom has made it possible to have a much broader reach than was possible a few years ago. What makes it easier for USV is our thesis-driven model of investing. We know exactly what we are looking for in new opportunities in wellness, education, financial services, climate, and crypto and so we can react to opportunities that fit into our thesis pretty much anywhere in the world. And we are doing exactly that. It takes a long time, at least five years and more likely a decade, to know how changes in the startup economy and venture capital will play out. We won't know how this move to invest globally will impact returns and founder success. I am optimistic that it will be a positive change for both but only time will tell.

Funding Friday: The Dirt Newsletter

URL: <https://avc.com/2021/05/funding-friday-the-dirt-newsletter/>

Date: 2021-05-28T10:45:05

Content:

So this is pretty cool. Dirt is a daily newsletter about the entertainment industry. The folks behind Dirt are funding it with a crowdfunding campaign on Mirror using NFTs. There are three Dirt NFTs you can buy, a single edition called Rainbow Wave , an edition of 30 called Pearl Pink , and an edition of 100 called Pea Green . I bought a Pea Green just now for .05 ETH: If you want to join this crowdfunding campaign, make sure you have the Coinbase browser extension or the Metamask browser extension and go [here](#) and have fun and support some journalists too.

Grit, Resilience and Determination

URL: <https://avc.com/2021/05/grit-resilience-and-determination/>

Date: 2021-05-27T09:56:17

Content:

I am returning to a topic that I have talked a lot about on this blog. A number of years ago at our annual CEO Summit, we had Angela Duckworth speak to our portfolio about Grit, the topic of her excellent book on the subject. In Angela's research, she determined that the single greatest determinant of success was not talent. It was grit. I was reminded of that last night as I watched Derrick Rose lead the New York Knicks to a must-win in game two of their series against the Atlanta Hawks. The Knicks were a mess for the first half of the game and Derrick Rose singlehandedly kept them in the game. Derrick Rose was the first pick in the 2008 draft and by 2011 he became the youngest NBA player to win the Most Valuable Player award, something he accomplished at age 23. A year later he tore his ACL and he has struggled with injuries ever since. In the middle of this season, the Knicks acquired Derrick Rose from the Detroit Pistons and soon thereafter he came down with Covid and missed several weeks. But after Derrick Rose came back from Covid in the last seventeen games of the season, the Knicks won thirteen of those games and landed in fourth place in the East. And last night, he was the heart and soul of the Knicks. He kept them in the game until his teammates woke up, and he led the team in scoring in a must-win. Derrick Rose will never be the player he was at 23 when he could beat anyone off the dribble and score at will. He could have called it quits many times in the last nine years since he won his MVP. But he hasn't quit, he's worked his way back and he is leading an NBA team in the playoffs. It is really something to behold. Not everything goes the way we are expecting it to go. We get dealt bad hands and have to play them. That is way things are in life. There are people out there, like Derrick Rose, who show that you can make the best of a tough situation, keep going, and win anyway. That's grit.

Changing Things Up

URL: <https://avc.com/2021/05/changing-things-up/>

Date: 2021-05-26T15:22:39

Content:

I am working on a new weekday routine the goal of which is to give me more time to read, think, and meet in person and less zoom meetings and phone calls. I am also mixing up my morning routine and attempting to sleep and work out longer. The net of all that is I am seeking a new time of day to write and I have not yet found it. I may need to go back to writing first thing in the morning but I am not yet sold on that. I missed my daily blog post yesterday and finally found some time to write today mid-afternoon. I really value finding time to write each day so I will figure out how to fit it in, but things might be a bit bumpy over the next few weeks while I sort all of this out.

Winning at Fifty

URL: <https://avc.com/2021/05/winning-at-fifty/>

Date: 2021-05-24T10:15:09

Content:

I was rooting for Phil Mickelson all weekend to win the PGA at age 50. I've watched Phil for thirty years and I've seen all of the highs and lows and there have been many. He plays the game of golf with a level of creativity that can often lead to problems. He is a risk-taker which isn't always the best way to approach a golf course. But this weekend at the PGA, he was simply better than anyone else. He hit the ball as far as players thirty years younger than he is. And he showed off his incredible short game. We have now seen this a few times, where athletes who are "past their prime" continue to be better than anyone else, at least for a game or a long weekend. Some of this is due to the better conditioning that today's athletes are in. Some of it is that they are older and wiser and have been there before and understand how to handle the moment. And some of it is that they are the best of their generation and that level of talent goes a long way. I think us "old timers" can take some lessons from Phil and other athletes who are outperforming well beyond their prime. We can stay in the game to start. We can figure out what our version of learning how to hit the ball as far as the youngsters is. And we can take comfort in the fact that we have been in this moment before and know how to take a breath, calm down, and make the right decision. And win again!

Funding Friday: Storied Hats

URL: <https://avc.com/2021/05/funding-friday-storied-hats/>

Date: 2021-05-21T07:06:40

Content:

If I am going to be outside much, I need to wear a hat to keep the sun off my face. My light skin doesn't react well to the sun. I like baseball-style hats, but I don't like wearing logos. So this Kickstarter project got my attention. Fun stylish hats without logos, made with sustainable materials. Right up my alley. I backed it immediately. Email readers can watch the video here .

Decentralized Media

URL: <https://avc.com/2021/05/decentralized-media/>

Date: 2021-05-20T06:38:52

Content:

Back in the early 2000s, it was exciting to blog and use social networks to create our own media and move away from the traditional media outlets. That was the pull that got me into blogging and got me investing in Twitter. It was a powerful feeling. But a decade and a half later, it is obvious that we just replaced one type of media company for another and that we don't really control our own media yet. I have a bit more control over this blog because I run it on my own domain using open source WordPress software, but most people are blogging on Medium or Substack or some other centralized service these days. And the social media platforms, well we know all about them in the wake of recent takedowns. You don't control your own media platform if you run it on a centralized service. So a few months ago, I mirrored this blog on Mirror, a decentralized blogging platform. You can view it here . And yesterday, I claimed @fredwilson on Bitclout with this tweet: Claiming my Bitclout my public address is: BC1YLh1YEjhauU8cxmGAK59EFmGxbG65NmMrj92LfQfkjU2ZCgE7xUy #bitclout — Fred Wilson (@fredwilson) May 19, 2021 Around that same time, I saw this post on Bitclout: Here is the thing about blockchains and crypto – the data is public on the blockchain. Nobody controls it other than you with your private keys. And when you put open source software together with that, you get decentralized applications that nobody can mess with, not even the creators of those applications. I don't know if Mirror is the new WordPress or if Bitclout is the new Twitter. We will see. But it sure feels like we are back in the early 2000s again, experimenting with decentralizing media. I have the same feeling of excitement I had back then.

Putting Carbon Back In The Ground

URL: <https://avc.com/2021/05/putting-carbon-back-in-the-ground/>

Date: 2021-05-19T07:32:36

Content:

As USV is now about six months into investing our first climate fund, I am starting to see more clearly what climate investing is all about and my partner Albert said something in a team meeting earlier this week that really stuck with me. I did not write it down but it was something like, “we’ve spent two hundred years taking carbon out of the ground, burning it, and putting it into the atmosphere and what we now need to do is get it from the atmosphere and put it back into the ground.” That is a simplification of the many technologies and projects that are underway to capture carbon and sequester it, but I am a fan of simple. In investing, the simpler the better for me.

The Coinbase Wallet Browser Extension

URL: <https://avc.com/2021/05/the-coinbase-wallet-browser-extension/>

Date: 2021-05-18T05:49:29

Content:

Coinbase shipped an important piece of its wallet product portfolio yesterday, the Coinbase Wallet Browser Extension. Wallet extension is great for security as your Wallet's private keys stay on your mobile app, protected by fingerprints, faceID or PIN. pic.twitter.com/bbg0i7h8zF — Coinbase (@coinbase) May 17, 2021 You can download the chrome extension [here](#) . If you want to use DeFi apps, buy and collect NFTs, or do anything that requires a crypto wallet in your browser, then the Coinbase Wallet Extension is the best way to do all of those things. Coinbase Wallet, the mobile app, allows you to sync with your main Coinbase account so that you can hold your crypto at Coinbase and move it to Wallet when you want to transact. I like to think of this like a savings account and a checking account. And now all of this is available in the browser. Wallets and storing crypto have been too hard for too long. I am excited for Coinbase to make all of this easier and mainstream. Disclosure: I am on the board of Coinbase and am a large shareholder.

Optimizing Health Care

URL: <https://avc.com/2021/05/optimizing-health-care/>

Date: 2021-05-17T06:52:49

Content:

Last week, I had to clear my calendar for two days and spend them in doctors' offices and radiology labs. I developed a kidney stone last week and my doctors and I wanted to understand how large and where it was. The answer is 4mm and it was somewhere between my kidney and bladder as of last Thursday. That may be more information than you need to know. Over four appointments, I experienced how much progress we have made during the pandemic and how much more we have to go before we have a high functioning software powered health care system in the US. The good news is that for all four of my appointments, I was able to check into them via an app on my phone and in most cases, leverage stored information in apps on my phone to complete most of the forms. The stack of forms that we all usually complete when arriving at a new doctor has been reduced significantly during the pandemic, but it is not yet zero. I still had to complete at least one paper form at three of my four appointments. The pandemic has forced health care providers to use mobile apps and software to automate much of the check-in functionality and that is great news. The fact that they only went 90% of the way there is a bit depressing though. I also got most of my test results delivered into an app on my phone. But not the ultrasound and CT scans. I realize that I probably can't read those scans, but I feel like I paid for them so I should have them. If I had them, I could post them here ■ But seriously, I feel like the last fifteen months have brought much needed and long overdue changes to the information collection and management practices of the US healthcare system. I can see the system changing in front of my eyes. And that is very exciting. But I don't feel like we are anywhere near where we can go and should go to leverage the power of information and software to optimize the experience for patients and providers. I hope the last fifteen months is the proof point that change is possible and that we can keep innovating and improving the experience without a crisis forcing it on us.

Funding Friday: The Walk

URL: <https://avc.com/2021/05/funding-friday-the-walk/>

Date: 2021-05-14T06:02:40

Content:

This public art work speaking to the growing refugee crisis around the world is really great. I backed it earlier this week when I saw my friend Sunny back it. From July to November 2021, a giant puppet of a 9-year-old Syrian refugee girl called 'Little Amal' will walk from the Syria-Turkey border, across Europe to the UK, travelling 8,000km to focus awareness on the refugee crisis. The Walk is an international arts festival meets endurance event – the length and sheer size of the challenge is capturing imaginations even before our heroine's first step. I've posted the video into this blog post but if you are reading on Mirror or via email, [click here](#) and watch it .

Golden Handcuffs

URL: <https://avc.com/2021/05/golden-handcuffs-2/>

Date: 2021-05-13T06:43:02

Content:

Stock-based compensation plans throughout the startup and tech sector are based on “golden handcuffs” – the idea that an employee can’t leave because they would be giving up too much money if they do. I’ve never loved that concept. It feels like staying in a bad marriage for the kids. So I have been involved in a number of efforts to rethink that practice and one of those efforts came to light earlier this week when Coinbase, where I am on the board and compensation committee, blogged about their new compensation strategy . This line in particular stands out to me as a powerful way to think about retaining employees: Some may say eliminating 4-year new hire grants could hurt retention; we disagree. We don’t want employees to feel locked in at Coinbase based on grants awarded 3 or 4 years prior. We want to earn our employees’ commitment every year and, likewise, expect them to earn their seat at Coinbase. We operate in an open market for talent. We all know that. Letting that market operate efficiently and not trying to game it makes a lot of sense to me.

In-Person vs On-Screen

URL: <https://avc.com/2021/05/in-person-vs-on-screen/>

Date: 2021-05-11T10:33:48

Content:

Last week I spent three hours with my six partners in a conference room talking through what we are investing in and why. It was a terrific session and I had more “ahas” in those three hours than I have had in many many months. There really is no substitute for sitting together with your colleagues working things out face to face. This week our team met with a founder in Singapore via Zoom. It was midnight in Singapore and noon in NYC. In one hour we learned enough from the founder to be able to make a decision on whether or not to invest in the founder’s company. In the last year, events like the latter one have been commonplace. Events like the former have been non-existent. And there are many in the tech sector and broader business sector (and other sectors too) that have come to believe that on-screen interactions will be the primary way we engage going forward. For certain things, like raising capital and investing capital, on-screen works pretty well. Founders have figured out that they can raise capital from their kitchens, bedrooms, and offices in weeks vs roadshows that lasted months. I don’t think we will see founders going back on the road in any material way ever again. And founders in Singapore can access capital markets in NYC with ease. And investors in NYC can access investments in Singapore with ease. These are all important and disruptive changes to the startup, tech, and business sectors. But in the last month, as I have been going into the USV offices most days, I have come to realize what we have been missing with the on-screen work model vs the in-person work model. Many things are more efficient on-screen but some things are way better in-person. Understanding which is which and then figuring out how to continue to do the in-person things will be critical to leaders and teams navigating the new normal. I got an email from a founder/CEO about six months ago saying that his company was going back to the office completely when the pandemic was over. I had not heard many CEOs taking that strong of a stance at that time. Since then, I have heard the same from a number of our portfolio company leaders. They are in the minority but they are not non-existent. When we survey our portfolio we find that about 20-25% will go back to full-time in the office work, another 20-25% have gone entirely remote, and the balance will try to figure out a hybrid model that makes sense for their company. At USV, where we have landed for now, and maybe forever, is a bias to be in the office, particularly on the days we meet in person, but we are also way more open to on-screen work and we have an expectation that some team members will choose to work on-screen for multiple days a week, possibly the majority of days a week. We see that working parents benefit from the flexibility that on-screen work allows and younger team members benefit from the socialization and camaraderie that an office provides. We also see that those who commute long distances benefit significantly from being able to reduce the commuting load by working on-screen multiple days a week. Our business has a natural rhythm of two days a week when we meet as a team; Monday and Thursdays. So those tend to be the days that team members try to be in the office and those are the days we do things like cater in lunch and maybe go out after work together. That allows us to retain the team dynamic and culture while being more open to on-screen work going forward. We definitely have not figured this all out, but we are starting to see some patterns and some benefits of both work modes, and we are trying to navigate to a good middle ground. Each company needs to figure this out in a way that works for their team and culture and I believe that there is no “right way” for everyone. But I also believe that in-person interactions remain critical to making better decisions, better products, better cultures, and better companies and so I would encourage everyone, including the fully remote teams, to figure out how to make in-person interactions happen on some regular cadence.

Extra Life

URL: <https://avc.com/2021/05/extra-life/>

Date: 2021-05-10T06:09:45

Content:

I have read more books written by Steven Johnson than any other author. In addition to being a friend and a USV-funded founder, Steven writes about things that fascinate me. And he is a wonderful writer. That's a potent combination. I am about to embark on another journey with Steven. This one is called Extra Life and it is about how mankind doubled our life expectancy over the last hundred years. But Extra Life is not just a book. It is also a four part TV series airing on PBS that starts tomorrow night at 8pm. Steven told me that when he started exploring the idea of this book years ago, he thought there might be a nice symmetry to launching the book on the hundred-year anniversary of the end of the flu epidemic of 1918-1919. Well little did he know then that we would have our own 100 year anniversary of that event that has shaken our world to its core over the last year. This book is about much of what has come to dominate our lives in the last year, public health, vaccines, drug trials, etc, etc. But instead of focusing on the here and now, it zooms out and talks about the result of all of that. Which is a 10x reduction in childhood mortality and a doubling of life expectancy. I am eager to dive into Extra Life . I've wanted something to put a hopeful and optimistic context on the events of the last year and here it is. Thanks Steven!

Funding Friday: Pattern Alphabet cards for exploring nature

URL: <https://avc.com/2021/05/funding-friday-pattern-alphabet-cards-for-exploring-nature/>

Date: 2021-05-07T06:50:07

Content:

Longtime AVC reader Alex Wolf has a Kickstarter project that I think is awesome. She has long been working on a “pattern alphabet” to encode the patterns of nature and life. This project turns this alphabet into cards that can be used by kids in school and at home to learn. I backed the project this morning and I hope and expect she will do great with this Kickstarter project. Email readers can see the video here .

Typos

URL: <https://avc.com/2021/05/typos/>

Date: 2021-05-06T06:35:30

Content:

Yesterday's post has this line in it: I suspect all buy maybe two of those eleven funds have outperformed the public markets As you can see, there is a typo there. "buy" should be "but" A number of readers let me know about the typo, which I very much appreciate. But for some reason, I am not all that motivated to change it. I make typos all of the time in my emails and texts and other informal communication. And I am increasingly seeing AVC as another form of informal communication. AVC is me. I am human. Humans are imperfect. So AVC should be imperfect. So there it is. I am letting it stand.

Half Of All VCs Beat The Stock Market

URL: <https://avc.com/2021/05/half-of-all-vcs-beat-the-stock-market/>

Date: 2021-05-05T06:31:41

Content:

There has been this narrative about investing in VC funds that you have to get into the top quartile (25%) or possibly the top decile (10%) in order to generate good returns. I have heard that for as long as I have been in VC and probably have written it here a few times. Well, it turns out that is not right. Half of all venture funds outperform the stock market which is the benchmark most institutions measure VC funds against. My friend Dan Malven wrote about this on his blog yesterday: A working paper published by the National Bureau of Economic Research (NBER) in November 2020 contradicts that notion, showing that half of all VC fund managers outperform the public markets, and are therefore worthy of institutional investment. This study was based on a large sample of VC fund level returns from 2009 to 2017 and does not include the last few years which have been particularly strong for the VC sector. Manager selection remains an important part of VC investing because the lower half of VC funds do not outperform the stock market. An interesting data point from this study is the VC "fund of funds" mostly outperform the stock market so a portfolio of VC funds will generally give you enough diversification that you can meet your performance objectives. The best way to know what managers to pick is to be in the startup business in some way. All you need to do is watch how people behave to know who is good and who is not. The Gotham Gal and I have been investing in the VC funds of managers we know well and have worked with closely on boards of startups for about fifteen years now. These are the gross return multiples of all of the funds that are "mature" meaning the returns are pretty clear now: Multiple Year Of Initial Investment 8.66 2006 3.65 2007 5.29 2007 3.31 2010 10.38 2010 7.63 2010 4.71 2010 2.01 2010 2.29 2012 8.58 2012 3.97 2012 I am not going to do the work of calculating performance against the stock market for these funds, but I suspect all but maybe two of those eleven funds have outperformed the public markets. As you can see, investing in VC funds can be very profitable. And I suspect it is getting more profitable, not less, as the capital markets and M&A markets are providing robust liquidity options for managers. Sadly the VC market remains largely out of reach of many "main street" investors as the SEC limits these fund investments to qualified and accredited investors. That has never made sense to me and is yet another example of the "well meaning" rules resulting in the wealthy getting wealthier and everyone else missing out.

The New Builders

URL: <https://avc.com/2021/05/the-new-builders/>

Date: 2021-05-04T06:16:25

Content:

My friend Seth Levine and Elizabeth MacBride have written an important book about the changing face of entrepreneurship in the US. It is called *The New Builders* and it came out this week. You can purchase it at all the places listed here . This bit from the book's Amazon page explains *The New Builders'* message: The dominant image of an entrepreneur as a young white man starting a tech business on the coasts isn't correct at all. Today's American entrepreneurs, the people who drive critical parts of our economy, are more likely to be female and non-white. In fact, the number of women-owned businesses has increased 31 times between 1972 and 2018 according to the Kauffman Foundation (in 1972, women-owned businesses accounted for just 4.6% of all firms; in 2018 that figure was 40%). The fastest-growing group of female entrepreneurs are women of color, who are responsible for 64% of new women-owned businesses being created. In a few years, we believe women will make up more than half of the entrepreneurs in America. Seth sent me a manuscript about six months ago and I read with interest the stories of these women of color starting businesses of all kinds. This is not the entrepreneurship that I tend to write about here at AVC, but in many ways it is more important, more courageous, and more powerful. If you want to be inspired and encouraged, pick up *The New Builders* give it a read.

The Demand Side Of A Crypto-Network

URL: <https://avc.com/2021/05/the-demand-side-of-a-crypto-network/>

Date: 2021-05-03T06:15:33

Content:

I was purchasing some domains with Ethereum yesterday and ran out of funds in my wallet and went to Coinbase to buy some more ETH. The price was approaching \$3000 and I thought to myself, "the demand side of this network is exploding." The way crypto-networks work is that the supply side gets built first with incentives to mine, validate, stake, etc. This has been going on for over a decade now. People started mining Bitcoin twelve years ago. The demand side of most crypto-networks has been dominated by buying, holding, and speculating for those twelve years. There is nothing wrong with that. Buying, holding, and speculating has provided the funding to pay for building out the supply side of these networks. But I think that is changing now, certainly with Ethereum and a number of other crypto-networks. You need ETH to do things on the Ethereum network. And people are doing things on it; buying domains, peer-to-peer lending, buying art, racing horses, etc. The more people use ETH, the more the demand side grows, and the value of Ethereum goes up. Of course, we could be witnessing another speculative wave, but it feels different to me this time. I think the demand side is taking off now. Disclosure: Long ETH personally and professionally

Funding Friday: Beach Lovers: A NYC Summer Love Story

URL: <https://avc.com/2021/04/funding-friday-beach-lovers-a-nyc-summer-love-story/>

Date: 2021-04-30T06:58:20

Content:

One of the many things I love about Kickstarter is when a friend backs a project, I am alerted. My friend Kirk went on a binge yesterday and backed a half dozen photo book projects and I followed him on that binge. I thought I'd blog about one of the projects we backed today. NYC is many things, and one of them is a beach town. In the summer, the beaches of south Brooklyn and Queens (Rockaway) fill up with NYers of all ages and ethnicities. It is like the subway, a total melting pot. This photo book project celebrates those beaches and the couples who fill them up in the summer months. Email readers can see the video here .

Nuclear Energy

URL: <https://avc.com/2021/04/nuclear-energy/>

Date: 2021-04-29T09:38:46

Content:

When I was in my early 20s, I had a conversation with my dad. I told him I was against nuclear power because it was dangerous and because it created radioactive waste that we had no idea how to safely dispose of. He replied that there certainly were problems with nuclear energy but that they paled in comparison to those of burning fossil fuels. This was before greenhouse gases and climate change were front and center in my mind and the minds of most people. I was not convinced by my dad's argument. Forty years later, my dad is no longer with us, but his words ring loudly in my ears. I have come full circle on nuclear energy and now see it as way more attractive than most other forms of generating energy. There are two ways of making energy with atoms. We can split atoms to generate energy and that is called Fission . Or we can combine atoms to generate energy and that is called Fusion . We have understood how to make nuclear reactors that generate energy with fission for 80 years now. But these fission reactors have two unsolved issues. In rare situations they can get out of control and melt down. We have seen that at Three Mile Island, Chernobyl, Fukushima, and a few others. While rare, these have been scary events that have shaken confidence in the safety of nuclear reactors in the public eye. Fission reactors also create radioactive waste that we have not yet found a good way to dispose of and that nuclear waste has slowly been building up around the world. We don't yet understand how to make nuclear reactors that generate energy with fusion in a sustainable way, although there has been a lot of exciting technological progress on fusion over the last few decades. I believe fusion is not an if, but a when. As we electrify more and more of our energy use, we will need ever more electricity and most students of energy consumption do not believe we can fully electrify our lives with renewable energy (solar, wind, hydro, etc). I've heard people say there is a 30-40% gap between what we need and what we can generate with renewables. At this time, nuclear is the best way to close that gap. At USV, we believe that fixing fission and making fusion work are technological and engineering problems that can be solved with sufficient creativity and capital. In fission, that means figuring out how to make reactors that are not prone to catastrophic meltdown and figuring out how to use/consume the radioactive waste that fission generates. There are a number of promising technologies that are attempting to do these things. In fusion, that means figuring out how to make a reactor that generates more energy than it is given. The progress on that dimension is promising but we are nowhere near where we need to be and more creativity and capital will be needed to solve the fusion puzzle. Our climate fund is focused on both mitigating the climate crisis and adapting to it. Solving these technological problems with fission and fusion is an important part of mitigating the climate crisis and we are talking to teams working on both approaches. I am excited to do that and believe my dad would be too.

Solar For Outdoor Devices

URL: <https://avc.com/2021/04/solar-for-outdoor-devices/>

Date: 2021-04-28T11:43:07

Content:

A trend I've been watching for a while now is the use of solar for devices that live outside away from electrical outlets. Last summer, I bought an inexpensive device that keeps snakes away from our yard. It vibrates into the ground like the animals that hunt snakes and scares them away. I don't really know if it works but we have not seen any snakes since we got it. The device is powered by a small solar device that is on top of it. Installation was basically pushing it into the ground. This morning on my way back from getting coffee, I passed this Citibike station. I have noticed that most (all?) Citibike stations are now powered by solar. I imagine they also have a battery of some sort that stores solar energy for use at night. Solar is slowly but surely making its way into all of our lives. It is a great way to power homes and offices, cars and buses, and, it turns out, all sorts of devices that live outdoors away from the electrical grid.

Paternalism In The Office

URL: <https://avc.com/2021/04/paternalism-in-the-office/>

Date: 2021-04-27T06:46:30

Content:

Jason Fried, CEO of Basecamp, posted a message to his team yesterday in which he outlined a bunch of changes they are making to the way they run the business. Some will be familiar as others have done similar things (no more politics on the company's communication channels, no more committees, rethinking the review process). I think it is a good thing to revisit the ways a company does things and make changes when issues arise. And posting these changes publicly so that others can see them and think about them is very helpful. I had chats with a number of portfolio CEOs yesterday about this post. It is making people think. That's a good thing. One change that got my attention was this one: 2. No more paternalistic benefits. For years we've offered a fitness benefit, a wellness allowance, a farmer's market share, and continuing education allowances. They felt good at the time, but we've had a change of heart. It's none of our business what you do outside of work, and it's not Basecamp's place to encourage certain behaviors — regardless of good intention. By providing funds for certain things, we're getting too deep into nudging people's personal, individual choices. So we've ended these benefits, and, as compensation, paid every employee the full cash value of the benefits for this year. In addition, we recently introduced a 10% profit sharing plan to provide direct compensation that people can spend on whatever they'd like, privately, without company involvement or judgement. That does not feel right to me. If you care about the mental and physical well-being of your team, I believe it makes sense to support them by investing in that. Companies can do that tax efficiently and employees cannot. Paying employees more so that they can then make these investments personally sounds rational but I don't believe it will be as effective as company-funded programs that employees can opt into or not. It is also the case that companies carry much of the cost of insuring their employees health in the US. While that may not be great health care policy, it is what it is right now. And so companies do have a vested interest in the health of their employees that goes beyond wanting them to be well and feel well. It may be paternalistic, but I believe that companies can and should invest in the health and wellbeing of their team. I think it makes good business sense to do so.

Sending Crypto To India

URL: <https://avc.com/2021/04/sending-crypto-to-india/>

Date: 2021-04-26T06:10:09

Content:

I saw this tweet in my feed yesterday and I sent some ETH to India this morning. Here's the @gnosisSafe Multisig address to donate in ETH/ERC20 to this address. 0x68A99f89E475a078645f4BAC491360aFe255Dff1 "If you want", Plz fill this form so we can reach you for more help and specially if needed for regulatory filings.

<https://t.co/ZzDrBZYC7p> 2/n — Sandeep – Polygon(prev Matic Network) (@sandeepnailwal) April 24, 2021 Sandeep followed with a bunch more wallet addresses to use if you want to send other crypto assets: Any other ERC20, same ETH Address 0x68A99f89E475a078645f4BAC491360aFe255Dff1 TRC20

TSZMcRQzMLdKrgiMPoe2uQMHLeEpkf2j8E Cosmos cosmos1sjrfyxwsvssl4nzwqm0t6shghvyIndxf9tye Tezos tz1dMYz5pcXYXnfH5gjr652iSDq9zc2SrQri Solana Gc6jm5gJVWE5DnjMMgzijghKYQqLTci9hZs7LYHYJs1g — Sandeep – Polygon(prev Matic Network) (@sandeepnailwal) April 25, 2021 With the pandemic easing in the US, thanks to vaccines, we cannot turn a blind eye to what is happening elsewhere, particularly India. I appreciate the crypto community, which is global, stepping up to do this and I encourage anyone with some crypto to participate. And we finally found something useful to do with DOGE coins.

Funding Friday: Ujjo – The First Hot Sauce for Coffee

URL: <https://avc.com/2021/04/funding-friday-ujjo-the-first-hot-sauce-for-coffee/>

Date: 2021-04-23T06:19:15

Content:

"I like coffee, I like hot sauce, would I like hot sauce in my coffee?" So starts the pitch for this Kickstarter . It's a good one. Since I like coffee and I like hot sauce, I backed it. Email readers can [click here](#) and see the pitch.

The Bolster Board Diversity Survey

URL: <https://avc.com/2021/04/the-bolster-board-diversity-survey/>

Date: 2021-04-22T06:11:37

Content:

Last June, I wrote about board diversity and suggested some things we are doing and that you can do to diversity your board . In the ten months that have passed since I wrote that I am pleased to say that we have seen a noticeable increase in board diversity in our portfolio. I have personally stepped off a few boards to make room for diverse board members and I am prepared to do more of that. A number of my partners have done the same. It is that important to me and USV. But I can also tell you that the state of diversity in startup/growth company boards and our portfolio is still awful. Our portfolio company Bolster connects fractional executives and board candidates to startup and growth companies. They have done some of the board searches for diverse candidates in our portfolio and they are going to do a lot more. They have been surveying the startup and growth sector over the last few months to determine the state of diversity on boards. They published the results today. The numbers are embarrassing. We can do better and we must do better. Here is how: 1/ Make room on your board for independent directors at the very start and fill those seats with diverse candidates. 2/ Ask your investor directors to become observers to make room for independent diverse candidates. 3/ Prioritize this. 4/ Use Bolster or other service providers to surface great diverse board candidates. There are so many qualified diverse candidates out there for you to bring onto your board. I have participated in many of the board searches in our portfolio in the last year and I am blown away by the diverse talent that is out there waiting to help you grow your company. You just need to make room for them and ask them to join your board. Just do it.

The Vision Thing

URL: <https://avc.com/2021/04/the-vision-thing/>

Date: 2021-04-21T06:17:28

Content:

A well-known entrepreneur turned VC, who will go unnamed because I am not sure he would want me to share this conversation publicly, once told me “if you remove a founder, you must sell the company within a couple of years or it will start to decline in value.” I don’t entirely agree with that and my experience with it has been different, but it brings up an incredibly important topic about leadership. I like to keep things simple and in my simple mind, leadership comes in two flavors, visionary leadership and operational leadership. Founders are almost always visionaries (if they aren’t, run in the opposite direction) and hired CEOs are almost always operators. What this VC was saying is that once you replace visionary leadership with operational leadership, the Company will stop innovating and start to lose value. I agree completely that companies that stop innovating will start to lose value. What I don’t agree with and have seen first hand, is that you can have a team that can provide both operational and visionary leadership. Leaders who can provide both operational and visionary leadership are a rare but special breed. When you find one, get on their bus and stay on it for as long as you can. It will be an incredible trip. It is also the case that you can pair visionary leadership with operational leadership and I have seen that model work very well for long periods of time. Most commonly, the visionary leader is “in charge” and the operational leader runs the business on a day to day period. That can be an Executive Chairman (visionary) and a CEO (operator) or it can be a CEO (visionary) and President/COO (operator). Most commonly in this model, the visionary leader is the founder and the operator is a hired executive. Small early-stage companies can succeed without operational leadership but not forever. That is why founders who are great visionaries but weak operationally can be very successful for a while at least. Once a company gets into the hundreds of employees and is headed to the thousands, it needs operational leadership and this is where many visionary founders struggle. And this is when operational leaders are hired and the work starts to find the right long-term sustainable operating model. Some founders are this rare breed of visionaries who can operate too. Most are not. So this work to find the right pairing is critical and is a lot of the work that board members do with the founders and their leadership team in startups. But going back to my friend and his advice that I started this post with, it is true that operational leadership alone will not get the job done. And it is also true that operational leaders will have a hard time getting “the vision thing” from below. It has to come from the top. Operational leadership, fortunately, does not.

Citibiking

URL: <https://avc.com/2021/04/citibiking/>

Date: 2021-04-20T06:39:32

Content:

Long-time readers know that I am a big Citibike fan. Citibike is the name of NYC's bike-share program. I have been blogging about it since it launched in the spring of 2013, eight years ago now. I wrote this at the time. Since it started getting warm in NYC about a month ago, I have been Citibiking to work, to home, to dinner, etc. And I must say that the Citibike experience in NYC has gotten a lot better in the last few years. There are now a lot of electric bikes. I don't use them because I prefer to get the workout, but I see a lot of people using them. The newer bikes are really easy to ride. They keep improving the bikes and the latest lot of them are terrific. The Citibike app has also improved. It now starts with a navigation map and you can easily see where to get your bike and where to drop it off. And finally, NYC keeps adding bike lanes and making them better. I rode all around lower Manhattan yesterday and was always in a bike lane, feeling safe and that I belonged there. Biking is a great way to get around NYC and Citibike makes it so simple. Get a bike, ride somewhere, drop it off. It is one of the great things that has happened to NYC in the almost forty years we have lived here.

Commercial Real Estate

URL: <https://avc.com/2021/04/commercial-real-estate/>

Date: 2021-04-19T06:30:12

Content:

With new Covid cases down 30% in the last two weeks and partially vaccinated people approaching 50%, NYC seems ready to start getting back to work. I have been going to the office several days a week for the last two weeks and will be there again today. As my USV colleagues get fully vaccinated, they are joining me and our office is starting to fill up. But our Flatiron neighborhood still feels empty and there is not one good restaurant open for lunch during the week. As we head back to work, what will the new normal be? That is a huge question looming over the commercial real estate sector in NYC and around the country. According to this NYT piece from last week, the vacancy rate in commercial office space in NYC is almost 20% and that number is north of 15% across the largest cities in the US. And in the face of these historically high vacancy rates, more new office buildings are coming to market increasing the supply of space. We have surveyed our portfolio companies and we understand that many will reopen their offices this summer and fall, but most will not expect their employees to be back in the office five days a week. Some will not expect their employees to be in the office at all. I think this Jamie Dimon quote I read in the NYT piece is about right: Jamie Dimon, chief executive of JPMorgan Chase, the largest private-sector employer in New York City, wrote in a letter to shareholders this week that remote work would "significantly reduce our need for real estate." For every 100 employees, he said, his bank "may need seats for only 60 on average." We used to have 10,000 square feet in our old office that we left last month. We moved into 6,000 square feet and it feels like plenty. I think many/most companies will feel that way too. Many of our portfolio companies let their leases expire during the pandemic, as did we. And they are now thinking about what to do going forward. I have a few suggestions: 1/ Take something temporary for the next year or two. Figure out what the new normal is before entering into a long term lease. This is what USV did. We took a nine month sublet to allow us to figure things out. 2/ Shop around and be aggressive in your offers to sublet or lease space. Many landlords will not engage in your bottom fishing. But some will, particularly in the sublease market. 3/ Avoid expensive office buildouts and focus on spaces that are extremely flexible. We have invested in office and conference pods in our sublet to reduce the need for expensive office buildouts. And the Gotham Gal and I made an entire co-working space in Brooklyn with office pods. 4/ Figure out how to integrate remote workers into your office environment. We have been investing a lot more in our conference rooms/video setups. I even suggested that we put some webcams in our office so our remote colleagues could see who is in the office at any time. I am not sure we will do that. Some feel it is creepy. But I think it's a good idea. 5/ Offer perks to encourage your employees to be in the office. We have been ordering in great food for everyone in the office the last few weeks and everyone seems to appreciate and enjoy that. I think occupancy expense will be a smaller percentage of our portfolio companies' P&Ls in the future and those savings can be invested in our teams instead. That feels like a great trade and one that will lead to better companies and happier employees. And that is a very good thing.

Funding Friday: ARAS Art Education for Teens

URL: <https://avc.com/2021/04/funding-friday-aras-art-education-for-teens/>

Date: 2021-04-16T07:18:04

Content:

I backed this art program for teens this morning. I think summer programs for kids are important and particularly important this summer when we are hopefully beginning to emerge from more than a year of remote learning and social distancing. For email readers, you can see the video here .

Leadership Matters

URL: <https://avc.com/2021/04/leadership-matters/>

Date: 2021-04-15T06:48:35

Content:

Last night I watched the NY Knicks win their fourth straight game on the road in New Orleans. They are now 29-27 and have a fighting chance of being a .500 team this season with only 16 regular season games left. This is essentially the same team that went 21-45 last year. Elfrid Payton, RJ Barrett, Julius Randle, Mitchell Robinson, Taj Gibson, and Reggie Bullock were all on that 21-45 team. What changed? The coach is what changed. Tom Thibodeau came in and has instilled an entirely different approach and culture. The Knicks are the league's best defensive team, allowing the least points per game. Last year, they were 18th in defense. This Knicks team is competitive in every game, even if they don't win them all. Last year, we would regularly walk out of the Garden down 20 points in the fourth quarter. I am going to the Garden on Sunday for the first time in fourteen months and I am excited at the opportunity to be at a game that will hopefully be competitive down the stretch. Watching Thibs at work is a lesson in leadership. He sets the tone, expectations are high, players that don't put in the effort don't play, no matter who they are. Everyone knows what is expected of them. I have seen this in companies too. The same team, with the same product, in the same market, can be completely transformed by a new leader. Leadership matters. A lot.

Entrepreneurship In Latin America

URL: <https://avc.com/2021/04/entrepreneurship-in-latin-america/>

Date: 2021-04-13T05:33:32

Content:

It is a little known part of my career, but for a brief period from 1997 to 2001, I was part of a small group of investors who helped to create a startup ecosystem in Latin America. It all started with a company called StarMedia which created a Yahoo-like "portal" for Latin America. My partner Jerry Colonna and I met StarMedia in early 1997 and we brought it to our partners at Chase Capital Partners because we wanted to lead a Series A investment in it. In that Chase Capital Partners meeting was a woman named Susan Segal who ran Chase's Latin American private equity investing. She pulled me over after the meeting and asked me if there were other startup companies like StarMedia in Latin America. I told her that there must be but I wouldn't know how to find them. She said, "I can help with that." So began a five year investment partnership between Flatiron Partners (our VC firm) and Susan's Latin American private equity business. Susan and her team worked their Latin American connections and they brought the deals to us and we vetted them for team, technology, market need, etc. We did something like a dozen investments together including MercadoLibre (one of the greatest Internet companies ever in any region), and Patagon.com (where I met the founders Wences Casares and Micky Malka). But it was StarMedia where I learned the most. I made and lost more money personally (at that time in my career) on Starmedia. I have a StarMedia stock certificate in my office that I look right at that was made out to one of our family entities. It was once worth tens of millions of dollars and is now worthless and has been for decades. It takes messing up on that massive of a scale to learn some things. StarMedia is also where I met my good friend Jerry who would have been 70 today. Jerry grew up in Mexico and moved in and out of Latin America and Silicon Valley with ease. He understood both places and helped to bring them together. I miss Jerry so much. He was a mentor, advisor, and coach to many of the earliest Latin American Internet entrepreneurs. I was reminded of all of that history yesterday as our firm listened to a pitch by a Latin American team that is building a very exciting company. It reminded me that we seeded something twenty-five years ago that has gone on to become a vibrant startup ecosystem. Jerry, Susan, and I made a great team and we did something really important together.

My New Metrocard

URL: <https://avc.com/2021/04/my-new-metrocard/>

Date: 2021-04-12T14:54:55

Content:

For years, one of my prized possessions has been my MTA EasyPayXpress Metrocard. It's a little worn down from a lot of use because it auto refills itself. It is a Metrocard that is connected to a "card on file" and it automatically refills itself so that it always has money on it and you never miss a train because your Metrocard has run out of funds. I've had one of these for something like twenty years. And yet many NYers don't know that this product exists. But last week, I realized that my Metrocard's days are numbered. I walked into one of the subway stations I use the most and saw that the turnstiles now accept Google Pay and Apple Pay. You just wave your phone and the turnstile lets you in. This has been in the works for a while and I knew it was coming but seeing it in place and using it was great. When we moved to NYC in the early 80s, we used metal tokens. Then we moved to Metrocards. And now we use our phones. It is exciting to see NYC adopt technology in ways that makes life in the city a bit easier.

Funding Friday: Burn Alpha

URL: <https://avc.com/2021/04/funding-friday-burn-alpha/>

Date: 2021-04-09T05:56:03

Content:

Emily Segal is writing her next novel called Burn Alpha and she is crowdfunding it on her Mirror blog . I contributed 0.1 ETH to the effort yesterday evening and she is now approaching her 25 ETH goal. If you have an Ethereum wallet, like Coinbase Wallet or Metamask, you can participate in her crowdfunding project here . The rewards are pretty cool as is the premise of the novel. You can see all of that on her blog . If you read this post on my Mirror blog , you will see the crowdfunding project embedded in this post. That's pretty cool too.

Vaccinations At Scale

URL: <https://avc.com/2021/04/vaccinations-at-scale/>

Date: 2021-04-08T07:51:59

Content:

There was a day in the last week when four million Americans got a Covid vaccine. That's more than one percent of all citizens of the US. One in every hundred people in the US got vaccinated on the same day. Think about that! Mayor de Blasio tweeted yesterday that 4.7 million doses of the Covid vaccine have been given out in NYC. Assuming that 2/3 of those have gone into new arms and 1/3 have gone into returning arms, that means almost 40% of adults in NYC have gotten introduced to the Coronavirus via a vaccine. As an aside, another 20-30% of people in NYC got introduced to this nasty and deadly virus the old fashioned way and that means that we could have two thirds of adults in NYC with Covid antibodies in their systems. But returning to the point of this post, we are vaccinating at scale in the US now. One of my favorite Churchill quotes is: You can always count on Americans to do the right thing – after they've tried everything else. That's not exactly what is going on here but it is not far from it. While the US got a lot wrong in the first year of Covid and way too many people died as a result, we got one thing right. We bet on vaccines and we have now operationalized the delivery of them. This is not a political point. The last administration should get as much, or more, credit for vaccines as the current one. This is about me being proud to be an American once again. This mass vaccination is a beautiful thing to behold. It is breathtaking in its scale and it's efficacy. It fills me with joy.

Tech:NYC's Mayoral Forum

URL: <https://avc.com/2021/04/technycs-mayoral-forum/>

Date: 2021-04-07T06:59:53

Content:

Tech:NYC is the industry association for NYC's tech sector. I am the Chair of the organization. I am excited about Tech:NYC's work to bring the ongoing NYC Mayoral race to the tech sector. On Thursday, April 8th (tomorrow) at 4pmET, Tech:NYC will host a webinar with the top mayoral candidates that is open to all NYC tech employees. The candidates participating are Eric Adams, Shaun Donovan, Kathryn Garcia, Ray McGuire, Scott Stringer, Maya Wiley, and Andrew Yang. The forum will be moderated by Josh Barro. The NYC Mayoral Forum is hosted by Tech:NYC and Warby Parker and is co-hosted by AT&T, Bowery Farming, Etsy, Harry's, Via, WeWork, Zola, and more. Tech:NYC did a poll of NYC tech employees earlier this year and it showed that the New Yorkers who work in tech largely care about the things that all New Yorkers care about. People are attracted to NYC because of its diversity, cultural institutions, subway, etc. – the things that make NYC NYC. And they care about their neighborhoods, schools, parks, quality of life, etc. The poll also showed that lots of people in tech care about the mayoral race – 87% said they plan to vote in the primary. So the NYC Mayoral Forum is a great way for tech employees to get engaged in a race that really matters to the future of our city as we look to recover from COVID. If you work in tech in NYC and want to attend the Mayoral Forum tomorrow, you can register here .

Geothermal

URL: <https://avc.com/2021/04/geothermal/>

Date: 2021-04-06T06:11:48

Content:

We have a house in the northeast United States where the summers are warm and the winters are cold. We have solar on the roof and we heat and cool this house with electricity. This is the electrical generation/consumption chart for all of 2020 for that house: We produce almost all of the heating and cooling for that house with solar power. How do we do that? We use geothermal energy to heat and cool it. We drilled wells down into the earth and pull water up to heat the house in the winter and cool the house in the summer. The combination of solar on the roof and geothermal heating and cooling is powerful and can get you off the grid if you design your house appropriately. It will be hard for us to get our house completely off the grid because we have large south-facing windows that generate a lot of solar load. But even with that, we are pretty close. Geothermal is a technology with a lot of potential to address the climate crisis and we have been studying it at USV. My colleague Hanel wrote an excellent post on USV.com last week talking about our interest in Geothermal and areas we are most interested in investing in. Here is the opening paragraph: Geothermal energy has massive potential: just 0.1% of the Earth's heat content could supply humanity's total energy needs for two million years . Geothermal power is essentially inexhaustible and resilient; unlike solar and wind, it can run as baseload power around the clock, and uses a reliable, onsite resource not subject to surface climate conditions or fuel-price volatility. You can read the rest here . If you are working on a geothermal startup, go read Hanel's post and you can reach out to her on Twitter if you want to talk to us about what you are working on.

Hubspot

URL: <https://avc.com/2021/04/hubspot/>

Date: 2021-04-05T06:48:07

Content:

I do a lot of “bulk emailing” but I hate sending bulk emails. I prefer to personalize emails and send them one by one so that the recipient understands that the email came from me. What that has meant is that I take google sheets full of email addresses and I cut and paste a message into my gmail for each and every email address. That is incredibly slow, dull, repetitive, and painful. About a year ago, we started using Hubspot for our family’s philanthropic efforts and it was a revelation to me. Hubspot connects to my gmail account and the emails I send from it appear to the recipient like I sent them personally from my gmail. But behind the scenes, I can collaborate with my colleagues on templates and lists for various bulk emails that I need to send. When it is time for me to send the emails, I simply work my way through the list, selecting a new name, adding the template, making any little changes to personalize the message, and then I hit send. It is still a fair bit of work to do that for twenty or thirty or forty names, but I can do it in ten to twenty minutes and the recipient gets a personalized email from me which as we all know increases the open and reply rate by orders of magnitude. If you are looking for a great way to do bulk emailing, I highly recommend Hubspot.

Funding Friday: Sentien Audio

URL: <https://avc.com/2021/04/funding-friday-sentien-audio/>

Date: 2021-04-02T06:36:06

Content:

I wrote a blog post last fall asking for advice for headphones that don't go into my ear and allow me to hear ambient noise around me. I got a ton of responses and that led me to bone-conducting headphones. I have been using AfterShokz bone conducting headphones for the last six months and they work well. So when I came upon this Kickstarter project to make a pair of "smart" bone conducting headphones , I got interested. I backed it and went for the reward which I rarely do. I will hopefully get a pair of these Sentien headphones this fall. If you are reading this via email, the video is here .

Recycling

URL: <https://avc.com/2021/04/recycling/>

Date: 2021-04-01T06:39:53

Content:

Most venture capital funds have a “recycling” provision that allows them to sell some percentage of their investments and reinvest those funds back into new investments instead of distributing that capital to their limited partners. There is no standard recycling percentage in the market, but I think 20-25% is fairly common. We do this at USV very aggressively. It allows us to put the entire fund to work and recoup the management fee load. A \$100mm venture capital fund will pay something like \$20mm in management fees over a ten-year life. So it would only actually invest \$80mm into startups. But if that fund recycled \$20mm back into new investments, it could put the entire \$100mm to work even after paying the \$20mm in management fees. Sometimes it is also possible to use recycling to invest more than the fund actually raised. We have done that in a number of funds. Our first fund was a \$125mm fund, but we only called something like \$110mm from our investors and I think we ultimately put to work something like \$140mm. These might feel like small moves, but they can be very big moves when you are trying to make 3x or more on a fund. Three times \$110mm is \$330mm. Three times \$140mm is \$420mm. Of course you have to be smart about what you recycle and what do you not recycle. Most venture capital funds have investments where you get your money back or a bit more. It could be an early exit where the founders got a great offer they could not refuse. Or it could be an investment that only sort of worked. Those are great opportunities to recycle capital. You get your money back or a bit more, and then you put it back to work. It can also make sense to take a little money off the table on a rocket ship type investment and recycle that. But doing too much of that sort of thing can reduce the returns in a fund instead of amplifying them. I have made that mistake and do not plan to do it again. Portfolio and fund management in a venture capital firm is not something that is often discussed. The biggest driver of performance is finding the right opportunities and getting into them at the right time. So that is where most people in venture capital focus their time and energy and rightly so. But I believe that proper portfolio management; getting the right diversification in a portfolio, managing liquidity opportunities, and aggressive recycling can make a big difference in fund and firm performance and we dedicate real time and energy to these issues at USV. I think it has made a difference for us over the years.

Volunteer At TEALS NYC

URL: <https://avc.com/2021/03/volunteer-at-teals-nyc/>

Date: 2021-03-31T06:26:12

Content:

TEALS is a longstanding program supported by Microsoft where software engineers assist in computer science instruction in K12 schools. I have been blogging about and advocating TEALS for over eight years now . TEALS came to NYC in 2013 and has been helping kids learn computer science in NYC schools ever since. For many of those years, the software engineers would have to travel to the school building to assist in classroom instruction. But that has changed and now TEALS volunteers can teach remotely. I think that is a huge unlock for everyone and I am encouraging software engineers in NYC to consider doing TEALS during the 2021/2022 school year. You can learn more here . If you are interested, you can apply here .

Dapper Labs, Flow, and NBA Top Shot

URL: <https://avc.com/2021/03/dapper-labs-flow-and-nba-top-shot/>

Date: 2021-03-30T09:00:47

Content:

I have written about all of these things here at AVC before. But I am writing again as there is likely to be a bunch of chatter about Dapper, Flow, and NBA Top Shot as the news of a financing round comes out today. Financings don't really interest me but companies do. And this is a fascinating company. Dapper Labs came out of an incubator called Axiom Zen back in 2017. The Axiom Zen team was looking at interesting things they could build using Ethereum. They contributed to the ERC 721 standard for non-fungible tokens and started building an NFT collectible game that became Cryptokitties . That got our attention and led to a financing that spun out the team and Cryptokitties into Dapper Labs . I wrote a short post on the USV blog announcing that we had invested in Cryptokitties , but in truth, we invested in much more. We are only seeing the entire vision now. After building a few more collectible experiences on Ethereum, the Dapper Labs team concluded that the NFT experiences they wanted to create needed a different blockchain and they started building Flow . Flow is a proof of stake blockchain that was designed from the ground up for consumer experiences that require scale and performance and more. And then they started building NBA Top Shot on Flow. That required a deal with the NBA which they made happen a few years ago. And it required Flow to launch. And it required a crypto wallet experience that was tightly integrated into the game that allowed new users to fund their wallets with credit cards in addition to crypto assets. Building all of that was quite a task but they got it all done by the middle of last year and launched NBA Top Shot into beta last summer. Slowly but surely Dapper let more users into NBA Top Shot and iterated on the experience and by the end of the year, they had a hit on their hands. Hundreds of millions of dollars of transactions a month happen between collectors on NBA Top Shot. Pack drops sell out more or less instantly. The success of NBA Top Shot has led many developers to Flow seeking to build additional collectible experiences and I expect that we will see many more great games and experiences on Flow in the coming months and years. It is rare in the crypto sector to find a team that has successfully launched a blockchain, a wallet, and a number of popular applications. The Dapper team has done all of that and I am excited to watch what they do next.

Staying Positive

URL: <https://avc.com/2021/03/staying-positive/>

Date: 2021-03-29T06:46:45

Content:

One of the gifts that I got was the ability to stay positive. I am grateful to my parents, my wife, and my genes (and anyone else responsible too). It is such a superpower. I don't just mean optimism. I mean saying nice things about people. I mean keeping a smile on your face. I mean positivity in all things. I do have my moments of negativity, but they come infrequently and go away quickly. I saw Magic Johnson say something nice about the Lakers last night and I texted my son that I appreciate how Magic is always so positive. He always has a smile on his face. He is always saying nice things. I am sure he was a vicious competitor on the court, but he did it nicely. I recall when David Karp was building Tumblr, he refused to have comments. He refused to have downvotes. The only user engagement was a heart and a repost. He told me he wanted to emphasize positivity and de-emphasize negativity. And Tumblr was a very positive place to be during its heyday. For every negative thought, there is a positive counter thought. If you don't like the Celtics, maybe you like the Knicks. If you don't like Trump, maybe you like Biden. If you don't like Bitcoin, maybe you like Ethereum. It is a pretty simple move, and also a very powerful move, to focus on what you like versus what you don't like. Doing this not only can change how others feel about you, it can change how you feel about yourself. I highly recommend it. I hope it becomes a trend. We would all be happier and nicer. Social media would be tolerable. Life would be better.

Funding Friday: Vanishing Asia

URL: <https://avc.com/2021/03/funding-friday-vanishing-asia/>

Date: 2021-03-26T06:21:49

Content:

Kevin Kelly , who has been an editor at Wired and Whole Earth Review, is funding this book project on Kickstarter . He is attempting to capture the many cultures in Asia that are disappearing with modernization. I backed the project today and decided to get the book too. You can do that here .

Digital Art Frames

URL: <https://avc.com/2021/03/digital-art-frames/>

Date: 2021-03-25T09:57:18

Content:

I have a Samsung Frame in my home office. I think I posted a photo of it here at AVC once before. But for those who did not see that post, here it is: I've had it for something like three years and I change the digital art on it from time to time. Digital Art has been tricky to purchase and own and the business models around it are a bit challenging. I think NFTs might change that. If artists can get paid for the "original" or a "limited edition" and then make copies free or near free, then I think the digital art market could explode. My partner Albert posted about NFTs a week or so ago and made an important point that I think is a bit lost in all of the hype/mania about NFTs right now: This is what NFTs do for digital content. They let someone assert "I am the Louvre" (for that piece of content). This is not a fad. It is a fundamental and profound innovation. <https://continuations.com/post/645017712412786688/a-word-on-nfts> Go here and read the entire thing because "the Louvre" is a bit out of context in that quote. His point is that crypto/blockchains allow for someone (or a group) to own the original(s) and everyone else to own copies that are as good as the original. And that is the kind of thing that could make owning digital frames really awesome.

Resilience

URL: <https://avc.com/2021/03/resilience-2/>

Date: 2021-03-24T06:43:08

Content:

A friend and I dined last night at a restaurant that opened in our neighborhood last summer, in the middle of the pandemic. For the first six months of its existence, they could not welcome diners into the space that they had spent time and money creating. They carried on, figured out how to make money serving customers outside. As the NYC economy starts to recover, they are still standing. And they are now welcoming diners into the lovely space they created for them a year ago. Resilience is an extremely valuable trait when you are starting and running a business. In a bull market that rewards other things, it is often overlooked. But I don't overlook it. A reporter asked me recently about a company that I am on the board of that has become very successful. I told the reporter that for years, the founder carried on while every competitor left the market in search of a viable business. The viable business arrived eventually and the founder was rewarded for his patience. Sticking with something, even when the chips are down, is hard. Many people (most?) can't do it. They are impatient. They want the easy money. While the world has been going through a painful and deadly global pandemic, the tech sector has experienced a bull market of epic proportions that has lifted all boats and made some incredibly wealthy. But that bull market will eventually end and things will get harder for founders and CEOs and investors. And that is when resilience will be in short supply. So look for it in founders now, when it is less necessary.

Crypto and Climate Continued

URL: <https://avc.com/2021/03/crypto-and-climate-continued/>

Date: 2021-03-23T06:55:32

Content:

I wrote about crypto and climate earlier this month and suggested that the narrative that crypto is bad for the climate is not as straightforward as many make it out to be. Over last weekend (a beautiful one in the northeast), two of my partners wrote on this topic. My partner Albert took a similar approach as I did in my post and outlined many reasons that crypto and climate are not at odds with each other. He went further than I did in my post and it is worth reading his, even though they are similar. My partner Nick went out on a limb and compared Bitcoin to a battery. He used that analogy to be provocative. He took some heat for doing it, but I think it was worth it because you sometimes have to stake out a provocative position to get people's heads to turn a bit on something. This is the key part of Nick's post: Which brings us back to crypto mining. Crypto mining converts electricity into value, in the form of crypto assets (BTC, ETH, etc). Those assets, like the aluminum produced in Iceland, can then be moved, transferred and transformed. But unlike aluminum, which must be physically shipped to its final destination, crypto assets are programmable, and can move there instantly via an internet connection. So, if we think of Bitcoin as a battery, what can we do with it? The key properties of Bitcoin's battery are: 1) always on and permissionless (no need to find customers, just plug and go) and 2) naturally seeking low-cost electricity: it will always buy when the price is right. <https://www.nickgrossman.xyz/2021/bitcoin-as-battery/> We have been addressing this topic (crypto and climate) for multiple reasons. First, because we believe the narrative in the mainstream media is too simplistic and we would like to see it evolve. And second because we know that there are many entrepreneurs out there that are working with crypto to help address the climate crisis and we would like to meet them. Nick and Albert's posts last weekend opened the floodgates on the latter point and we are now talking to a number of very interesting projects as a result.

Stack Overflow For Teams Goes Freemium

URL: <https://avc.com/2021/03/stack-overflow-for-teams-goes-freemium/>

Date: 2021-03-22T05:57:21

Content:

I could not help but use the word Freemium in the headline to this post. For those that don't know, the word Freemium was invented here at AVC, back in 2006 . I am quite proud of that fact, even though I did not come up with the word myself. With that business taken care of, let's move on to the topic of the day. Our portfolio company Stack Overflow, best know for its massive free knowledge sharing service for programmers , has been building a companion business over the last few years called Stack Overflow For Teams . Teams is the same knowledge-sharing software that programmers know and love but for private sharing inside of companies. Since launching Teams, it has been free for the first thirty days. But it takes longer than that to build great knowledge sharing inside of companies. So last week, Stack launched a new version of Stack Overflow For Teams that is now free forever for teams of 50 or less. If you use Stack Overflow and love how it surfaces the answers to your questions and you want to use it for your team, you can do that for free right now. Go [here](#) and click Create A Free Team. A Freemium Stack for your team. I love it.

Funding Friday: Makasi Arts Festival

URL: <https://avc.com/2021/03/funding-friday-makasi-arts-festival/>

Date: 2021-03-19T07:39:27

Content:

This project was right at the front of my Kickstarter home page this morning. I clicked play and watched the video (you should too). The project creator, Daniel Wegner , says “there is power in young people, there is power in talent, there is power in art.” I agree with all of that and I backed the project .

Mirror

URL: <https://avc.com/2021/03/mirror/>

Date: 2021-03-18T06:12:28

Content:

I have written many times here that it is important to me that I control the platform that I publish on. I use the open-source WordPress software for my content management system and run that on a hosted server. I use my own domain, AVC.com, to locate my writings on the Internet. That has served me well. No matter how horrible I become, nobody is going to take me down. But we can go even further down this path of controlling our destiny. We can decentralize the entire thing; the content management system, the storage of the content, the domain name system. That is what Mirror is all about. Last week, I competed in the “ race ” to get the right to have a blog on Mirror. And I came in 10th place, just enough support to get in. As a start, I am going to mirror this blog on Mirror and you will be able to read it at AVC.mirror.xyz . I have secured AVC.xyz and will eventually move my Mirror blog to that domain. Is it possible that I will retire AVC.com and move entirely to AVC.xyz? Yes. But I am a fan of one step at a time. So for now, nothing will change. Except that my content will start appearing on the decentralized web at AVC.mirror.xyz (eventually AVC.xyz). Which is a big deal in my view.

News Moments

URL: <https://avc.com/2021/03/news-moments/>

Date: 2021-03-17T06:48:56

Content:

There are these news moments that we remember vividly forever. The plane flying into the World Trade Center. The mob breaking into the Capitol. Reagan at the Berlin Wall. Just writing the words, I can see the images in my head. Our portfolio company Recount Media is all about these moments. Recount captures them quickly and concisely and shares them on social media and other digital platforms so that the world can see what is going on around them. Today, they are trying an experiment that I am quite interested in. They have taken one of their most-viewed news moments, one they published exactly one year ago today, and they have minted it into a one-of-a-kind digital news moment and are offering anyone the opportunity to own it. The auction is going on here and I just placed a bid. My goal is not to win this auction, although it is possible that I could. If I do, I will contribute it to a DAO that would allow group ownership. Recount explains why they are experimenting with NFTs here . I particularly like this line: So as we approached the one-year anniversary of the Calendar, our first runaway viral video, we thought it would be fun to celebrate that breakthrough in a manner that itself is an expression of our relentless aspiration to rethink how journalism works — its form, function, and economics — in this moment of intense fluidity and flux in digital media. One of the challenges with digital media is the limited business models available to news organizations. You either sell ads or subscriptions, or both. Who knows whether minting news moments can help stimulate new business models, but it sure can't hurt to try. Sticking to the old ways of sharing the news and making a business out of it is not interesting to me. Coming up with new ways of sharing the news and making a business out of it very much is.

Taxing Airbnb Stays In NYS and NYC

URL: <https://avc.com/2021/03/taxing-airbnb-stays-in-nys-and-nyc/>

Date: 2021-03-16T08:41:18

Content:

I guess the theme of this week is taxes . But today's post is about something completely different. A Company wants to collect and remit taxes to NYS and NYC and lawmakers don't want the money. I've written about this sad tale before but the story continues. Back in February , NYS Governor Cuomo put a provision into the NYS budget that would allow/require Airbnb to collect NYS and NYC applicable taxes when Airbnb hosts collect revenues from their tenants. If NYS and NYC were able to fully collect taxes on these Airbnb stays, it is estimated that a total of \$130mm would be generated in new revenues; \$75mm to NYC, \$45mm to NYS, and about \$10mm to various other counties in NYS. Given that the NYS State Legislature wants to raise around \$7bn in new tax revenues in this budget session, you would think tapping into this source of tax revenues would be a slam dunk. But no. NYS legislators who are friends to the hotel industry and sworn enemies of Airbnb have pushed for the removal of this provision and it is likely to be out of the final budget. It is time for everyone to grow up, recognize that Airbnb is never going away, treat them like the important service provider (to hosts and guests) that they are, and tax this process appropriately. I encourage NYS legislators to do that in this current session. The budget issues are too important to play silly politics anymore.

Capital Gains, Carried Interest, and Ordinary Income

URL: <https://avc.com/2021/03/capital-gains-carried-interest-and-ordinary-income/>

Date: 2021-03-15T07:26:26

Content:

Most of our family's income comes in the form of capital gains. And most of that comes in the form of carried interest on capital gains. Carried interest means the share of the profits that the managers of VC funds get (and PE funds and Hedge funds too). For many years, there have been attempts to tax carried interest as ordinary income and those efforts have been fought tenaciously and successfully by the VC, PE, and Hedge Fund industries. As far back as 2007, before USV had paid any carried interest to me, I wrote on this blog that I did not believe that carried interest deserved capital gains treatment and that, in my view, it was a fee and should be taxed as ordinary income. I re-asserted that view in 2010, just as USV started to pay carry to me and my partners. My partner Albert also stated his views on the topic that same year. But after thinking long and hard about this topic over the years, I have come to a slightly different and simpler perspective, one that I wrote about on labor day last year. I think it would be better policy to lower the income tax rate and raise the capital gains rate to something like 20% so that all income is taxed equally no matter how it is achieved and so the net impact on revenues is neutral.

<https://avc.com/2020/09/honoring-labor/> If we taxed all income at the same rate, regardless of how it was earned, then we would not need to worry about the carried interest loophole and all other loopholes. We would have a simpler and fairer tax code. I have read that Yellen and Biden are thinking of making some changes to the tax code to increase capital gains rates. I am fine with that. But I think they ought to lower rates on ordinary income at the same time. Get everyone on the same rate. That's the winning move in my view.

Funding Friday: KLOS Carbon Fiber Electric Guitar and Bass

URL: <https://avc.com/2021/03/funding-friday-klos-carbon-fiber-electric-guitar-and-bass/>

Date: 2021-03-12T08:39:05

Content:

I am in Park City Utah right now so I checked to see what Kickstarter projects were near me and I found this cool carbon fiber guitar project right here in Park City and backed it this morning. Email readers can see the video here .

Stockton's Basic Income Experiment

URL: <https://avc.com/2021/03/stocktons-basic-income-experiment/>

Date: 2021-03-10T13:45:31

Content:

I have been interested in the concept of Universal Basic Income (UBI) since first hearing about it from my partner Albert years ago. I've mentioned it on and off here at AVC a bunch since then. NYC will get its own UBI experiment if front-runner Andrew Yang is elected Mayor. Yang proposes to spend \$1bn a year (out of an almost \$90bn annual budget) providing \$2k a year to 500k of NYC's neediest citizens. The theory of UBI is that giving people direct cash payments is more efficient and more effective than providing services to them via third parties. For example, if giving someone \$2k a year keeps them in their apartment, the cost of operating homeless shelters and other housing for the homeless goes down. There are many more examples. Skeptics of UBI point to the welfare system of the "Great Society" and other efforts to suggest that it won't work and can't work. They believe it will lead to idleness, drug use, gambling, and other societal ills. So I read with interest of an experiment the city of Stockton CA did where they gave 125 randomly selected individuals making less than \$46k a year a monthly stipend of \$500. The results are interesting. Researchers at the University of Tennessee and University of Pennsylvania concluded that this sample group saw many benefits including helping people get better jobs, better living situations, and better self worth. There was no evidence of increased drug use, gambling, joblessness, or any of the other concerns expressed by opponents of UBI. I look forward to more experiments with UBI. One of the reasons that Andrew Yang's candidacy for Mayor of NYC interests me is the opportunity to do a much larger experiment in a city that has a massive social infrastructure and lots of diversity. If UBI works in NYC, that will be very telling.

Crypto and Climate

URL: <https://avc.com/2021/03/crypto-and-climate/>

Date: 2021-03-09T10:51:35

Content:

I keep reading that Bitcoin, Ethereum, NFTs, etc are a climate issue. It is true that proof of work mining which secures the Bitcoin and Ethereum blockchains uses electricity to do that work. And certainly there are carbon emissions associated with that electricity consumption. However, it is not as simple as that for the following reasons: 1/ Proof of work miners are constantly seeking the lowest cost of electricity to mine with. That leads them to electricity sources like geo, hydro, solar, and wind. There is a meaningful financial incentive to mine on clean energy in many cases. 2/ The Ethereum blockchain is moving to proof of stake and moving away from proof of work. Many other popular blockchains, like the Flow blockchain that powers NBA Top Shot and other NFT experiences, already use proof of stake. Proof of stake consensus uses vastly less electricity to secure the network. 3/ There is a narrative that much of China's Bitcoin mining happens on coal powered electricity, but I have read that most of it happens on China's overbuilt hydro capacity. 4/ Proof of work mining can stimulate the buildout of clean energy capacity because it can produce immediate monetization of that capacity. It is time for the crypto industry to study this issue carefully and provide real data. I would like to see carbon emissions from proof of work mining measured over time and projected into the future.

Return/Hybrid/Remote

URL: <https://avc.com/2021/03/return-hybrid-remote/>

Date: 2021-03-08T08:53:36

Content:

With vaccinations topping 90mm doses in the US and upwards of 75mm doses likely to be injected into arms in the US in March, many companies are starting to think about what a return to the office might look like this summer and fall. I read two great posts this weekend talking about what this all means for knowledge workers and the companies that employ them: [Imagine Your Flexible Office Work Future – Anne Helen Petersen](#) [We're Never Going Back – Packy McCormick](#) They both reference the writing of Dror Poleg on this topic so I will link to his blog as well. What Anne and Packy are writing about is the future of our work spaces and whether our employers will require us to come back to the office full-time or will something else emerge. Anne opens her post explaining that while the pandemic has proven that knowledge work does not need to be done in an office filled with all of our co-workers, what we have been doing in the last year is not what we will likely be doing in the future. As she observes, we have simply been working from our homes in the last year and that is not necessarily the future. Packy asserts that employers don't really have control over the decision of where we will all work going forward, employees do. The war for talent will determine where all of this lands. Both are extremely thoughtful posts. I have been thinking about this topic for the better part of a year, for USV and for the 150 portfolio companies that we have invested in and advise. Anne and Packy's thoughts line up pretty cleanly with mine. I think the change in venue for knowledge work is likely to be one of the biggest changes that we will see this decade. Last summer, the Gotham Gal and I decided to make a co-working space where people living in the Clinton Hill and Bed-Stuy neighborhoods in Brooklyn could work when they don't want to go to the office but also don't want to work from their kitchen or bedroom. We call it FrameWork and it will be opening next month. The tagline is "Your Home Office Away From Home." We are very excited by the possibility that many more people will work most of the time in the neighborhoods that they live in and commutes will be an occasional thing versus an everyday thing. I think the quality of life improvements and the quality of neighborhood improvements that will emerge from this will be dramatic. FrameWork is just an example of the many ways that knowledge workers will choose to work going forward. I expect the innovation around work spaces will be fast and furious once we can actually start working somewhere other than our home. And I expect that to start to happen in the second quarter of this year as I explained in my Jan 1st 2021 blog post. So if you are an employer, what do you do? This suggestion by Packy is interesting: instead of mandating a certain number of days in-office, companies should view employees as customers who they need to convince to come in with a great product: Re-design the office to facilitate things that employees can't do at home: whiteboard rooms, podcast and video recording studios, screening rooms, maker tools, etc... Take less space on more flexible terms in order to adapt and evolve as employees' needs do. Make the office feel more like a social club, with more focus on spaces for employees to share meals, have spontaneous conversations, and take in work-related programming. Hire hospitality and flexible operators to help them figure it out. Alma does hybrid work/social well, so Carlström set up Another Structure to bring that expertise to companies that want to build the right spaces for this new world. Infuse the space with technology to facilitate communication and collaboration with remote employees.

<https://www.notboring.co/p/were-never-going-back> But it is this observation by Anne that I think is maybe the most powerful of all: The idea of "boundaries" has become so porous when it comes to cultivating work/life balance that it's lost all meaning. People don't respect boundaries. You don't respect them. Even when the pandemic is over, it's going to be very, very difficult to try to rebuild them. What we actually need are guardrails, big and sturdy ones, to protect us from the runaway semi-truck of work. In our current framework, boundaries are the individual's responsibility, and when they're broken, it's because the individual failed to protect them. But guardrails? They're there to protect everyone, and they're maintained by the state, aka your company. There are a lot of ways to actually build guardrails around employee's lives, and we discuss them at length in the book. But the larger shift has to be away from all of this worthless "personally-maintained boundaries" bullshit.

<https://annehelen.substack.com/p/imagine-your-flexible-office-work> As Anne correctly points out, working from home has meant working non-stop for many of us. I am guilty of this and I feel it after a year of working this way. Employers will need to figure out how to constrain work hours for their employees because it turns out we can't do that for ourselves. Office hours (9 to 5) did that for us. What will be the new office hours? We will need to figure that out. We have the possibility to fundamentally change the way knowledge work is done and how we who do it experience it. The opportunities around this are almost endless and I am personally very excited by it.

Funding Friday: Watch Now From Kickstarter

URL: <https://avc.com/2021/03/funding-friday-watch-now-from-kickstarter/>

Date: 2021-03-05T09:10:27

Content:

My normal practice on Fridays is to post a Kickstarter project that I have backed that I think is interesting and that others might want to back. But today, I want to talk about Kickstarter's Watch Now on iTunes offering. If you are like us and have watched so much TV during the pandemic that you are now struggling to find new things to watch, click on over to Watch Now and find amazing independent films that were funded on Kickstarter and are available to watch on iTunes.

Fan Powered Royalties

URL: <https://avc.com/2021/03/fan-powered-royalties/>

Date: 2021-03-03T08:44:41

Content:

Our portfolio company SoundCloud is introducing fan powered royalties to share revenues more equitably with musicians. The streaming music business pools its revenues and pays out based on a mathematical formula. There is no direct connection between a fan and artist. This graphic explains the existing model: What SoundCloud is offering is that direct connection, explained here . If you are an artist and you want to get fan powered royalties you can monetize directly on SoundCloud or via SoundCloud's Repost service which allows you to monetize on SoundCloud and all of the other streaming platforms: Artists can participate automatically in fan-powered royalties in three ways: SoundCloud Premier: Premier is our monetization program for Pro Unlimited subscribers. Artists will be notified and prompted to join once they become eligible to monetize. Click here for Premier eligibility requirements. Repost by SoundCloud: Repost by SoundCloud is for artists who want to reach fans everywhere by distributing their music to every major music service. There are no eligibility requirements to monetize with Repost by SoundCloud. You can subscribe to Repost by SoundCloud here . Repost Select: While there are no eligibility requirements to monetize with Repost Select, it's a program open to select Repost by SoundCloud subscribers via application or invitation only. Click here to apply or learn more. While the pooling model has worked well to scale the streaming industry, it has not worked well for independent and emerging artists. This bit from SoundCloud's Fan Powered Royalties page explains it well: With fan-powered royalties, each listener's subscription or advertising revenue is distributed among the artists they actually listen to, rather than being pooled. This new model benefits independent artists and empowers fans to play a larger role in the success of their favorite artists. It also encourages the growth of local scenes and the rise of new genres. Fan-powered royalties benefit independent artists whose fanbases are dedicated to listening to their music frequently. So if a fan only listens to an early-stage rapper from Detroit or an emerging singer from France, most or all of their subscription or advertising revenue will go to those exact artists. SoundCloud has always been about the emerging artists and I am glad to see them leading the industry to a more equitable model for revenue sharing.

Digital Birth Control

URL: <https://avc.com/2021/03/digital-birth-control/>

Date: 2021-03-02T08:27:39

Content:

Our portfolio company Clue announced yesterday that they have received FDA approval for a digital birth control feature. Clue's mobile app is used by over 13mm women around the world to track their monthly cycle and this new FDA approved feature, called Clue Birth Control, will be offered as a premium feature in the Clue app. While Clue Birth Control is not 100% effective, it is an alternative to more invasive forms of birth control. It requires nothing more than regular inputting of the start date of a woman's cycle. Here are some comparison's of its efficacy: Clue says the product has been shown to be 92% effective at preventing unwanted pregnancy under 'typical use' and 97% effective under 'perfect use' — referencing the standard research terminology for measuring contraception effectiveness (the latter meaning the product is used exactly as instructed every time the woman has sex vs 'typical' use which accounts for some usage slip-ups). What those percentages mean in practice is that under typical use, eight couples out of 100 would be predicted to get pregnant over a year of use of Clue's digital birth control. While — in the perfect use scenario — the failure rate would be three out of 100 over a year's use. (For comparison, Natural Cycles says its product is 93% effective under typical use and 98% effective under perfect use; while — per the Guttmacher Institute 's US study — the pill is 93% effective under typical use and 99% effective under perfect use; and male condoms are 87% effective under typical use vs 98% effective under perfect use.)

<https://techcrunch.com/2021/03/01/clue-gets-fda-clearance-to-launch-a-digital-contraceptive/> The options available to women to manage their fertility cycle have grown significantly over the last 60 years and that has provided women with more control over their lives. Clue's digital birth control offering will not be for everyone but it certainly will help some women who cannot or do not want to use more invasive methods.

Decompressing

URL: <https://avc.com/2021/03/decompressing/>

Date: 2021-03-01T09:24:47

Content:

The last two months have been challenging in NYC. It has been cold, rainy, and snowy. There has not been a lot of sun. And the pandemic has things locked down. I know so many people who have found the last few months very challenging. At the same time, more and more friends and loved ones are getting vaccinated. I hope to be able to do that soon myself. So there is light at the end of the tunnel, but we are still in the tunnel. The other thing about the pandemic is it feels like we work all the time as there is little else to do. On one hand it is comforting to have something to occupy the time. On the other hand, working all of the time is not healthy. The Gotham Gal and I decided to take some mental health time with some of our family and go skiing for a few weeks. I am looking to getting out in the fresh air, sun on my face, wind in my hair, and not working all of the time. Decompressing is important. I am excited to do it and hope that all of you can find some time to do the same while we wait this thing out.

Funding Friday: The NYC Mayoral Race

URL: <https://avc.com/2021/02/funding-friday-the-nyc-mayoral-race/>

Date: 2021-02-26T06:51:13

Content:

In less than four months, the Democratic Primary will effectively choose the next mayor of NYC. For those of us who live here, this will be a very important choice. Though the race is partially funded by NYC through matching of small donations below \$250, the candidates need more funds to get out their message, connect with voters, and help us make the best choice we can. If there are candidates you like and want to support, here are some links to the donation pages of the most popular candidates. The Gotham Gal and I have financially supported most of these campaigns. Andrew Yang Maya Wiley Eric Adams Kathryn Garcia Shaun Donovan Ray McGuire Scott Stringer Dianne Morales If you live in NYC and have the means to support the political process, I encourage you to do so and get behind some of these candidates.

Ten Years And Just Getting Started

URL: <https://avc.com/2021/02/ten-years-and-just-getting-started/>

Date: 2021-02-25T06:34:55

Content:

I remember meeting Zach Sims and his co-founder Ryan Bubinski back in 2011 when they started Codecademy. Zach was still in college and thinking of dropping out to focus on the Company. I just realized this morning that it has been ten years since then. Wow. Time does fly. Like many great companies their idea was simple, but powerful. build the easiest way to learn to code They did that and they have gone on to build a large and profitable business helping anyone learn to code, get a job, and start a career. But it isn't as simple as that. In fact, when you look at the ten-year history of the Company that Zach lays out in this great tweetstorm , you see how hard it is to build something lasting, sustainable, and important. What is more impressive is that when you read this blog post Zach wrote this week you see that he is just getting started. When building long-lasting companies, it helps to have a mission that really matters. This line from Zach's post brings it home for me: Times like these remind us that what we're doing matters: hundreds of thousands of people around the world use Codecademy every single day to learn the skills they need to find jobs, upgrade their careers, and live better lives. The world is changing quickly before our eyes, the job market is changing with it. Our educational institutions are trying to evolve to meet the needs of students and employers but it is hard to turn a battleship around. So companies like Codecademy are filling in the gaps, helping people learn the things they need to learn, and building some incredible businesses along the way. To another ten years!

QR Codes

URL: <https://avc.com/2021/02/qr-codes/>

Date: 2021-02-24T06:30:58

Content:

QR Codes have been with us for as long as there has been a commercial Internet. They were invented in 1994 in Japan for use in the automotive industry. QR stands for “quick response” and a QR code is a barcode that can contain a lot of data and be read very quickly. But QR codes kind of languished over the last twenty-five years, certainly in the US. They seem to be much more popular in Asia. I think that all changed during the pandemic. In an era when stores and restaurants wanted to maintain as much social distance as possible, I saw QR codes popping up everywhere. Most of us are now very proficient scanning a QR code on our phone and getting taken to a web page. I spent some time this morning setting up Nest Protect smoke alarms in our home. The setup process is very slick. You scan the QR code on the back of the smoke alarm and the app does the rest of the work. No more manually typing in MAC addresses or some such thing. Now that we are all much more comfortable with QR codes, we will see them being used for more and more things. They are a very powerful way to quickly transfer information between a physical object and a phone.

Remote Learning

URL: <https://avc.com/2021/02/remote-learning/>

Date: 2021-02-23T07:16:15

Content:

I wrote this in yesterday's post : Remote learning is here to stay. I got a bunch of emails and tweets from parents saying that they want their kids back in school. So do !!!! I think getting kids back in school is the single biggest thing we can do to put the pandemic in the rear view mirror. I should have been more clear about what I meant by that line. I meant that when kids are sick, they can stay home and still learn. I meant that when there is a snow day, kids can stay home and still learn. I meant that when kids have trouble with their homework, maybe there is a way they can log on and get help. I meant that summer school could happen anywhere, maybe even at sleepaway camp. What I meant by "remote learning is here to stay" is that we now understand that learning can move from the classroom to anywhere and back and does not need to be constrained by place and time. That's a huge thing to learn and I think K12 education (and higher education) will benefit enormously from it. But I am all for getting kids back into the classroom as soon as possible.

The Light At The End Of The Tunnel

URL: <https://avc.com/2021/02/the-light-at-the-end-of-the-tunnel/>

Date: 2021-02-22T09:45:03

Content:

In my Jan 1st post talking about what I expected to happen this year , I wrote: I think we will see the end of the Covid Pandemic in the US sometime in the second quarter. I believe the US will work out the challenges we are having getting out of the gate and will be vaccinating at least 40mm people a month in the US in the first quarter. When you add that to the 90mm people in the US that the CDC believes have already been infected , we will have well over 200mm people in the US who have some protection from the virus by the end of March. Seven weeks later, it seems like that is pretty much what is playing out. I have read that about half of the population of the US now has some protection against the Covid 19 virus, either via having had the disease or by being vaccinated at least once. At the current vaccination rate of 1.8mm a day, the number of people who have at least some protection against the Covid 19 virus will be about 70% by the end of March. What that means is the virus will spread less, infecting less people, and less folks in the hospital or worse. I believe that means a gradual re-opening of the economy throughout much of the US in the second quarter with schools, stores, restaurants, and nightlife coming back. I am sure that precautions will continue for much, if not all, of 2021 because nobody wants to take this lightly after what we have all been through. If that is in fact the case, and we don't know for sure that it is, what does that mean for the economy, businesses, tech, and more? I wish I knew. But I have some suspicions. As I have written here quite a few times, I believe that habits that we have formed in the last twelve months will stick with us even when we don't need to use them anymore. I believe work from home has proven to be very effective for some, possibly even a majority, of knowledge workers. E-commerce has delivered (no pun intended) and the gains it has made against in-store retail will not be given back much, if at all. Remote learning is here to stay. So is telehealth. I also believe that the things we have not been able to do in the last year; travel, be tourists, see live music, live theater, live sports, and all of that will be in more demand than ever. As Joni Mitchell said, "you don't know what you got until it is gone." We want all of that back and I think we will embrace being with others experiencing things in the real world with a passion. But where all of this lands is anyone's guess. And there are many businesses whose near-term fortunes depend on how the balance of remote vs in-person lands over the rest of 2021. I also think a re-opening may not be great for the stock market, which was a major beneficiary of the pandemic. The NASDAQ is basically up 100% since March 20, 2020. I wrote a bit about why I think that might be the case last week. I don't know how quickly a re-opening will impact the stock market, but I do think it could. But let's not get negative here. And end to the Covid pandemic and a re-opening of the economy would be about the best thing that could happen to the US and the world and I am becoming more and more optimistic that it will start happening in the second quarter of 2021.

Funding Friday: Fairplay Backdrop

URL: <https://avc.com/2021/02/funding-friday-fairplay-backdrop/>

Date: 2021-02-19T06:15:03

Content:

I saw this project while browsing on Kickstarter this morning. I did not realize that many school and government issued computers have virtual backgrounds disabled. This project is about creating fun and inexpensive physical backdrops for kids who are doing remote learning. I like that idea and I hope you do too. The video is here if you are getting this via email.

Going Off Grid

URL: <https://avc.com/2021/02/going-off-grid/>

Date: 2021-02-18T18:28:21

Content:

It is terrible what is happening to people in Texas and other parts of the country where this super cold snap has caused power outages and freezing cold temperatures in their homes. But it is also a reminder that we need not be reliant on the grid. In fact, we should figure out how to reduce our reliance on the grid when things like this happen. Until recently, that generally meant a generator that is powered by oil or gas. And that is still a good thing to have when the grid becomes unreliable. But there are also new ways of doing this with solar and batteries. A Sonnen Eco battery can store up to 20kWh. A Tesla Powerwall stores 13.5kWh. A fully electrified home, heated and cooled with energy-efficient heat pumps, would consume on average 20kWh per day to heat and cool the home in a moderate climate. Rooftop solar could produce that or more on most days on sunny days. A home that is fully electrified and has rooftop solar could operate off grid many days. Adding a battery means that the home could also operate off grid at night. And when the grid goes down, the combo of solar, battery, and a heat pump could allow a home to stay warm (or cool) for as long as necessary. I have been drawn to this model of resilience and have been working towards it personally for a while now. I think what is happening with the weather out there might be the catalyst for many more to think this way.

Secondary Markets

URL: <https://avc.com/2021/02/secondary-markets/>

Date: 2021-02-17T17:26:28

Content:

Buying something from the creator or issuer is often called the “primary market.” Reselling it to someone else is often called the “secondary market.” I have spent my career in the primary market, buying equity from very young companies and holding it for many years usually until a sale or IPO. That has worked well for me over the years but recently, I have watched a vibrant secondary market develop for private company shares and I think that is a good thing as I believe more liquidity is better than less liquidity in most, maybe all cases. I was reminded of this yesterday when I purchased tickets to a Knicks game against the Warriors next week at Madison Square Garden. As a season ticket holder, I was able to get into a pre-sale to purchase two of the two thousand seats that will be available at that game, the first Knicks game at MSG with fans in almost a year. Those tickets come with some very serious, and appropriate requirements including obtaining a negative Covid PCR test within 72 hours of the game. After discussing the requirements with my son last night, we decided it wasn't for us and I put the tickets on StubHub. Although I probably could have and should have marked them up, I just wanted my money back and the tickets sold in a matter of minutes and I was made whole. I knew I could do a secondary sale when I purchased the tickets and I also knew that as a season ticket holder, I had the ability to buy when others could not, and that I had to move quickly. Knowing that I could resell them took the risk out of moving quickly and I was able to do that with confidence. That's an example of how secondary liquidity reduces risk and increases trust and confidence in a market. Going back to startup equity, I believe that we will continue to see more and more secondary liquidity for startup equity. Our portfolio company Carta has recently launched a market for exactly that called CartaX and I believe it will be an important source of secondary liquidity for founders, employees, and investors in startups. As we de-risk the investments of time and money that everyone is making in these startups, I believe that will draw more talent and more capital to the startup sector. And that is a good thing.

How This Ends

URL: <https://avc.com/2021/02/how-this-ends/>

Date: 2021-02-16T06:13:08

Content:

We are in the middle of one of the great asset bubbles of modern times. It has been brought on by the easy money policies of central banks around the world aimed at weathering the global Covid 19 pandemic. Interest rates are near zero or negative in most developed economies and asset prices have gone way up as a result. When interest rates are zero or negative, the value of future cash flows is huge and that is how you get PE and EBITDA ratios of over 100 and price/revenue multiples approaching 100. The big question is how does this end? I believe it ends when the Covid 19 pandemic is over and the global economy recovers. Those two things won't necessarily happen at the same time. There is a wide range of recovery scenarios and nobody really knows how long it will take the global economy to recover from the pandemic. But at some point, economies will recover, central banks will tighten the money supply, and interest rates will rise. We may see price inflation of consumer goods and labor too, although that is less clear. When economies recover and interest rates rise, the air will come out of the asset price bubbles that have built up and the go go markets will hit the brakes. When will that happen? Your guess is as good as mine. It could be later this year. It could be in a few years. It could take longer. A lot of damage has been done to the global economy and it is unclear how quickly it can recover. A good chart to watch is the one year treasury bill. When the one year treasury yield gets back above 2%, we are leaving the easy money era. We aren't close to that right now.

Funding Friday: Magnetic Pillow Fort

URL: <https://avc.com/2021/02/funding-friday-magnetic-pillow-fort/>

Date: 2021-02-12T05:52:20

Content:

This Kickstarter project is so great. I so loved to build pillow forts when I was a kid. This project takes it next level. I backed it the minute I saw it earlier this week. If you are reading this on email you can watch the video here .

Digital Art

URL: <https://avc.com/2021/02/digital-art/>

Date: 2021-02-11T07:39:36

Content:

My friend Seth is an entrepreneur and an artist. I have two of his paintings hanging in my office in NYC. His latest work is taking photographs of the sunset every day at Venice Beach and then training an AI model to turn it into a 30 second video. The work is published in a MP4 video. Therein lies the challenge. Anyone can copy an MP4 video so how does he make this work unique? He turns it into a “non fungible token” or NFT. I have written about NFTs a lot here at AVC over the years, most recently on how our portfolio company Dapper has used them to invent a new kind of basketball trading card. But NFTs are also a very powerful tool for digital artists to bring scarcity/uniqueness to their work. And we are seeing a fair bit of activity starting to happen in and around digital art and NFTs. Seth minted an NFT of his work and listed it for sale yesterday and then tweeted this out: minted my first art token <https://t.co/SOMrUG0kul>, an ai-generated synthetic video of imaginary waves trained off 1k high rez photos [pic.twitter.com/GtPyA5fLrW](https://t.co/SOMrUG0kul) — seth goldstein (@seth) February 10, 2021 I saw that tweet and placed a bid on it this morning. If you would like to do the same, you can do that here (you will need a Metamask wallet holding Ethereum). There is still some geekiness/wonkiness about digital art NFTs (like needing a Metamask wallet and Ethereum) and I expect that will go away in short order and the experience of buying NFT art will be more like the experience of buying a rare Luka Doncic Holo MXX card on Top Shot which requires none of that. Crypto technology has many uses and is absolutely not limited to speculating on meme coins. In fact, the emergence of real utility (vs speculation) is the single most important thing that needs to happen for crypto to live up to its potential (and current market values). I think NFTs and digital art is likely to be an early example of that utility emerging.

What Problem Are We Trying To Solve?

URL: <https://avc.com/2021/02/what-problem-are-we-trying-to-solve/>

Date: 2021-02-10T11:50:48

Content:

Pro-Publica has an excellent interview with Jeff Kosseff, the author of *The Twenty-Six Words That Created the Internet*, a book about Section 230 of the Communications Decency Act. Those 26 words are: "No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." In the Pro-Publica interview, Jeff makes a fantastic point: I think it's possible to reform Section 230. But there are a few barriers. First, we haven't agreed on what the problem is. There are very different conceptions of what is wrong. Half of Washington thinks that there should be more moderation and that the platforms should be more restrictive. The other half thinks that the platforms need to be less restrictive, and in many cases say they shouldn't do any moderation at all. Also there's this: If you're saying that there should be more moderation and less harmful content, the big problem with that is that we still have the First Amendment. With elected officials all clamoring to enact Section 230 reform, we are in for a mess if we don't start with the problem we are trying to solve. I have not yet heard any elected official or staffer clearly articulate what exactly they want to achieve with Section 230 reform, except to earn political points with people who don't actually understand the issue very well, like the New York Times. This point, again made by Jeff, expresses my personal fears about Section 230 reform: Both sides are to a certain extent under the illusion if you got rid of Section 230, that would magically fix all of their problems. I worry that the compromise is going to be this jumbled-together mess of a bill that does not make any sense. In my view Section 230 is sort of like what Winston Churchill said about democracy: Many forms of Government have been tried, and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed it has been said that democracy is the worst form of Government except for all those other forms that have been tried from time to time.... Section 230 is certainly problematic in many ways. But when you sit down and really think about alternatives, it becomes clear that it is better than any alternatives that have been suggested.

Most Read Blog Posts On AVC

URL: <https://avc.com/2021/02/most-read-blog-posts-on-avc/>

Date: 2021-02-09T06:27:23

Content:

Last month, I wrote about the value of having a list of the most read posts on a blog . I said I wanted to create that for AVC. Well, I am pleased to let you all know that we built it and it is now live on the AVC archives page . It looks like this: I am very happy to see Fake Grimlock's " Minimum Viable Personality " guest post on the list. I stopped having guests posts quite a few years ago now, but no question that was the very best of them. The other one that I am happy to see on the list is " Employee Equity: How Much? " I know that post has helped so many founders think about that topic over the years. This is a dynamic list. It pulls from AVC's Google Analytics account and it will change over time. But some of these posts will stay on it, like the two I mentioned and probably a few others too. I hope you all like this new feature. I think it is quite useful.

Computer Science Is For Everyone

URL: <https://avc.com/2021/02/computer-science-is-for-everyone/>

Date: 2021-02-08T06:18:36

Content:

Many/most of you know that a lot of my philanthropic time and energy is dedicated to making sure that all K12 students, but particularly young women and students of color, have access to a high quality computer science education. When I started this work a decade or more ago, I would regularly run into well-meaning people in the education system who would say something like “oh, that’s not for my students” and it would piss me off and I would try to explain that anyone can learn to tell a machine what to do. Often, it fell on deaf ears. So when my friend Hadi sent me this video that his organization, Code.org, made, it warmed my heart. The whole thing is great, but at 1:42 in, a woman named Amaya completely nails it when she says “Computer science is for everyone, literally everyone. Some people think you have to be a genius to get it, and that is so far from the truth.” Right on, Amaya. Check out the video . It’s great.

Funding Friday: Fresh Start Farm

URL: <https://avc.com/2021/02/funding-friday-fresh-start-farm/>

Date: 2021-02-05T05:24:23

Content:

My friend Joseph and his wife Mikayla have started a dairy farm called Fresh Start Farm. They will be using regenerative grazing techniques. Mikayla writes on her Kickstarter , “Regenerative agriculture refers to farming practices that reverse climate change by sequestering carbon from the atmosphere and improving the water cycle. I plan on dividing the pasture into smaller paddocks that allow me to move the cows in a way that maximizes soil and root recovery. The more the roots can recover and grow deeper underground, the more carbon we can sequester from the air. “ I backed Mikayla's project earlier this week and you can too .

A Nice Zoom Hack - Take Two

URL: <https://avc.com/2021/02/a-nice-zoom-hack-take-two/>

Date: 2021-02-04T07:24:34

Content:

I wrote yesterday about a couple of Zoom tricks I learned last week. Unfortunately, I messed up that post and conflated two different features and confused everyone. So I am going to try this again. If you are tired of looking at yourself on the endless Zoom meetings we are all doing all day long, you can click on the three little blue dots on the upper right of your own "box" in Zoom and select "Hide Self View." Everyone else will continue to see you on their screens, but you will no longer see yourself on your screen. If you want to literally disappear from the Zoom meeting you are in, but still be in it, then you can go into Zoom settings and select "hide non-video participants". Then you can turn your video off and nobody will see your profile hanging out there with video off. I am now using a combination of these two features to reduce Zoom stress in my daily grind. I am sorry for mixing them up in my post yesterday and confusing everyone. Hopefully this fixes that mess up. Update: I still don't have this right. My friend who showed me these tricks wrote me this today: ""Hide non video participants" only works on the screen of the person who checks that box. You can't force yourself to be hidden on other people's screens – only they can check that box. "

A Nice Zoom Hack

URL: <https://avc.com/2021/02/a-nice-zoom-hack/>

Date: 2021-02-03T15:07:19

Content:

After almost a year of being on Zoom all day, I am sick and tired of looking at myself on the screen. But I don't love going off video and then everyone seeing a black box with a profile picture of me. So I learned a new Zoom trick in a board meeting last week. If you check the box in the Zoom video settings called "hide non-video participants", then you can turn your video off and nobody will see your profile hanging out there with video off. When you turn video back on, you will be seen by everyone. It's a bit like muting and unmuting. But for video. I like it.

Learning From Your Mistakes

URL: <https://avc.com/2021/02/learning-from-your-mistakes/>

Date: 2021-02-02T13:58:19

Content:

Show me a successful person and I will show you someone who has made a ton of mistakes. That's how things go. You can't really learn from your successes. You can try to replicate the wins and sometimes you can and sometimes you can't. But mistakes – those are powerful learning moments. I have made my share of mistakes over the years and continue to do so, particularly in new areas where I am not experienced. It's always a bummer when the mistake comes home to roost and you have losses, egg on your face, a problem, a mess, or any and all of that. You feel terrible, you are angry at yourself and possibly angry at those who were involved in the mistake. I think it is best to own it, fix it if possible, and mostly to learn from it and not make that one again. There will always be new mistakes to make. It is best not to repeat the ones you've already made.

Rooftop Solar

URL: <https://avc.com/2021/02/rooftop-solar/>

Date: 2021-02-01T08:11:18

Content:

I've been thinking a lot about the economics of rooftop solar. Our family has invested in rooftop solar over the last five years in an attempt to reduce our carbon footprint and reduce our electric bills. When you do that in combination with electrification of your heating and cooling (using electric heat pumps vs gas or oil), you can save money and live a more sustainable life. We have used SunPower solar panels and inverters and they come with a nice analytics service that shows how much of your electric consumption is being generated with solar power. Here is a chart from our SunPower dashboard that I looked at this morning: You can see that we generate about 2/3 of our energy consumption with solar. I believe that with some additional conservation efforts, we can get to 75%+ solar. The installation cost of the rooftop solar was about \$24,000 after the federal solar tax credit. Had we taken a 30 year self amortizing home equity loan to finance the solar installation, we would be paying \$1900 a year in principal and interest payments at current home equity rates. As you can see, Sunpower estimates that we are saving \$2854 a year with our rooftop solar, so there is quite a nice profit in rooftop solar at current interest rates if you live in medium to high energy cost locations in the US. I think there are a number of good business opportunities in and around rooftop solar. For one, making it drop dead simple for a homeowner to finance, order, and install rooftop solar and start getting paid for doing so feels like a winner to me.

Funding Friday: Make 100

URL: <https://avc.com/2021/01/funding-friday-make-100-4/>

Date: 2021-01-29T09:18:42

Content:

Every January, Kickstarter runs the Make 100 program where creators are encouraged to make 100 of something and crowdfund it on Kickstarter. There are all sorts of great creative projects this year. Check them out . I backed this one this morning

The Revenge Of Retail

URL: <https://avc.com/2021/01/the-revenge-of-retail/>

Date: 2021-01-28T07:22:49

Content:

A number of people have been asking me what I think of the Game Stop situation. This is not really my world. I don't trade stocks, we hold them. I don't use Robinhood, though I have an account thanks to my friend Howard . I don't hang out on Reddit, though I visit it from time to time. So I have not paid enough attention to this one, but it certainly is fascinating. The generational aspect of this is important. Boomer hedgies getting crushed by young folks self-organizing in social media. It feels like a moment where you realize that the power structure has shifted and things won't be the same. The financial system in the US, and in other developed countries, is a rigged system and has been for a very long time. Only big institutions can get into hot IPOs. Only rich people can invest in startups. Many of these rules are designed to protect "widows and orphans" but all they really do is make the rich richer and keep those without money out of the game. Not anymore. Whether it is crypto (Coinbase) or day trading (Robinhood), the retail investor now has the tools to get into the game and win the game. The new startup investing is buying into the Ethereum crowdsale. Had you done that in the summer of 2014, you would be looking at roughly 1,000 times your money right now. And that crowdsale was launched by a team led by a 20 year old. Though the SEC and others would like to impose the same rules on crypto that protect the rich and keep out everyone else, that has not happened and I pray that it won't. The new hedge fund is the Robinhood army self organizing on Reddit. They can move a stock more easily than the largest hedge fund. There will be calls to regulate this "madness." But it is the same madness we have always had. It is just a different crowd in charge. I do worry that this Game Stop short squeeze will end badly and not only the hedge funds will get hurt. Markets can be brutal. But regulating markets to protect the small investor is not the answer. As we can see, the small investor is often a lot smarter than the large investor. What we need to do is stop printing money to stabilize the economy. And start addressing the real economic issues that exist on main street, not wall street. Monetary policy is not the answer. Fiscal policy is. That won't stop more Game Stops from happening. They are a by-product of markets. But it will get the money to where it is needed versus where it is just gameplay.

USV 2021 and USV Climate

URL: <https://avc.com/2021/01/usv-2021-and-usv-climate/>

Date: 2021-01-27T10:05:25

Content:

Last fall, USV raised two new venture capital funds from our loyal and supportive investors. We announced the new climate fund on January 8th and I blogged about it here . While the climate fund is something new and important, we also raised another early stage fund to invest in the same kinds of companies we've been investing in at USV for over 15 years. While it is less newsmaking, it is worth talking about. And so we did that yesterday on the USV blog and I tweeted about it . "we remain committed to our way of practicing venture capital ... Our funds are small. Our focus is thesis-driven. ... We publish our investment memos as blog posts. We are active partners to all the companies we invest in at all times. And our decision making is collaborative" <https://t.co/5piA8qoVqs> — Fred Wilson (@fredwilson) January 26, 2021 So it is more of the same and also something new at USV. We are excited about both.

The + Email Hack

URL: <https://avc.com/2021/01/the-email-hack/>

Date: 2021-01-26T07:05:47

Content:

I found myself using this hack a few times this week and I thought I would share it. I think many/most of you probably know it, but it is so damn useful that it's worth sharing it anyway. If your email is and you want to create a new email address that will get email at , you just put a + and add something. Let's say you want an email address for a netflix account, you enter To netflix, this seems like a different email address but the mail still goes to This is particularly useful for creating multiple accounts with the same service. Many services don't let you use the same email address for multiple accounts. So you just add the + and something you will remember and you get around that issue. This is one of those little things that is super useful and once you know about it, you will find yourself using it quite a bit. Update: The comments to this post on Twitter tell me that this hack is a gmail feature and is not necessarily available on other email services.

Controlling Your Destiny

URL: <https://avc.com/2021/01/controlling-your-destiny/>

Date: 2021-01-25T10:44:55

Content:

I am returning to a theme that I feel quite strongly about. I blog on WordPress using a host that I have selected and can move from at any time. WordPress is open source software and I can download it and run it on my own machines if I want to. I don't. But being able to do that is key. Medium and Substack and Clubhouse and Twitter, etc, etc are fantastic. They make it drop dead simple for anyone to share their thoughts with the world. But they are controlled by someone else. You can get kicked off. And when you get kicked off, you lose all of your followers, all of your content. Gone. I'm not down for that. Nor should you be.

Funding Friday: Hex & Co

URL: <https://avc.com/2021/01/funding-friday-hex-co/>

Date: 2021-01-22T06:28:26

Content:

I am really into the NYC coming back stronger than ever theme and want to support efforts to make that happen. Today, I backed a project on Kickstarter to support NYC's largest "board game cafe" called Hex & Co to move into a larger space a few blocks away. Doing something like this in the midst of lockdowns and social distancing is a bold and optimistic move and I support it wholeheartedly. If you agree, you can support it here .

Trading Cards, NFTs, and Crypto

URL: <https://avc.com/2021/01/trading-cards-nfts-and-crypto/>

Date: 2021-01-21T07:16:58

Content:

I have written about our portfolio company Dapper 's NBA Top Shot game here at AVC a few times now. Think of NBA Top Shot as digital trading cards. It is more than that, but that's a simple way to think about it. I tweeted this out today: I spent 3.33 Bitcoin Cash tokens this morning to buy the 13th issued Tyrese Haliburton rookie moment on NBA Top Shot. <https://t.co/JWFoe9mxe4> ? It will be interesting to see which is worth more in five years. Or ten years. — Fred Wilson (@fredwilson) January 21, 2021 I don't like to sell crypto, but I do like to trade crypto for crypto. I got all of our Ethereum by swapping Bitcoin for it a few years ago, for example. NFTs (non fungible tokens) are a different kind of crypto asset. They are digital assets like art, trading cards, etc that are issued on a blockchain and as a result are rare, unique, and easily traded. NFTs, like Bitcoin and Ethereum, can increase and decrease in value over time. Rookie cards have been traded for as long as there have been physical trading cards. They are a way to speculate on an athlete and their career. This Steph Curry rookie card is listed for \$150,000 on eBay right now. So my purchase of the Tyrese Haliburton moment is a bet that Tyrese is going to have a long and successful NBA career. Hopefully, he will be an all-star someday. That would make my moment increase in value. Will it increase in value more than the 3.33 BCH that I parted with to buy it? Well, that remains to be seen.

Introducing The New CEO

URL: <https://avc.com/2021/01/introducing-the-new-ceo/>

Date: 2021-01-20T05:58:14

Content:

When a CEO has been removed for failed leadership, it is best to have a new CEO waiting in the wings to take over. I have been in the middle of this transition many times and have often been the person announcing the change to the company and introducing the new CEO. I have seen this done well and I have seen this done poorly. That first all-hands meeting is a critical moment for the new CEO. He/she needs to connect with the team, tell them who they are, what they care about, and, most importantly, where they are going to lead the Company. Most of the time the team is shaken up, things are not going well, they are nervous. There may have been layoffs. There may be more layoffs. Calm, confident, assured leadership is what is needed. But it is also critical to show empathy for the team and humanity in the leader. A warm smile and a sense of humor can help a lot. When explaining where they will take the Company, less is more. Companies cannot do that many things at the same time. Failed leadership often results in doing too many things. So a shortlist of things that the Company will do and a longer list of things that it will not do anymore is a great start for a new leader. If there will be more layoffs, it is best to say that right upfront. You must start off by being honest with the team. Anything else will doom you to failure. Getting off on the right foot is so important. If you do it well, the team will rally around you. If you do it poorly, you are done before you even started. The United States is getting a new leader today. I plan to watch his introduction to the country. I wish him well. Good luck President Biden.

Most Read Blog Posts

URL: <https://avc.com/2021/01/most-read-blog-posts/>

Date: 2021-01-19T09:28:25

Content:

On the USV website, we show the most read blog posts by author. Here are mine : I want to do this for AVC too. I will ask my partner Nick who managed the construction of USV.com how he did that and will see if I can get that working on AVC. When you've written 8,800 posts, there are sure to be some duds and some great ones. It would be nice to showcase the great ones.

Six Months Later

URL: <https://avc.com/2021/01/six-months-later/>

Date: 2021-01-18T07:32:18

Content:

In early June, I wrote this post explaining that I and we need to do more to reduce the inequality issues for Black people in tech, venture capital, and startups. I think MLK day is a good time to talk about what has happened since that post. We have identified a number of areas where we must do better: Increase the number of Black founders we back Increase the number of Black team members at USV Increase the number of Black VCs we work with and support Increase the number of Black board members in our portfolio Increase the number of Black leaders in our portfolio Increase the number of Black employees in our portfolio Increase the number of Black engineers in our portfolio Increase the number of Black investors in our funds Increase the number of Black college graduates going into tech, venture capital, and startups Create pathways for Black students to study STEM and find their way into careers in tech, venture capital, and startups We have ongoing projects, workstreams, investments, and efforts in each and every one of these areas and we have made tangible progress in almost all of them. I believe that the inequity issues are so severe and deeply rooted that it will take a concerted effort over a number of years to truly erase them. But we are making progress and if we keep at it, across many dimensions, we can get where we need to go. Roughly 15% of Americans are Black. Until we can look around the room and see at least one Black person for every six in the meeting, we haven't done enough. Today is a good day to remind ourselves of that and recommit to the work that needs to happen.

Funding Friday: FUBNUB & BAD, BAD, TURTLE

URL: <https://avc.com/2021/01/funding-friday-fubnub-bad-bad-turtle/>

Date: 2021-01-15T07:08:21

Content:

Longtime AVC regular Kevin Marshall launched a Kickstarter a week or so ago. He's raising funds to support the launch of two playing card games he created called Fubnub and Bad, Bad, Turtle. I've embedded the video below for web readers. Email readers can click this link and watch it.

Smart Contracts On Bitcoin

URL: <https://avc.com/2021/01/smart-contracts-on-bitcoin/>

Date: 2021-01-14T08:07:51

Content:

While Bitcoin is the gold standard in crypto, Ethereum has been the innovator, bringing new ideas, particularly smart contracts, to the table. Smart contracts allow developers to easily build things on a blockchain and we have seen a proliferation of new things built on the Ethereum blockchain as a result. But what if you could do all of that on Bitcoin? Enter Stacks 2.0 which launches on its mainnet today. USV has been an investor and supporter of the Stacks team since they first got started about five years ago and are large holders of the Stacks token. Stacks makes Bitcoin programmable, enabling decentralized apps and smart contracts that inherit all of Bitcoin's powers. Stacks 2.0 also includes the Clarity smart contract programming language which is a significant improvement on the Solidity language that is used for Ethereum smart contracts. So if you are a crypto developer who likes to try new things, check out Stacks 2.0 on the mainnet. It goes live today.

The Work-Life Balance Revolution

URL: <https://avc.com/2021/01/the-work-life-balance-revolution/>

Date: 2021-01-13T07:27:59

Content:

Yesterday, I had a gap in the middle of the day. So the Gotham Gal and I took an hour-long walk with our dog Ollie. It cleared my head and when I got back to work, I was full of energy and clarity. I've been working exclusively from home since the end of November 2019 when we left NYC to go to LA. It has been a stretch of incredible productivity for me. I am not arguing against going back to the office. As I've said in many posts recently, I can't wait to go back to the office. But I am sure that many of us have had the same experience that I have had working from home during the pandemic. It has its advantages. And in that realization exists the possibility that we are on the cusp on a revolution in how many of us can find work life balance going forward. My friend Tom wrote this post last week suggesting that a husband and wife can now work a total of 50 hours a week between them and have two full-time jobs and raise a family. This part sums up the idea pretty well: Why do I think 25 hours/ week is the equivalent of a 50-hour week (counting commuting)? Given a nine-to five schedule with an hour for lunch, the 40 hour work week was only 35 to begin with. As an ex-CEO, I think that at least ten hours of each workweek go to socialization, surfing the internet, checking with the spouse or checking up on the children, chatting on smartphones etc. (Mary thinks only five). Meetings and travel to meetings waste a huge amount of time and money. One reason that Zooming appears not to have reduced productivity is that many of the meetings weren't productive to begin with. Office space and often parking are expenses to the employer but they are not income to the worker. If office space and all its attendant costs can be drastically reduced, employers can afford to pay more dollars in salary for the same productivity. Commuting expense including perhaps even the second car, daycare, clothing and dry-cleaning bills, and paid before and after school activities whose purpose is to supervise school age kids are all expenses which go away when parents can work from home. Even if the WFH employee has less gross taxable income, he or she will have more cash at the end of each month. <https://blog.tomevslin.com/2021/01/newnormal-the-50-hour-family-work-week.html> Even if Tom is off by a bit with his math, he makes a terrific point. Companies can ask for less of a family's time, pay them more, and get the same amount of work done using the techniques we have perfected during the pandemic. I realize that not all jobs lend themselves to this approach. But maybe more than you think. Take doctors. We used to have to go see doctors in their offices. Now with digital health services like those offered by our portfolio companies Brave and Nurx , the doctors are seeing the patients from their homes (or wherever they are). Teaching is another occupation that presents a lot of opportunity to rethink time and location. Many teachers have been learning how to help their students master new things from their kitchen counters over the last year. I want to say it again. I am not suggesting that we won't be going to offices anymore. I am not saying doctors won't have offices anymore. I am not saying teachers won't be in classrooms anymore. What I am saying is that we can and should be asking how much of our work time needs to be in person, face to face, and how much can be virtual. And I am certain that we will be asking that. In our year-end reviews at USV, we heard again and again from our team that they wanted to ask those questions. They should. Commuting and business travel are not the necessities they were last century. And, naturally, this coming work-life balance revolution presents tremendous opportunities for new products, services, and companies. We have been seeing many of them crop up over the last year and have invested in a few of them. From bad comes good. This pandemic and all of the things that have come with it has been awful. But I believe it will unleash all sorts of new behaviors and businesses that will be for the better. If you squint, you can see them coming.

Mentors

URL: <https://avc.com/2021/01/mentors/>

Date: 2021-01-12T06:37:09

Content:

Look at any successful person; Angela Merkel, LeBron James, Oprah Winfrey, Jeff Bezos, and you will see someone who has benefitted tremendously from one or more mentors in their life. Nobody gets somewhere on their own. Everyone has help. I was reminded of this when I read this touching remembrance that my friend Brad Feld wrote about his mentor Len Fassler yesterday. I first met Brad a few years after Len bought Brad's first company and a few years before Brad and Len went through hell with Interliant. You could see how much Brad was learning from Len, how much he loved Len, and how much Len loved him back. As mentor/mentee relationships go, this was one for the ages. I had two mentors early in my career; Milton Pappas and Bliss McCrum. They hired me as an associate at their venture capital firm, Euclid Partners, when I was 25 years old and between years at Wharton where I was getting an MBA. I worked for them for ten years and learned pretty much everything I know about venture capital from them. Bliss passed away a few years ago. Milton is still with us thankfully. Of course, I learned so much about business from them. But the thing about great mentors is that they don't stop with business. When I told Milton that Joanne and I were getting married, he dropped what he was working on in that moment, called across the street to his high touch travel agent, and we walked over there and he got us going on a first-class honeymoon. That was such a strong move and we learned a lot about traveling in style from that trip. Bliss taught me how to chart stocks (technical analysis). We had no use for charting in the VC business, but that didn't matter to Bliss. He liked to do it and taught me to do it with him. I don't use that skill, but whenever I see a technical stock chart, I think of Bliss. The thing about mentors is you can't really ask someone to mentor you. It kind of happens organically. Someone takes you under their wing. They see something in you and want to bring it out, develop it. That's how the best mentor/mentee relationships happen. And they are so great. I remember the feeling when Milton would ask me to join him for lunch at the University Club. We would walk over there, order lunch, and talk about VC, business, life, and more for a couple hours. I always found a way to say yes when Milton invited me to lunch. So if you are early in your career, look for opportunities to connect with someone a few decades ahead of you to help you figure stuff out. It helps so much. I am so grateful for what Milton and Bliss taught me early in my career.

Twitter and Trump

URL: <https://avc.com/2021/01/twitter-and-trump/>

Date: 2021-01-11T06:15:55

Content:

I heard the news last week that Twitter had permanently banned Trump and thought “oh my.” Sure it is wonderful news that the lies, the hate, the awfulness that is the current President of the United States will no longer be available on Twitter (where I am still a shareholder) and no longer in the White House very soon. But as a very wise person texted me Friday morning: Do you think it is appropriate? Do you think it is problematic that they have this much power? Yes, I think it is problematic that Twitter has this much power. Not only are they silencing Trump, they are taking away his tens of millions of followers, and they are prohibiting all of his followers from seeing his tweets. We should be careful what we wish for. This is a slippery slope we are heading down. It is long past time that we move away from centralized applications to protocols. If Twitter was a protocol, Twitter the app could ban the President from using its application and could block his tweets from being available in its app. But Trump could use another Twitter protocol client and his followers could as well and all of that social graph would still be available to them. That is the way the web works. That is the way email works. That is the way social media should work as well and it is high time we start moving there. This should be a warning sign to everyone in DC; the Senators, the Representatives, the folks leaving the White House and the folks entering it. He who kills the king becomes the king. It is time to force the big centralized apps to open up. It is time to force the mobile app stores to open up. The longer we wait the worse this will get. Update: My partner Albert posted his thoughts on this topic last night and I agree with them. You can read them here .

USV Climate Fund

URL: <https://avc.com/2021/01/usv-climate-fund/>

Date: 2021-01-08T09:21:06

Content:

As I alluded to in a post earlier this week , we have some new things going on at USV. Today my partner Albert talks about one of them on the USV blog . Over the last few months, USV has raised a climate fund. Our thesis for this fund is: The USV Climate Fund invests in companies and projects that provide mitigation for or adaptation to the climate crisis. <https://www.usv.com/writing/2021/01/usv-climate-fund/> We believe that the time is right to invest in companies seeking to mitigate the climate crisis by either reducing carbon emissions or drawing down carbon from the atmosphere. We also believe the time is right to invest in companies providing solutions for adapting to the climate crisis that is already underway and may not be able to be completely mitigated. This is the third strategy we are executing at USV. Each one has a fund associated with it. We have our core early-stage fund that is investing in what we call Thesis 3.0 . We now have our climate fund investing in our climate thesis articulated above. And we have our Opportunity Fund that invests in more mature companies across both theses. And we have one team of generalists that works together to invest all three of these funds. I encourage all of you to go read Albert's post which has a bit more information about what we plan to invest in around the climate thesis and how we intend to do it.

Temper Tantrum

URL: <https://avc.com/2021/01/temper-tantrum/>

Date: 2021-01-07T06:58:08

Content:

What the world witnessed yesterday was a temper tantrum by the President and his people who, two months after losing the election, still cannot accept the results and the loss. These are sore losers. The kind that walk off the field quickly without looking you in the eye and shaking your hand and congratulating you. These are children who cannot control their tempers and want to wail and scream so everyone can hear how upset they are. As sickening as yesterday's tantrum and terror were, I am hopeful that the shame of seeing the halls of our democracy sullied will finally pull reasonable people away from this man and his followers. A friend said to me that we finally hit rock bottom in the US yesterday. If that is true, and I think it may be, then we can start the recovery now. This country needs it badly.

Current Events and Math

URL: <https://avc.com/2021/01/current-events-and-math/>

Date: 2021-01-06T06:41:06

Content:

Watching the election returns last night made me think about all of the math we are learning in the last year. Now that our elections include different kinds of votes that have different demographics associated with them (mail-in votes, early votes, same-day votes), the absolute numbers move all around as the votes are being counted and reported. The networks are doing a pretty good job of trying to explain all of this math to us while it is happening and it is a real teaching/learning moment. The same is true of the Covid pandemic. We are living in the midst of a disease that can expand exponentially. And we can see how lockdowns and other things (vaccines?) can change the viral coefficient of the spread. That is another teaching/learning moment. There is nothing like using real-world examples and experiences to explain things that are not easy to understand. If I was teaching math right now, I would be using these events to teach complicated math concepts to my students. I am not a teacher but my dad was. I will end with a story about him that I got via email last week. His passing has generated a lot of this sort of thing and my family and I appreciate it very much. I recall the first day of class in Vector Mechanics. The bell rang to signal the beginning of class and the section marcher called us to attention. MAJ Wilson did not appear through the door on cue. All heads looked toward the door. Suddenly an arrow (with a suction cup) shot through the door and hit the board at the other end of the room. As it vibrated against the wall MAJ Wilson entered the room with bow in hand and announced, "That gentlemen was a vector." Apparently that toy arrow was from my brother and my toy chest. My dad took it work to use something real to explain something a bit hard to understand. And it worked. So as we all go through our days explaining things to our kids and colleagues, it is good to remember to leverage real world examples we all know and understand. They really work.

How Not To Regulate Innovation

URL: <https://avc.com/2021/01/how-not-to-regulate-innovation/>

Date: 2021-01-05T06:32:53

Content:

The Secretary Of Treasury, in his last month in office, is giving us a textbook case of how not to regulate important technology innovation. The issue is “unhosted wallets” and how regulated exchanges and other “hosted wallets” interact with them. Let’s start with why this is important. Our current financial systems are old, creaky, expensive, and do not serve enough people. According to a 2017 survey by the FDIC, 25 percent of U.S. households are unbanked or underbanked. That is close to 100mm people, mostly black and brown. This is a big deal. This is a piece of the structural inequity that exists in the US and around the world. Technology can, will, and should change this. When a bank account can simply be a wallet on our phone or computer, it should be massively less expensive and much easier for anyone to have one. And when that wallet can connect to any other wallet or bank and send, receive, sell, buy, etc, as easily as a browser can connect to AVC.com, then you have the architecture for an open financial system that is several orders of magnitude less expensive and more available than what we currently have. What I have just described is how blockchains and cryptocurrencies work today. You can download a cryptocurrency wallet onto your phone, you can send some Ethereum to it from your Coinbase account in the cloud (called a “hosted wallet” and/or “exchange”), and then you can send that Ethereum to anyone else using any other crypto wallet. All of this is built upon open protocols in the same way that the web was built on open protocols. It is completely and totally interoperable, like the web or email, unlike our current financial system. The crypto sector is building a new financial system, that requires much fewer “middlemen” taking a piece of the transaction, that anyone can adopt and use by simply downloading some software onto their phone, and that is secured with state of the art technology. But the Treasury Secretary and his advisors are concerned about bad actors using this new open global financial system to do bad things. That is a legitimate concern, but it turns out that only about 2% of transactions that go between regulated exchanges and hosted wallets and unhosted wallets are “illicit” according to Chainalysis . So in late December, the Treasury Department issued a notice of proposed rulemaking seeking to make the rules around sending cryptocurrencies to unhosted wallets much more restrictive than cash. The notice of proposed rulemaking is a long-standing approach to regulating new things. But this notice of rulemaking is not like any other. It was shortened to 15 days from the customary “at least 30 days and often much longer” and it was issued in late December making comments due yesterday. That means that comments were due over two holiday weeks in the midst of a global pandemic. And then the Treasury Department intends to wade through all of those comments and issue a rule before it leaves office in a couple of weeks. That is madness and no way to regulate an issue at the very heart of a new open financial system that is poised to open access and massively reduce the cost of financial services for everyone. One can only come to one conclusion about the Secretary’s intentions here and it is that this was done intentionally to stifle debate and discussion and jam bad regulation through on his way out of the door. USV and many others in the tech sector, venture capital sector, and crypto sector have issued comment letters opposing this rulemaking. Our comment letter is here : I hope the Secretary and his advisors come to their senses and realize that this is no way to regulate important new technology. This would be a terrible legacy to leave office with.

Back To Work

URL: <https://avc.com/2021/01/back-to-work-2/>

Date: 2021-01-04T10:52:19

Content:

It seems that many of us took most of the last two weeks off. I did as well. I paid attention to the things that needed to get done but not to much else. Instead, I spent a lot of time with my family, long walks with our dog, and watched a ton of movies and dove into a couple of books. I also watched a decent amount of NBA basketball, which I am glad to have back. The time off really helped. I kind of knew that I needed it, but actually taking the time revealed how much I needed it. I slept better and feel better. I don't think I did more than two or three video calls for business in the last two weeks. What a blessing that was. Now it is time to get back to email, back to Zoom, and back to work. I am excited to dive into some new things we have going at USV which we will formally announce in the coming weeks but have already been covered by others. There are no secrets in the VC business these days. I am very hopeful that we can get back to meeting in person in the not too distant future. That would be so great. Until then, see you on Zoom.

What Is Going To Happen In 2021

URL: <https://avc.com/2021/01/what-is-going-to-happen-in-2021/>

Date: 2021-01-01T09:54:29

Content:

Hi Everyone. Happy 2021. Today, as is my custom on the first day of the new year, I am going to take a stab at what the year ahead will bring. I find it useful to think about what we are in for. It helps me invest and advise the companies we are invested in. Like our investing, I will get some of these right and some wrong. But having a point of view is very helpful when operating in a world that is full of uncertainty. Let's start with the elephant in the room. The Covid Pandemic will end in the developed world in 2021. I think we will see the end of the Covid Pandemic in the US sometime in the second quarter. I believe the US will work out the challenges we are having getting out of the gate and will be vaccinating at least 40mm people a month in the US in the first quarter. When you add that to the 90mm people in the US that the CDC believes have already been infected, we will have well over 200mm people in the US who have some protection from the virus by the end of March. By the end of the second quarter in the US, anyone who wants to be vaccinated will have been able to do so. All of this will be aided by at least two additional approved vaccines in the US in January and new and improved protocols, like emphasizing the first dose over the second one. The second half of 2021 will be marked by two conflicting trends. First, we will see people returning in droves to offices, restaurants, bars, clubs, gyms, stadiums, concerts, parties, travel, theaters, and anywhere that they can be social with others, ideally many others. I personally cannot wait to do all of that when it is safe to do so. But ironically, this mass socializing trend will not materially and/or permanently change many behaviors we adopted in the Covid Pandemic. I believe that we will continue to want to work from home, exercise from home, shop from home, watch first run movies from home, order in, livestream, and all of the other new behaviors we learned to enjoy and perfect in the last year. Where all of this shakes out will be the big reveal of 2021 and will impact many tech companies and many tech stocks. As I wrote yesterday, I think the trends that were accelerated in 2020 will not reverse in 2021, although the slope of the adoption curves will likely flatten a fair bit. While we are out mass socializing, we will also be picking up the pieces of our world that was shattered by the pandemic. In the US, we have racial equity issues that are longstanding, real and demanding to be addressed. We also have an economy that is in tatters. And we have sectors of our economy like retail, commercial real estate, carbon based energy, and more that will never be the same. The restructuring of our economy and government and corporate balance sheets and income statements that have been blown wide open will take a decade or more to work out. Sitting above all of this is an atmosphere that is getting warmer by the day. As I wrote in last year's looking forward post: The looming climate crisis will be to this century what the two world wars were to the previous one. It will require countries and institutions to re-allocate capital from other endeavors to fight against a warming planet.

<https://avc.com/2020/01/what-will-happen-in-the-2020s/> At USV, we have begun that reallocation of capital and we will be investing heavily in companies and technologies that can help the world address this existential threat. I believe that many of our colleagues in the venture capital world will do the same because not only does the world need this investment, it will generate fantastic returns too. Climate will be to this decade what cloud was to the last one. The twin terrors of the Covid Pandemic and the Climate Crisis will drive the great US migration of the 21st century and we are already experiencing it. We will see it accelerate in 2021. If, because of what we learned in the Covid Pandemic, a good job no longer requires someone to live in a low lying flood-prone city like Miami or NYC or a city that is burning like SF or LA, we will see many people in the US choose to leave those places and adopt new homes that are less impacted by the climate crisis. We call this "adapting to the climate crisis" at USV, and this will be a huge investable trend for many years to come. I believe that governments will respond to all of these economic challenges by continuing to print fiat money without restraint and by taxing and regulating innovative new companies to protect old and dying companies. This will lead investors to continue to allocate capital to new forms of money (crypto) and new ways of creating and financing innovation (decentralized projects and organizations). We are already seeing that happen in the finance sector, with breakout projects in decentralized finance in 2020 like Compound, Yearn, and Uniswap (a USV funded project). We will see this approach accelerate in 2021 and expand into areas beyond the financial sector. The idea of financing and executing innovation inside of a global decentralized autonomous organization is such a powerful idea and one whose time has come. As I go back and re-read this post, I am struck by how obvious and unprovocative all of these predictions are. Either that means that I am not getting far out enough on the curve to see things before everyone else does, or it means that the trends that will define 2021 have been building for years and are finally coming of age. Maybe it is a bit of both. In any case, 2021 will be a year of returning to normal, but it will be a new normal and not like one we have experienced before. Adapting to change is my mantra for 2021. Happy New Year everyone.

What Happened In 2020

URL: <https://avc.com/2020/12/what-happened-in-2020/>

Date: 2020-12-31T07:43:31

Content:

It is my tradition to end the year looking back and start the year looking forward. So today, I will write about 2020 in the context of tech/startups/VC/crypto. While it is inarguably the case that 2020 was a terrible year with a global pandemic, racial strife and ugly politics in the US, and an economic downturn that is impacting exactly the people who have already been hurt the most, it was an inflection point for the tech/startup/VC/crypto sectors and a very significant one. These sectors, which had been growing in their global importance over the last twenty years, all of a sudden have emerged as the most important sectors of the global economy. We are seeing structural declines in the importance of massive sectors like carbon based energy, commercial real estate, retail, and more. And technology based products and services are benefitting from these losses. Some obvious examples: 1/ Zoom and other video conferencing services gain when employers allow/encourage/require their employees to stop coming to offices leased from the commercial real estate sector. 2/ Electric vehicles/batteries/software gain when fewer and fewer consumers are buying gasoline from the carbon energy sector. 3/ Technology based commerce solutions gain when less people venture into stores to buy groceries, clothes, and other consumer products. These changes are not temporary, although the velocity of the changes may be. Technology based services have improved significantly this year, rising to the moment when consumers needed them, and they will continue to improve relative to legacy offerings. And consumers have installed the apps, left their cards on file, and adopted different routines. The genie is out of the bottle. It is not going back in. In USV's year end review process, we asked our team if there was anything about the work model we adopted in the pandemic they want to keep. What we heard was most people want to be in the office two to three days a week, not five. And that makes sense, particularly in a dense urban region where transportation options are crowded and time consuming. One of the big ahas of 2020 was how much time and productivity is wasted on commuting and how much more productive we have all become without it. Financial markets, flush with stimulus money that mostly found its way to brokerage accounts instead of the families that actually needed it, understood these changes quickly and we witnessed extraordinary gains in technology stocks and crypto assets. This was largely a speculative affair, driven by people stuck at home trading stocks and crypto for their own accounts or with other people's money. But here is the thing about speculative frenzies – they are generally directionally correct but off in their order of magnitude. And they finance the trend that they are directionally correct about. It may be the case that Tesla's market capitalization is too high, but that allows Tesla to raise \$10bn without diluting more than a few percentage points. And that \$10bn will go towards accelerating the conversion of the auto industry from carbon-based fuel to renewable energy. And that is a good thing for society. There is no question that crypto is in yet another speculative bubble, but like I said, it is speculative bubbles that allow emerging technologies to go mainstream and finance themselves. Odd as it may seem, a lot more people want to buy Bitcoin at \$28,000 than wanted to buy it at \$5000. That's just how things are. And it is important to understand that. Startups and the investors who finance them benefit from all of this. 2020 was a great year for early-stage companies and venture capitalists. And some profound changes are afoot that will allow startups to flourish even more in the coming years. We now have virtual capital raising so that startups don't need to travel to raise capital. This makes it easier to raise money and makes geography matter much less. And we have remote work becoming mainstream which means startups can be located anywhere and hire from anywhere. Capital and talent are the heart and soul of startups and both are now available to a founder from anywhere. It is hard to understate how transformational and important this change is. So when we look back at 2020 in a few years, we will see that it was the year that everything changed for tech/startups/VC/crypto and set the stage for a decade of transformational change. And god knows that the world needs a lot of that right now. That will be the topic of my post tomorrow.

The Strangest Year Of My Life

URL: <https://avc.com/2020/12/the-strangest-year-of-my-life/>

Date: 2020-12-30T10:44:12

Content:

That's what I decided to call my year-end playlist this year. I am happy to see 2020 move into the rearview mirror. It's been a long, strange, and unsettling year. Thankfully, we had plenty of new and great music to get us through countless hours of hanging out at home. We started the year in LA listening to new records from Tame Impala and Destroyer. When the lockdowns hit, we had the posthumous record from Mac Miller on non-stop as we stayed home and hunkered down. We got to the beach in the summer and enjoyed a mix of hip-hop and indie rock. The fall brought us back to NYC and we were entertained by street musicians playing to the outdoor dining crowds (that is the photo that anchors the playlist below). We had the Fleet Foxes in heavy rotation for much of autumn in NYC. And now it is the end of the year and here is an hour-long playlist that covers our musical highlights of 2020. I left off some of our favorites that are behind the paywall on SoundCloud (like The Eels and Future Islands). But this playlist captures most of our favorites of 2020. For those who read this blog via email, you can [click here](#) to listen .

NBA, NBA Top Shot, and Intangible Market

URL: <https://avc.com/2020/12/nba-nba-top-shot-and-intangible-market/>

Date: 2020-12-28T09:37:15

Content:

The NBA is back in business. Our family watched a ton of basketball over the long weekend including the Knicks huge win over the Bucks last night. It's great to have my favorite sport back in action after a short layoff. Also back in action is NBA Top Shot , the digital trading card game from the NBA and our portfolio company Dapper Labs . New packs will be dropped in the new year featuring all stars, rookies, and more. But you can shop right now in the marketplace and buy cards from other players. The trading opportunities in NBA Top Shot are exciting. I have purchased 11 packs since the game launched, for about \$250 in cash and crypto. I have sold a few cards and now hold 61 "moments" that are estimated to be worth about \$2800 . That estimate comes from a third-party app called Intangible Market that allows crypto collectors to estimate the value of their collections. Intangible Market is an example of why building games and other experiences on crypto blockchains is so exciting. It means that others can build on top of your work and make it even more fun and interesting to use and play. Crypto has a built in business model, tokens, that means that these platforms can be open to everyone to build on and enhance and evolve. That is radically different from the web and mobile ecosystems of the last twenty-five years and why developing on crypto is such an exciting and wide open opportunity right now.

Christmas Presents

URL: <https://avc.com/2020/12/christmas-presents/>

Date: 2020-12-25T07:41:48

Content:

I remember when I was a kid and my parents would put presents under a tree and for weeks we would wait excitedly for the moment when we would get to open them. It was a great tradition that ended when we grew up, moved out, and started families of our own. Our family did the Christmas present thing for a while when our kids were young, but the tradition stopped when we started doing big family trips over the year-end holidays when our kids got old enough to do two-week trips halfway around the world. Those trips were some of the greatest moments for our family and were Christmas presents in and of themselves. We have done a secret santa program here and there over the last decade but for the most part, we don't exchange Christmas presents anymore. Everyone seems pretty fine with that. I certainly don't need another sweater. This year has been the strangest of my lifetime. And yet here we are on Christmas Day and I am counting the presents I have received in the last week. An outpouring of caring from thousands of you who reached out to me in the last few days. A TCO from the NYC DOB on our passive house apartment building we have been making for almost five years. Enough rapid Covid tests to allow our immediate family to safely get together today and celebrate Christmas. And a Zoom with my mom and all of her kids and grandkids and great-grandkids this afternoon. The best presents are not the ones you can wrap in gift paper and put under a tree. The best presents are the intangible things that make us who we are. And I've got a lot of them "under our tree" this year. Merry Christmas Everyone.

Thank You Everyone

URL: <https://avc.com/2020/12/thank-you-everyone/>

Date: 2020-12-24T07:31:00

Content:

I knew that sending an email and tweet to hundreds of thousands of people saying that my father had passed away this week was going to generate a lot of replies. And it did. My inbox, messages, etc are chock full of an outpouring of sympathy and wishes for me and my family and I am so grateful for them. I was talking to my friend Jerry last night and I mentioned to him that I had spent most of the day replying to all of that and had not made much of a dent in it. He said "Just thank everyone in a post tomorrow. You won't have to answer everyone. And then rest up." So I am taking Jerry's advice. Which is always a wise move. I want to thank everyone for reaching out over the past 24 hours. It is quite something to behold. I appreciate it so much. Thank You.

General Robert Maris Wilson

URL: <https://avc.com/2020/12/general-robert-maris-wilson/>

Date: 2020-12-23T10:01:49

Content:

My dad, General Robert Maris Wilson, or Bob as most people called him, passed away on Monday at the age of 92. He had been in failing health for the last few months and moved on peacefully. My dad was a quiet and reserved man. He wrote those words about himself in four pages of biographic information he provided to us for the purpose of writing an obituary. He was a planner. He was never unprepared. Even in the end. His greatest accomplishment was the epic love affair that he carried on with my mom for almost 65 years. They were made for each other. She brought out the social side of him. He provided for her and all of us. You could always count on my dad and we did. This is my mom and my dad at our wedding. My dad was an Army man. He was born into an Army family, raised on Army bases, attended West Point, and spent 33 years of active duty in the Army. He spent the last decade of his Army service at West Point, where he ran the Department of Mechanical Engineering. My dad was also a teacher. A terrific one. I remember sitting in on one of my dad's engineering classes at West Point during my college years. The cadets sat in a square. My dad stood at the front of the room. At the start of class, he told four cadets to "take boards" and they each worked out one of the homework problems in front of the rest of the class and then took turns explaining how they solved the problem. My dad would interject when appropriate. To this day, I have not seen a better method of teaching by doing. He also had a distinguished military career. In the four-page biography he gave us, he dropped this little bit "During the last half of his tour (in Vietnam), he headed a small group of officers assembled at the direction of General Abrams to plan for the initial withdrawal of U.S. forces from Vietnam." That was my dad. When you needed to figure out how to get an Army out of somewhere, he was your man. I love this photo of him retiring at West Point, surrounded by his beloved Corps of Cadets. Standing straight as a rod. His quiet, reserved nature, and his failing hearing, and ultimately failing mind late in life, always made it hard to be close to him. That said, I always knew that he loved me. Losing a loved one during the pandemic is hard. We could not see him at the end. But I was able to visit my parents once during the pandemic, on my mom's 90th birthday. This is the last time I saw my dad and how I will remember him. Maybe it is best that way. I will miss you dad. I love you.

Marketing in 2021

URL: <https://avc.com/2020/12/marketing-in-2021/>

Date: 2020-12-21T12:33:28

Content:

My friends at Zeta Global (a USV portfolio company) put together this report on marketing in 2021 . It clocks in at a 26 pages so here are some highlights: Those ways that artists made money in 2020 to make up for a lack of touring revenue—intimate livestreams, catalog licensing and syncs and expanded merch offerings—will continue after the touring industry returns to normal. Desiree Perez — CEO of Roc Nation After nearly a year of isolation, the floodgates of social life, dating, festivals, and travel will open into a social revolution once vaccines reach the minimum threshold. Jokes about the new roaring 20's will abound on social media, and the moniker will feel earned. Young people, most notably college students and recent graduates, will make up for lost time, checking off — and adding to — their bucket lists with abandon. Lauren Weiniger — Co-Founder and CEO of The SAFE Group Even with the pandemic lingering into the new year, 2021 will be a banner year for the sports industry. Fan engagement and the business of sports have never been stronger, which is NOT the story you'll hear if you simply listen to people talk about decreased TV ratings. That would be the same as evaluating the retail industry by just looking at brick & mortar store sales. Michael Rubin — Founder and Executive Chairman, Fanatics | Partner, Philadelphia 76ers Social Impact and ESG focus and efforts by large companies will increasingly be measured and become reporting metrics for large institutional investors. All public companies will be required to diversify their boards and executive officers. Thomas Davidson — CEO of Everfi We will see the rise of live shopping in the U.S. in 2021. Imran Khan, Co-Founder & CEO, Verishop While the COVID pandemic has wreaked unprecedented devastation in our communities, in the health care arena it has ushered in an era of rapid advancement and deployment of technology, ranging from telemedicine to at-home disease diagnostics to wearable oxygen sensors. Cat Oyler — Vice President and Integration Leader of Momenta Pharmaceuticals There are many more good predictions in there and lots of sound advice on how to evolve a marketing program for the new world we are operating in. You can read the entire thing here .

Funding Friday: On Pause

URL: <https://avc.com/2020/12/funding-friday-on-pause/>

Date: 2020-12-18T06:01:57

Content:

As we get to that time of the year when we look back and take measure of 2020, it will be one for the ages, and not in a good way. I saw this photo book project on Kickstarter today and thought "it would be good to have this book to remember the early spring in NYC." So I backed it. Photos like this really take your breath away, particularly if you've been a NYer for a long time, like we have. Email readers can [click here](#) and watch the video . I've embedded it below for web readers.

Consumer Trends 2021

URL: <https://avc.com/2020/12/consumer-trends-2021/>

Date: 2020-12-17T08:11:06

Content:

Dan Frommer , who many of you likely know from his writing at Recode, Quartz, Business Insider and other places on the web, has teamed up with my friends at Coefficient Capital to create a 120 page report called Consumer Trends 2021. Here's a slide from that report: There is no doubt that 2020 has changed a lot of things for good and consumer behavior is certainly one of them. This report does a good job of outlining what has happened and what the permanent changes are likely to be. You can read the entire report [here](#) .

Electrifying Heating And Cooling

URL: <https://avc.com/2020/12/electrifying-heating-and-cooling/>

Date: 2020-12-16T08:57:12

Content:

It's winter in NYC now and I am reminded of all the apartments the Gotham Gal and I lived in during our 20s and 30s in Manhattan and Brooklyn. The typical heating system was hot water or steam-powered radiators that clanged all night long and had two settings, on and off. Sometimes the handle wouldn't work and you could not turn them off. So we would open the windows to manage the temperature in the apartment. I am certain that much of NYC apartment living still works this way in 2020. Contrast that with an apartment building we just completed in Brooklyn that uses passive house design to keep the apartment warm in the winter and cool in the summer, has super efficient electrical heating and cooling systems in the apartments that are managed by smart thermostats, and all of this is powered by solar arrays on the roof and upper facade. Tenants in our new apartment can program the heating and cooling in the apartment to tune it to their daily needs and can also participate in demand response programs to get compensated for not using electricity when demand is very high. The apartments buildings we lived in during our 20s and 30s typically had oil or gas fired boilers to power the radiators and so when we were heating our apartment and the backyard to via our open window, we were consuming carbon energy and contributing to the climate crisis. This new building we just made could in theory operate entirely off the grid although in practice that won't happen for a host of reasons. We are still living in the past in many parts of NYC and the US and the world even though we can live in the future. It is simply a question of investment dollars. It requires capital to convert a building from the old way to the new way. And many property owners either don't have the capital or don't want to spend the capital. The Green New Deal in NYC is going to change this. Property owners are now required to get their buildings into the modern era or get fined significantly. That will unlock capital to property owners because the returns on converting to electric heating and cooling are going to be even higher when you put the avoidance of fines into the models. This is a good thing and long overdue. It feels great to make a modern clean building and offer it to tenants. And more and more property owners are going to get that feeling over the next decade.

The Rise Of Everywhere

URL: <https://avc.com/2020/12/the-rise-of-everywhere/>

Date: 2020-12-15T06:09:46

Content:

This is a theme I have come back to many times over the last decade but in the wake of all of the headlines about high profile founders, VCs, and companies leaving the bay area, I thought I would return to it. There is no question that the bay area is losing some talent to other markets but I don't think that is anywhere near the most important thing. It is also the case that Google and Apple show no signs of leaving the bay area any time soon. Silicon Valley will remain a mecca for talent and tech for as far into the future as I can see. What is more important is the rise of everywhere. In the most recent Pitchbook 2021 predictions, they project that Silicon Valley will make up less than 20% of all VC deals in 2021. The way that happens is not less funding in Silicon Valley. The way that happens is way more funding everywhere else. In the first decade of USV, the 2000s, we mostly invested in NYC and Silicon Valley. In the second decade of USV, the 2010s, we invested throughout North America and Western Europe. In the third decade of USV, I suspect we will extend our geographic range even further. We already have. If there is one megachange in VC from the pandemic (there may be many), I think it is the comfort with making investments over video without the founder or the VC traveling to meet each other. Related to that is the rising comfort of VCs and founders working closely with each other over video and not traveling to work with each other in person. I am not saying that founders will stop traveling to raise money, although I think that may stick post-pandemic. And I am not saying that VCs will stop traveling to attend board meetings. But I am saying that we will see less of both and the result of that will be a massive increase in the geographic range of where investors can and will invest. If you add to that the rising comfort of companies employing people remotely and the rising number of people in tech living somewhere other than the big tech hubs, we will see a massive increase in the number of founders starting companies in places other than Silicon Valley, NYC, and a few other locations. This is not just happening in the US, this is happening everywhere. So let's stop worrying about Silicon Valley, it will be fine, and start celebrating the rise of tech entrepreneurship everywhere. That is a profound thing for the world and something to be incredibly happy about.

Innovation In Capital Markets

URL: <https://avc.com/2020/12/innovation-in-capital-markets/>

Date: 2020-12-14T07:23:30

Content:

A few years ago, maybe in 2016, we held a discussion of blockchain and crypto technologies at the annual meeting of our limited partners. I recall someone in the audience suggesting that the NYSE and Nasdaq could rebuild their markets on top of these technologies. I replied that I thought it was more likely that new markets built on blockchains and existing for crypto assets would emerge to compete with them. And here we are, with a 24x7 global marketplace for crypto assets that has a market capitalization of over half a trillion and daily volumes in the hundreds of billions. This pales in comparison to the legacy capital markets, but that is always the case with a new entrant on the scene. The legacy capital markets are not sitting still. There is real innovation happening in the IPO process for example. But if you want to see the world we are headed into, I think it is better to look at the crypto markets. They operate day and night, they are global, and anyone can buy, sell, hold, and send these assets as long as they have a crypto wallet and a browser or a phone. You don't have to be wealthy to invest in crypto startups. Anyone can do it. The crypto markets are also innovating in areas like lockups, vesting, and governance. In a traditional IPO, the existing shareholders are typically locked up for 180 days and then the lockups come off entirely. In the crypto markets, we see all sorts of different forms of vesting and lockups being tried. What is emerging are lockups for existing holders that are much longer, but with small amounts of early and regular liquidity. We are also seeing a lot of innovation around governance, with crypto projects working on ways to allow the community of token holders to have real say in the way a crypto project operates. We have seen a number of communities make very significant changes in things like total supply of tokens, inflation rates, and technology roadmaps in recent months. I cannot think of a public company that allows its shareholders that level of impact on their direction. Right now these markets are operating as parallel universes, but I don't think that will be the case forever. It is fairly simple to tokenize equity securities and trade the tokenized version in the crypto markets. That is not really happening just yet, but I expect that it will in the not too distant future. Then we will have the opportunity to see two identical assets trade in the traditional and emerging markets. There will be arbitrage opportunities and more when this happens and the new markets will put pressure on the traditional markets to adapt and change and evolve as fast as they can. That will be hard, if not impossible. The global nature of the crypto markets is also a challenge for regulators, who have stood in the way of innovation and continue to do so. Why, for example, does one have to be wealthy to invest in startups in the US? That's simply a way to keep the wealthy rich and everyone else not rich. If you trade crypto assets and something is not available in the US, you can trade or lend or stake elsewhere. And many/most do that. This allows innovation to happen in crypto even when some jurisdictions, like the US, are slow to embrace and hostile toward innovation in capital markets. So if you want to see the future of capital markets look here , not there . That's where all of the innovation, experimentation, and new stuff is happening.

Funding Friday: Shuggie's Trash Pie

URL: <https://avc.com/2020/12/funding-friday-shuggies-trash-pie/>

Date: 2020-12-11T06:00:04

Content:

I backed this project a few weeks ago and noticed that it is almost to its goal with a week to go. Shuggie's is a restaurant that makes pizza out of food waste. Trash Pie. You got to love that. "Helping the planet can be super tasty." Email readers can watch the video and back the project here . I am embedding the video below for web readers.

Open Up Instead Of Break Up

URL: <https://avc.com/2020/12/open-up-instead-break-up/>

Date: 2020-12-10T05:51:36

Content:

In the wake of the news yesterday that the FTC plus 46 states and a few other locales sued Facebook for being a monopoly, I want to, yet again, argue for a different, more modern, and more powerful regulatory approach to tech monopolies. I first posted this a year and a half ago, and have reposted it at least once since. There have been many calls to break up the large Internet monopolies; Amazon, Google, Facebook, Apple, etc. Breaking up a large monopoly feels like a very 19th/20th century move to me. I would prefer that politicians and policy makers think about opening up as the better intervention. A good way to explain this is to go back to the architecture that Twitter used in its early days when there were many third-party Twitter clients. Imagine if Facebook, Instagram, Twitter, LinkedIn, etc were protocols, not applications, and there were many high-quality clients to participate in these networks. Then the clients could innovate on things like content filtering, promotion of high quality content, business model, etc. If we are going to “break up” these large social media platforms, I would urge elected officials and regulators to think about pushing them to move from platforms to protocols instead of just ripping them apart. We could do the same thing with search. Our portfolio company DuckDuckGo has built a nice search business by building a different user interface on top of one of the two leading search indexes. If we made it easier and reliable for others to innovate on top of the core search engine, then there might be many more options in search. In mobile, a good first step is to open up the app stores and allow the browsers to have the same access to the operating system as native mobile apps. In commerce, if I could checkout as easily everywhere as easily as I can on Amazon, there would be more competition for my shopping dollars. I think you get the idea. It is very true that the big Internet services have built centralized monopolies and have consolidated their market positions. We do need more competition in these core services. And the best way to do that is to force them to open up their services, not break them up.

Michelle Zatlyn on Gotham Gal's Podcast

URL: <https://avc.com/2020/12/michelle-zatlyn-on-gotham-gals-podcast/>

Date: 2020-12-09T06:28:34

Content:

Michelle Zatlyn is the co-founder and COO of our former portfolio and now public company Cloudflare (NYSE: NET). In this conversation she did with the Gotham Gal a few weeks ago, she talks about how she and her co-founder Matthew decided to work on cybersecurity versus many other ideas they had. I love that they had the “would I be proud to work on this?” test. Michelle explained that “making the Internet safer for businesses to operate on” passed that test and that's what got them to start Cloudflare. The conversation is on YouTube and I have embedded it below for those who read on the web.

Rapid Innovation

URL: <https://avc.com/2020/12/rapid-innovation/>

Date: 2020-12-08T07:15:29

Content:

When people ask me why I prefer to invest in software-based innovation vs other important areas like biotech, hardware, energy, etc, I always point to the speed at which software can be built, released, and iterated on. This is a personal comfort thing for me. I am not saying that these other areas are not important. They are. Society needs innovation in areas outside of software. And there are fantastic returns to be had to those who are prepared to take on those risks. But there is something very frustrating about innovation that cannot be released to the market quickly. I was reminded of that yesterday when I read David Wallace-Wells' piece in NY Magazine about the Moderna Covid Vaccine . David writes: By the time the first American death was announced a month later, the vaccine had already been manufactured and shipped to the National Institutes of Health for the beginning of its Phase I clinical trial. This is — as the country and the world are rightly celebrating — the fastest timeline of development in the history of vaccines. It also means that for the entire span of the pandemic in this country, which has already killed more than 250,000 Americans, we had the tools we needed to prevent it .

<https://nymag.com/intelligencer/2020/12/moderna-covid-19-vaccine-design.html> You can't make a vaccine and ship it to the world as soon as you've made it. There are many good reasons for that. But if that were not the case, as David points out, we might have been able to avoid the entire pandemic. We had the technology to end the pandemic before it landed in most of the world. And it makes me wonder if there are lessons from the world of software, where we "move fast and break things", that can be adopted by other areas of innovation. Can we re-imagine how we test medical innovations so that they can come to market and save lives much more quickly? Can we re-architect how the energy markets work so that they can be re-shaped as quickly as software markets are? Can we stitch atoms together more like we stitch bits together so that physical things (buildings, devices, etc) can adapt more quickly? I don't know the answers to those questions. I am just wondering outloud. But I know this, innovating in software is so much easier than innovating elsewhere and it would be better if that were not the case.

Expand E-Rate To Low Income Households

URL: <https://avc.com/2020/12/expand-e-rate-to-low-income-households/>

Date: 2020-12-07T06:08:12

Content:

E-Rate is a program put in place in the 1996 Telecommunications Act to expand Universal Service Fund fees to schools in order to help them upgrade their telecom infrastructure. Telcos charge customers Universal Service Fund fees so that they can provide “universal service”, originally aimed at rural and other locations that were/are not profitable to service otherwise. E-Rate has largely been successful in helping schools move from no internet, to DSL and low bandwidth internet, to cable and fiber over the last twenty years. But now we have the realization that remote, blended, and hybrid learning models, brought on by the pandemic and likely here to stay in some form, require something more. They require that EVERY child needs a reliable high bandwidth connection to the internet from their home. School districts all over the country have been scrambling for the last nine months to raise money from charitable sources so that they can provide hot spots and other ways to get kids internet in their homes so they can attend school. I have participated in a number of these campaigns and they have been heroic in many ways, but it is still not enough. The FCC can do something simple and powerful. They can do it now. They can expand E-Rate to include low income households who need reliable and high bandwidth internet so that their children can attend school. I would like to see them do that asap.

Funding Friday: Looking Glass Holographic Display

URL: <https://avc.com/2020/12/funding-friday-looking-glass-holographic-display/>

Date: 2020-12-04T05:52:25

Content:

I saw this project as I was browsing Kickstarter this morning and I watched the video and thought "I need to get one of those." If you would like to display a favorite photograph in holograph form you can back this project and get one for yourself here .

Digital Dollars

URL: <https://avc.com/2020/12/digital-dollars/>

Date: 2020-12-03T06:03:44

Content:

I have written about stablecoins a bunch here at AVC. I believe cryptocurrencies that are not highly volatile are important for use cases like e-commerce. I explained why here . So we need crypto assets that are price stabilized and one of the best ways to do that is to peg a crypto asset to a fiat currency like the dollar. You do that by fully reserving the asset with dollars. The two most popular digital dollars are USDT (Tether) and USDC . There is almost \$20bn of circulating supply of USDT and just over \$3bn of USDC. There has always been some concern that USDT is not fully reserved. I share that concern. I am more confident that USDC is fully reserved and it is the digital dollar that I hold and use. We got some big news yesterday about USDC which is that the VISA card network is going to “help select Visa credit card issuers start integrating the USDC software into their platforms and send and receive USDC payments.” I think this is going to give more payment networks and financial services platforms the confidence to also integrate USDC. I could imagine USDC having a circulating supply of the current size of Tether by this time next year. We will see. There are concerns for those, like me, who are big fans of digital dollars. A few members of Congress yesterday proposed a bill requiring stablecoin issuers to be banks . I appreciate that our elected officials want to provide for consumer safety and confidence. But forcing all of this innovation into the banking system is the surest way to kill it that I have ever heard of. Maybe that is what they want to do. We cannot allow that. The crypto sector and innovative financial services companies like VISA will need to spend time on the Hill educating our elected officials on what good regulation looks like and what bad regulation looks like. All we seem to be getting out of DC right now is on the bad side. Finally, I should mention that while we are debating the role of digital dollars here in the US, China is rolling out its own digital Yuan. Goldman Sachs estimates that over a billion people will be using the Digital Yuan within a decade . I think that is way too pessimistic. I think everyone who uses fiat currency right now will be using digital/crypto versions of these fiat currencies within a decade. The only question is which ones we will use the most. If we want the Digital Dollar to be in the top two or three, we had better get behind the ones that are out there and support the issuances of new ones too.

Cliff Vesting

URL: <https://avc.com/2020/12/cliff-vesting/>

Date: 2020-12-02T09:16:20

Content:

It is very typical that options and RSUs that are issued to new employees upon joining a company will have “one year cliff vesting.” This means that the first year of vesting into your options or RSUs will not happen until you have completed one entire year. After that vesting usually happens quarterly or monthly. I am a fan of cliff vesting because if either the employee or the company made a mistake and the employment ends quickly, no equity has been spent on it. But there are a couple of caveats that come with cliff vesting that I think should be understood by everyone. The first is that while the letter of the agreement will say that the first year of vesting is not earned until the anniversary of the grant, if employment is terminated by the employer for anything other than cause within a few weeks or even months of the first anniversary, some accommodation should be made for the vesting upon termination. It is hard to put this in writing for a whole host of reasons, but best practice is for the employer to make some adjustment if the termination is close to the cliff vesting date. The second point is that many companies include a cliff vesting provision in retention grants. These are grants that existing employees get to supplement the sign-on grant and help with longer-term retention. I do not believe it is appropriate to put cliff vesting into retention grants. The very fact that an employee is getting a retention grant suggests that the match has been a good one for both the employee and the employer and that the cliff provision is not necessary. Many companies, particularly younger companies without experienced and sophisticated HR organizations, don’t understand these nuances and don’t factor them into their equity compensation programs. That is a mistake and it harms both the employees and the employer because a fair and equitable equity compensation program is of great value to a company.

Giving Tuesday

URL: <https://avc.com/2020/12/giving-tuesday-2/>

Date: 2020-12-01T07:24:03

Content:

I'm not much for the shopping mania that happens on Black Friday and Cyber Monday, but I do like the idea of taking a day at this time of year to give back. Today is that day. This year is a particularly hard year for so many and so giving back, if you can, is even more important. The Giving Tuesday website suggests things like offering help to your neighbors, supporting a virtual classroom, reaching out to the elderly, and many more ideas that don't require a financial donation. If you do want to make a financial gift, there are many places to go online, including our portfolio company GoFundMe . For those of us who have even more to give, I strongly encourage creating a family foundation and making giving back something you institutionalize in your life. Many of us in tech, startups, and venture capital find ourselves with large stock positions with very low cost basis. One of the very best things one can do with highly appreciated stock is to donate it to a family foundation and use those funds to support causes that matter to you and your family. We were encouraged to do that over twenty years ago and we did it and it has been a source of great joy and discovery and learning for us. So no matter what level of giving you are able to do today, I encourage you to do something. It will help others and it will also do some good for you too. We are in a very difficult moment and giving back is a great way to lighten your load just a little bit.

Crypto Wallets Are Not Bank Accounts

URL: <https://avc.com/2020/11/crypto-wallets-are-not-bank-accounts/>

Date: 2020-11-30T06:32:58

Content:

We learned last week that the US Treasury wants to regulate crypto wallets like bank accounts. On the surface, one can understand that temptation. If people store, send, receive, and sell crypto assets in crypto wallets, then surely they should be regulated like bank accounts. Except that is only one use case for a crypto wallet. It happens to be the primary use of crypto wallets right now but it is not likely to be the primary use of crypto wallets in a decade. Regulators need to think of crypto wallets like web browsers. They are software applications that open up access to the decentralized internet and over time they will reduce our reliance on applications like Facebook, Google, Amazon, etc. But only if they are allowed to exist without crushing regulation, like we treated the web browser when it came out in the mid 90s. Brian Armstrong, the founder and CEO of Coinbase, pointed this out in a series of tweets last week and these two are particularly good examples of ways that crypto wallets are used that are not like bank accounts: Many crypto users are sending crypto to smart contracts to use Defi apps. A smart contract is not necessarily owned by any individual or business who could be identified. It is a new type of recipient that doesn't have any direct equivalent in traditional financial services. — Brian Armstrong (@brian_armstrong) November 25, 2020 Many crypto users are using their crypto with new types of applications online. Imagine if every time you wanted to upvote some content on Reddit or transfer an item in a game you were hit with a form asking you to verify a recipient. — Brian Armstrong (@brian_armstrong) November 25, 2020 These are just early use cases for crypto wallets that don't resemble bank accounts. There will be many many more soon if we don't strangle crypto wallets with suffocating regulation. Crypto will eventually lead to a decentralized internet but the first industry it is decentralizing is finance. It reminds me of the web browser that started in media. The issue with decentralizing finance first is that regulators are tempted to regulate crypto like it is just finance and that could not be more wrong. And it will take everything the industry has to push back on this temptation.

We Will Miss You Arnold

URL: <https://avc.com/2020/11/we-will-miss-you-arnold/>

Date: 2020-11-29T06:21:45

Content:

I learned yesterday of the passing of Arnold Waldstein. Arnold was as regular a reader of this blog as there ever was or ever will be. His warmth is what I will remember most. He cared about people. Arnold was a born and bred NYer who went to Silicon Valley and built a career in marketing. He was an early employee at a number of well-known tech companies. Sometime in the 2000s, he relocated back to NYC and found his way to this blog where he became a regular commenter on tech, NYC, and pretty much everything else. I met Arnold a few times and found him to be a lovely human being, everything he was online and more. Online relationships, like the one I (and many AVC readers) had with Arnold, are very real relationships. Though I did not know Arnold well in person, I knew him well. And I will miss him a lot.

Funding Friday: Active Shield

URL: <https://avc.com/2020/11/funding-friday-active-shield/>

Date: 2020-11-27T07:19:30

Content:

I've been biking several times a week in NYC this fall and every mask I've worn has caused me problems with fogging my glasses and making it harder to breath. I've tried a bunch of different masks and nothing works great. So when I saw this project to make something better for working out on Kickstarter, I backed it right away.

Thanksgiving 2020

URL: <https://avc.com/2020/11/thanksgiving-2020/>

Date: 2020-11-26T07:22:52

Content:

As years go, 2020 is not one that generates a lot of gratitude in my mind. Global pandemic, racial struggles, millions without jobs, local merchants closing up, a surreal election here in the US, and that is just what comes to mind in the time it takes me to write this. And yet, I am hopeful and thankful as I sit here thinking about this Thanksgiving that is upon us. I see the light at the end of the tunnel with the pandemic some time next year, I see new leadership in the US that is long on empathy and short on drama, I see proof that science continues to be up to the challenge of solving huge problems for humanity, and I see a resilience in the human spirit on the streets of NYC. We are going to need everything we can get from science and the human spirit because we are facing enormous challenges that will not end with the pandemic. Racial inequity, climate change, ongoing job losses (and gains) being driven by technological change, massive budget deficits in local governments. The list goes on and on. I am an optimist in a business that requires it. I think we can and will rise to meet these challenges and I am thankful that I can play a small role in doing that.

Exposure Notification Express

URL: <https://avc.com/2020/11/exposure-notification-express/>

Date: 2020-11-25T06:36:55

Content:

I have New York State's exposure alerting app on my phone and check it every day. It gives me great statistics about what is going on in my location. You can download it here for iOS and Android . It will also notify me if anyone who is using the app and has been with me gets Covid. I have not gotten any alerts in the month or two since I have had it on my phone. That's great news and I have been healthy and that is good too. But there is an issue with the uptake of this app in NYS. The last numbers I have heard suggest that less than 10% of NYS residents have installed this app on their phones. That compares with closer to 20% and rising in some other states. Part of the reason other states are doing better getting their residents to install an exposure alerting app is they are promoting both their own app (like the NYS app) and also the "native" exposure alerting that became available in iOS 13.7 and soon will be available in Android. This "native" exposure alerting is called Exposure Notification Express and this Lifehacker piece explains how to turn it on in iOS. I like having the full NYS app on my phone. But for those who would rather just flip a switch on their mobile phone, Express is the better option. Because all of these apps and native operating system features run on top of Apple and Google's Exposure Notification system (GAEN), all of these systems are interoperable with each other and you will be alerted if someone using any one of these services who you have been in contact with becomes infected. Fighting this pandemic is hard. But we can make it a bit easier by doing a bunch of simple things, like wearing a mask, social distancing, getting tested regularly, and using an exposure alerting app or service.

Thoughts On Charles Duhigg's New Yorker Piece

URL: <https://avc.com/2020/11/thoughts-on-charles-duhiggs-new-yorker-piece/>

Date: 2020-11-24T06:34:53

Content:

I saw this tweet in my feed yesterday and read the New Yorker piece when I woke up this morning: @fdestin @MacConwell @HarryStebbing any VC 'fairy godfathers of success' viewpoints? "Building a solid business, but the V.C.s wanted fantasy....the hope that one lucky wager would more than offset many bad bets." #startups @fredwilson blog fodder <https://t.co/OossQ5MZjC> — Claudia Lamb (@cloudylamb) November 23, 2020 Here's what I think. There is more truth to that article than anyone in the venture capital industry wants to admit. The idea that capital alone can create a strong company is a flawed idea that the VC industry pursued with a lot of passion for most of the last decade. The flameout of WeWork and the tarnished stories around other "fundraising as a strategy" startups will hopefully put an end to that approach of building companies, but I won't hold my breath until that happens. It is true that we VCs enable the bad behaviors outlined in that piece and we must look a little more carefully at ourselves in the mirror in the morning and, as the Gotham Gal likes to tell me, "get over ourselves." I won't hold my breath until that happens either. All of that said, the vast majority of VC-backed companies are not WeWork. The vast majority of VC-backed companies are innovative, led by good people, and are creating value the old fashioned way, by supplying their customers with high quality products and services. We should not let a few bad apples spoil the whole bunch. Cautionary tales like WeWork and the others outlined by Charles Duhigg are healthy. But they are not the entire story, thankfully.

Knowing What You Are Looking For

URL: <https://avc.com/2020/11/knowning-what-you-are-looking-for-2/>

Date: 2020-11-23T06:35:33

Content:

There are many ways to invest successfully. Public stocks, bonds, private equity, real estate, venture capital, etc. And within each category, there are so many different investment opportunities. In public stocks, there are something like 5,000 listed stocks in the US. In venture capital, there were something like 30,000 companies that raised venture capital in 2019. How do you make sense out of all of that opportunity? I've always been a fan of knowing what you are looking for and ignoring everything else. We call that thesis based investing at USV, but it is actually more than that. We can say that we are looking to back trusted brands that increase access to capital, wellness, and knowledge , and we do. But we do more than that. In each of those sectors, we go deeper and identify specific areas within them that we want to target. We call those "deep dives." We identify areas we want to focus on and areas we don't want to focus on. All of this is a relentless effort to figure out what we are looking for and then go out and find it. It is not a static thing. It is a dynamic thing. A pandemic comes along and rocks our world. Time to revisit the thesis and the deep dives. When the pandemic ends, and it will, we will factor that into our thinking too. In a world with so much opportunity, it pays to ignore the vast majority of it and focus on a tiny bit of it. That may seem counterintuitive, but I am certain that it is the right thing to do.

Funding Friday: Remotely

URL: <https://avc.com/2020/11/funding-friday-remotely/>

Date: 2020-11-20T05:46:50

Content:

I was on a zoom board meeting in early July and one of the board members started whipping out cards instead of interrupting. I captured the moment because I thought it was awesome. Since then, I have wanted my own set of zoom meeting cards, but never took the initiative to make them. So when I saw this Kickstarter project , I backed it immediately and went for the reward (which I rarely do) of the complete set of cards. Email readers should click on this link and watch the video. I think you will want to get some cards too.

Link 230 Protections To Opening Up

URL: <https://avc.com/2020/11/link-230-protections-to-opening-up/>

Date: 2020-11-19T06:43:53

Content:

The latest charade of bringing Jack and Zuck in front of Congress to yell at them reminds me that our elected officials and regulators don't have a plan for how to properly regulate social media. Jack and Zuck probably do have a plan and if they play their cards correctly, they will be able to use regulations to lock in their dominance for many many years to come. That should scare us all. So what would a good plan look like? My partner Albert laid it out plainly and simply in this post a while back and I thought I would recirculate it. Give a Section 230 like protection to companies in return for providing a complete set of enduser APIs . In other words, require Twitter, Facebook, YouTube etc. to be fully programmable in order to have their liability limited.

<https://continuations.com/post/619477235088457728/the-social-media-triangle> It is really simple. Allow third parties to build interfaces on top of these networks if they want to maintain section 230 protection. Those new interfaces will allow massive user choice in terms of algorithms, curation, moderation, and more. We need 21st century forms of regulation for 21st century problems. And we are not seeing much of that from our regulators right now, sadly.

Some Thoughts On The Pandemic

URL: <https://avc.com/2020/11/some-thoughts-on-the-pandemic/>

Date: 2020-11-18T06:27:15

Content:

When I go back and read my Jan 1st post on what would happen in the 2020s , I am reminded how hard it is to predict the future. The Covid Pandemic changed everything in 2020 and likely for years to come. And yet it was not one of my predictions, even though Covid was already spreading in China at the time I wrote it. We are nine months into the pandemic in the US and there is light at the end of the tunnel. We have two vaccines that have reported fantastic results and will soon be approved for emergency use by the FDA. I have heard people who know about such things say that those approvals could come as soon as the end of November. They cannot come soon enough in my view. We have two safe and efficacious vaccines and we should get busy vaccinating people, starting with those in the greatest harms way (health care workers, first responders, essential workers) and then on to the rest of us. I would take either the Pfizer or Moderna vaccine right now if it was offered to me. Vaccines are the way out of the pandemic and we have known that since it started. What is amazing is how quickly safe and effective vaccines have been developed and tested by our pharma/biotech industry. Science to the rescue. We are also in the third wave of virus cases in the US (and around the world) and it appears that the virus is everywhere these days. Our family has locked things down pretty significantly in the last week and we are hunkering down for a rough patch. We figure that we did it in March and April. We can do it again this winter. The other big deal is the availability of rapid and accurate at-home tests. I figured out how to get cheap antigen tests from Asia for our family this summer and we have been testing ourselves regularly. They are not as accurate as PCR tests and they have not been approved by the FDA. But I figured some data that was fairly accurate was better than no data. It has helped our family stay safe and healthy and it upsets me so much that our FDA has not prioritized getting these tests into everyone's hands. There are also more expensive and not exactly rapid (30-60 mins) at home tests that are as accurate as PCR coming out now. This is a post about one of them . When you think you might be infected, a test like this is super helpful to have at home. And yet we have not prioritized these either. Operation Warp Speed to get vaccines into the market quickly was a great success. But the lack of a similar coordinated strategy around mass, rapid, convenient testing was the big miss of the pandemic in the US. We should learn from that. I believe this winter is going to be very hard. But getting through it safely will likely get us into the end game of this pandemic. So keeping things locked down, masking up out of the home, testing yourself and your loved ones, and following the rules seems like the thing to do. It is what we are going to do.

Starting At The Start

URL: <https://avc.com/2020/11/starting-at-the-start/>

Date: 2020-11-17T06:48:30

Content:

A reader emailed me yesterday and I replied: Hi Fred, do you have any suggestion for good primers/book explaining cryptocurrencies a bit better to the inexperienced and uninitiated? i would start at the start

<https://bitcoin.org/bitcoin.pdf> The Bitcoin Whitepaper , originally published in October 2008, is a work of art. Eight pages long and it describes most of what we now know as the crypto sector. If you want to understand crypto, I recommend starting there.

Bitcoin - The Gateway Drug

URL: <https://avc.com/2020/11/bitcoin-the-gateway-drug/>

Date: 2020-11-16T06:52:19

Content:

The first crypto asset most people purchase is Bitcoin. It has the highest market capitalization. It has way more search interest. But Bitcoin is not all there is to the crypto sector. There is about \$160bn of market value in the crypto sector outside of Bitcoin. The “non-Bitcoin” portion of the crypto sector has risen over \$100bn in 2020 and is up 2.7x this year. Bitcoin is up about 2.2x in 2020. What seems to happen is that individuals, and increasingly institutions, purchase Bitcoin to start their crypto portfolios and journeys, but over time they move some of their gains into other assets. According to Coinbase, there are now 24 crypto assets with a market capitalization of greater than \$1bn. I expect that list to expand greatly over this crypto bull run we are in that started this past spring. We are starting to see sectors of the economy decentralize using blockchain technology, starting with the finance sector, naturally. This is a ten to twenty year trend that is just getting started. And owning crypto assets is the way to play that trend. Starting, but not ending, with Bitcoin.

Funding Friday: Lifted

URL: <https://avc.com/2020/11/funding-friday-lifted/>

Date: 2020-11-13T05:59:54

Content:

AVC regular Charlie Crystle told me that his neighbors are doing a fun Kickstarter. So I went and watched the video (here for email readers): The video is only 30 seconds and it sold me instantly. I backed it and I bet you will too if you like to drink beer with friends. It's a beer opener and a game all in one. It reminds me of what our family does with the chicken bone. So much fun.

Educating Electeds

URL: <https://avc.com/2020/11/educating-electeds/>

Date: 2020-11-12T09:24:26

Content:

A number of members of Congress sent a letter to the Office of Comptroller of the Currency (OCC) on Tuesday. I have embedded it below but readers via email may need to click here to read it. Letter to the OCC on Fintec... by CoinDesk These elected officials are correct that way too many people in the US are unbanked or underbanked. They are also correct that community banks and minority owned banks are closing at a rapid rate, which is contributing to these alarming unbanked and underbanked numbers. However, I think that the OCC and, more importantly, the crypto industry, owe these elected officials an education on how crypto can address these important issues and why it is not a distraction from them. In the letter, the members of congress mention "the immediate needs of millions of at-risk individuals who have not yet received an economic stimulus check and/or cannot deposit their funds in a bank." If the United States was developing (as is China), a digital currency stablecoin (a digital dollar), then those millions of at-risk individuals would have been able to receive their economic stimulus funds via any one of the popular mobile apps that support or will soon support digital assets, like Coinbase, Square, PayPal, Robinhood, and many more. It would have been less expensive (by an order of magnitude or more) and much simpler to get funds to these at-risk individuals with blockchain based assets vs outdated technologies like paper checks. I am not taking a swipe at these well-meaning elected officials. I am saying that the crypto sector needs to sit down with them and their staffs, pull out their phones, have them do the same, and send them some money. And then talk about regulations that will accelerate the adoption of these new technologies among the at-risk communities instead of what we have now which are regulations that are holding all of this progress back.

The Star Pupils

URL: <https://avc.com/2020/11/the-star-pupils/>

Date: 2020-11-11T06:51:34

Content:

I was looking at the numbers on an early-stage VC fund that the Gotham Gal and I are invested in. I am not very familiar with the portfolio but this fund was formed in 2012. There are 24 names (investments) in the portfolio and 3 of them have produced 92% of the value in the fund. This is more or less the pattern of every early-stage venture capital fund I have helped to manage and every early-stage venture capital fund I have invested in over the last thirty years. I believe it is a fundamental law of early-stage investing that a small number of investments will produce that vast majority of the returns. But here is the thing. You may get your returns from a small number of names, but you cannot simply focus on them. I liken it to a teacher and a class full of students. There will always be the “star pupils” but the teacher’s job is to serve all of the students. The reward may be to watch the star pupils shine, but the job is not. The job is to serve all of the students equally, or possibly to help the students who are struggling more than the others. That mindset has helped me navigate this challenging issue in the early stage venture capital business. The work is often in one place and the rewards in another.

The Covid Rotation

URL: <https://avc.com/2020/11/the-covid-rotation/>

Date: 2020-11-10T05:56:47

Content:

Yesterday morning we got the news that Pfizer's mRNA Covid vaccine developed in partnership with BioNTech saw 90% efficacy in phase three clinical trials. While this is terrific news, Wall Street saw it as bad news for companies that are doing well during this pandemic (Zoom, Peloton, e-commerce, etc). This is a chart of Jim Cramer's Covid 100 index: Wall Street believes the end of the Covid pandemic is in sight and is rotating out of this group. I see that as terrific news, even though I am a large holder of a name or two in that index. I cannot wait until I can start meeting entrepreneurs again in person. I cannot wait until USV can meet together in person. I cannot wait until I can see live music, movies, theater, etc, etc. These things cannot come soon enough for me. But I also wonder how many of the habits we acquired during this pandemic (which is NOT over yet), will stick when we can go back to doing all of these things we long to do. Here are some questions to ponder: 1/ Will our use of Zoom to meet decline materially when the pandemic is over? 2/ Will we get back on planes and resume our business travel like we did before the pandemic? 3/ Will we go back to the spin studio even though we learned to love a spin class on our Peloton? 4/ Will we rush back to stores and abandon our e-commerce habits? 5/ Will we all go back to the office five days a week? I think the answer is yes to a degree, but almost certainly not totally. We have created new habits in this awful year and they are not going to go away so quickly, or ever. I don't know if that means the Covid 100 index is a buying opportunity or it needs to go down some more. I will leave that to Jim Cramer. I do know that the way we work and live and entertain ourselves has changed materially and forever in this pandemic and things won't be exactly the same when it is over.

Some Good News

URL: <https://avc.com/2020/11/some-good-news/>

Date: 2020-11-09T09:53:46

Content:

There has been a fair bit of good news in the last 48 hours. Here is some more. I logged onto Twitter just now and saw this tweet from my colleague Matt : Starting this week with as many open jobs as we did before the pandemic <https://t.co/5WacYVR2yn> — Matthew Cynamon (@mattcynamon) November 9, 2020 It has taken almost nine months, but our USV portfolio companies have as many open and unfilled jobs this morning as they did prior to the pandemic. That is approximately 1,500 open positions. That's very good news. If you want one of them, go here and check out our job board.

Funding Friday: Shower Power

URL: <https://avc.com/2020/11/funding-friday-shower-power/>

Date: 2020-11-06T06:03:45

Content:

I've always been a fan of music in the shower. So when a long time AVC reader sent me a link to his Kickstarter project, Shower Power , I immediately backed it. If you are into music in the shower like I am, you might want to check it out and support it too.

Early Liquidity vs Holding

URL: <https://avc.com/2020/11/early-liquidity-vs-holding/>

Date: 2020-11-05T16:16:44

Content:

There was a good Twitter discussion of this issue over the weekend between some folks who work in the VC sector. I think it is worth sharing more broadly. Here it is as a Twitter Moment . Early Liquidity vs Holding

Turnout

URL: <https://avc.com/2020/11/turnout/>

Date: 2020-11-04T07:40:56

Content:

Well, we don't know who won the election this morning, but we know that the turnout was the strongest in 120 years at roughly 2/3 of eligible voters. We can thank mail-in votes and early voting for that. Some will take offense at the late counting of mail-in votes and claim fraud. I am not one of them. I believe that massively opening up access to our elections by making voting by mail easy and trusted and by allowing voting to happen for weeks (or months) before election day is a good thing. Regardless of how this election turns out, we can be optimistic about the path we are on to engage more Americans in the voting process.

Vote

URL: <https://avc.com/2020/11/vote-2/>

Date: 2020-11-03T05:34:26

Content:

I am not working today. USV gave everyone the day off. It is Election Day in the US. I believe it should be a national holiday so everyone can have the day off and vote. I can't think of many things more important than participating in the selection of our government. I saw that over 100mm people have already voted in the US. And I've read that another 50mm people are expected to vote today. That would mean that about 60% of eligible voters will have voted in the 2020 Presidential election. I hope the numbers are even higher. High voter turnout is a good thing. It means we are engaging in democracy. So I am going to be in line this morning when my polling place opens. If you live in the US, I hope that you have already voted or plan to vote today. It is important.

Going Direct To Learners With Software

URL: <https://avc.com/2020/11/going-direct-to-learners-with-software/>

Date: 2020-11-02T07:10:09

Content:

I was talking to a group of education entrepreneurs (on Zoom naturally) last week and was advocating for the “direct to learner” approach that defines our education investing strategy at USV. For the most part, we do not like to back companies that sell learning tools to educational institutions. We like to back companies that use software to go directly to learners, wherever they may be. As an example of a powerful model that I like very much, I talked about Scratch, the visual programming environment built at MIT over the last twenty years. Anyone can use Scratch, from anywhere, as long as they have a computing device. And between that talk and today, Scratch published their 2019 Annual Report. Scratch is a non-profit that the Gotham Gal and I have supported over the years. So I read that annual report with interest. Here are some charts from that annual report: Scratch is heavily used in schools all around the world. But it is not sold to schools. It is simply used by schools. It is also used by kids, parents, tutors, and anyone else who wants to help a child learn to instruct a machine to do something fun and rewarding. That’s the power of using software to go direct to learners. You can reach so many learners and teach them so much.

Funding Fridays: Agi's

URL: <https://avc.com/2020/10/funding-fridays-agis/>

Date: 2020-10-30T06:33:23

Content:

This project has a bunch of things that interest/excite me: 1/ Entrepreneurs committing to building new things in NYC during the pandemic 2/ Young chefs going out on their own 3/ Brooklyn 4/ Jelly donuts I backed this project just now and took the jelly donuts reward because how could I resist? The video is great and the project has one more day and is about 10% away from its goal. Check it out. You might like to back it too.

When are we going to know who won the election?

URL: <https://avc.com/2020/10/when-are-we-going-to-know-who-won-the-election/>

Date: 2020-10-29T07:05:19

Content:

Our portfolio company Recount put out this two minute video primer on the question of “when will we know.” I like getting the information I want in a very short period of time. This does that so well. If you’re like us, you’ve had one question on your mind lately: “When are we going to know who won the election?” As usual, @Griffin ’s got your answer. pic.twitter.com/BdpiGj4TcV — The Recount (@therecount) October 27, 2020

The NYC Fintech Innovation Lab

URL: <https://avc.com/2020/10/the-nyc-fintech-innovation-lab/>

Date: 2020-10-28T06:49:54

Content:

The NYC Fintech Innovation Lab is a program which accepts fintech entrepreneurs to develop their businesses with the assistance of senior execs at the leading NYC banks and insurance companies. The key priorities of the CTOs and CIOs of the Lab's partner organizations include: cloud, cyber-tech, data, digital engagement, enterprise IT and sustainability. If you are building a fintech company and are focused on one or more of these areas, you should consider applying. Applications are due on December 1st. You can apply here . The Lab will be hosting a virtual info session for interested applicants on November 10, featuring a panel discussion with alumni and financial institution partners.

The David Prize

URL: <https://avc.com/2020/10/the-david-prize/>

Date: 2020-10-27T06:13:36

Content:

The David Prize is a philanthropic effort to find NYers who are doing amazing things and support them financially. They recently announced five winners, you can see them here . They have an open call for new applicants and you can apply here . The deadline is December 4th. They are eager to support entrepreneurs of all kinds who are working to make a better NYC. If that sounds like you, then you should apply for a David Prize .

Removing The CEO

URL: <https://avc.com/2020/10/removing-the-ceo/>

Date: 2020-10-26T06:23:28

Content:

In almost thirty five years of working on boards, the hardest decisions I have had to make involve removing the CEO. It is an important decision and one that must be made from time to time. I am not a fan of removing the CEO until and unless it is abundantly clear that it must be done. But when the CEO has failed to manage numerous important challenges, when the senior leadership team has been a revolving door, when the CEO has messed up important relationships with customers, employees, and other important stakeholders, when the organization has become toxic as a result of the CEO's abrasive personality, then the choice is abundantly clear and must be made. It is an even harder decision to make when you don't have an obvious replacement, or when you are not 100% confident that the obvious replacement will be an improvement over the current CEO. But those are not reasons to wait. You must act and replace the failed CEO with whomever is the best option in that moment and work with the new CEO to address the challenges facing the company, many a result of the failed CEO's poor leadership. Waiting is never the right answer. Failing to act is never the right answer. You must remove a failing CEO.

Funding Friday: Hidemi Takagi: Stories

URL: <https://avc.com/2020/10/funding-friday-hidemi-takagi-stories/>

Date: 2020-10-23T06:30:13

Content:

I like how Hidemi Takagi set up a free photo studio in her front yard in Bed-Stuy and took photos of her neighbors.

For those on email, you can see the video here . I backed this creative project and a bunch of others this morning on Kickstarter.

Extending And Improving Bluetooth On A Mac Mini

URL: <https://avc.com/2020/10/extending-and-improving-bluetooth-on-a-mac-mini/>

Date: 2020-10-22T06:35:52

Content:

As I have written here a few times, I prefer to do video meetings from a couch (vs a desk). I find it allows me to stay present in the meeting and not get distracted by everything on my desk. I call these couch setups “ Zoom Rooms ” and I have been doing this long before the pandemic but this approach has been incredibly helpful to me during the pandemic. I use a Mac Mini powering two screens and a lot of bluetooth devices; a keyboard, a trackpad, a Jabra speakerphone, gamer style headphones, and a Smart Mic. The multiple audio devices are for different situations. If the Gotham Gal and I are doing a call together, we use the Jabra speakerphone. If I am doing a meeting solo, I tend to use the Smart Mic. If I am doing a presentation, I use gamer style headphones with a great mic on them. Here's the issue. The bluetooth that comes standard in a Mac Mini doesn't like multiple bluetooth devices and the range is just so so. The farther you are from the Mac Mini, the worse this situation gets. I've struggled with this issue quite a bit and I think I have finally found the fix. I got a USB extension cable and this Bluetooth dongle . This approach both extends the Bluetooth into the room better and the third party Bluetooth dongle supports multiple devices better than what comes native on the Mac Mini. It is not drop dead simple to make this fix. You have to muck around with the bluetooth settings on the Mac to make the dongle work. The best approach is to get into Terminal and type in some instructions which is absolutely not user friendly. But it does make Bluetooth work a lot better for me. If you are having similar issues, you might want to try it too.

Offsetting Your Flights

URL: <https://avc.com/2020/10/offsetting-your-flights/>

Date: 2020-10-21T07:28:04

Content:

I realize that most of us are not flying much these days, but I am confident that we will return to flying when the pandemic is over and when we do, we should offset the carbon footprints of our flights. The Gotham Gal and I have been doing this for the last five years. Here are two good ways to do that: Project Wren – this is a USV portfolio company and with their Flight Logger you can log all of your flights and offset them with afforestation programs. Delta Offsets – Delta Airlines offers a service where you can calculate the carbon footprint of your flight and offset it with a number of projects. It is not particularly expensive to offset your flights. A round trip flight from JFK to LAX and back is 0.7 tons of carbon per passenger and you can generally offset for around \$10 a ton. So using that math, it would be \$7 to offset the carbon for your round trip from NYC to LA and back. The harder part is making this a regular occurrence. Some airlines and travel agents will automatically offset if you ask them to. I hope that becomes more common and available as it is the easiest way to do this.

Spreading Jam

URL: <https://avc.com/2020/10/spreading-jam/>

Date: 2020-10-20T09:02:10

Content:

If your job requires you to design, build, and ship software applications and you want a better way to get feedback on the application, the design, etc, then I have a suggestion for you. Try Jam. Or Jam.dev to be specific. Jam allows you to turn your web application into something akin to Google Docs, where your colleagues, customers, beta testers, QA team, etc can comment directly on the application. Jam integrates with existing tools like Jira, GitHub, Slack, Figma, Loom, and others to make the feedback collected on Jam as actionable as possible. Jam was built by Dani Grant and Mohd Irtefa , who met as product managers at our portfolio company Cloudflare. Dani then spent two years at USV helping us spot interesting investments before starting Jam. USV is a seed investor in Jam along with our friends at Version One, Box Group, and Village Global. So if you want a better way to collect feedback on your application, spread some jam on it.

Setting Off On Your Own

URL: <https://avc.com/2020/10/setting-off-on-your-own/>

Date: 2020-10-19T07:11:21

Content:

I read Alex Konrad's profile of Fred Ehram and Matt Huang of Paradigm yesterday and was reminded of my own career. In 1996, after almost a decade at Euclid Partners, I left to start Flatiron Partners with Jerry Colonna . I was 35. Jerry was 33. We had a lot to learn but we did know one thing. We knew that the Internet was upon us and it was going to be big. We had absolutely no clue how big it was going to be. But that did not matter. We got to work investing in Internet companies and we did very well until the bubble and crash. If you read Alex's profile of Fred and Matt, you will learn that they are 32 and 31, and that they believe that crypto will be big. The Gotham Gal and I are investors in Paradigm, so I am biased, but I believe that Fred and Matt are right and that, like Jerry and me, they have no idea how big it will be.

Funding Friday: Westbeth

URL: <https://avc.com/2020/10/funding-friday-westbeth/>

Date: 2020-10-16T06:19:04

Content:

The Gotham Gal and I have lived a block away from Westbeth for almost fifteen years. Westbeth is a treasure. It was Bell Labs for most of the first half of the twentieth century and became an artist community in 1970 about twenty years after Bell Labs left for New Jersey. Earlier this week, I backed a photobook project on Kickstarter to document many of the artists who live there. That project was funded and is over now. The video does a great job of showcasing what Westbeth is and so I am embedding it here on the blog. If you are reading this in email you can go [here](#) and watch the video.

A Failing Grade

URL: <https://avc.com/2020/10/a-failing-grade/>

Date: 2020-10-15T06:41:13

Content:

I wrote yesterday , about the quarterly numbers for VC investing activity: If this was a student coming home with a report card, it would be straight As. Well, I missed something in the data that was subsequently reported on by PitchBook , one of the authors of the report: Venture funding for female founders has hit its lowest quarterly total in three years. Firms invested a total of \$434 million in Q3—the lowest figure since the second quarter of 2017, according to PitchBook data . The third quarter total also amounts to a 48% drop in funding from Q2, when female founders received \$841 million across 132 deals.

<https://pitchbook.com/news/articles/vc-funding-female-founders-drops-low> I hope Q3 is an anomaly and not the reversal of a trend that has mostly been “up and to the right” in recent years. We continue to see, and fund, great woman founders so I am hoping that there is not some fundamental change to the market that is hurting women founders. But it is possible that there is and I missed that in my blog yesterday. I will give myself an F for that. I've seen a few replies on Twitter that suggest the same is true for underrepresented minorities. I have not seen the data to back that up but if it is true, that is also a failing grade for the VC sector. I have been encouraged by what I have seen in the VC/startup sector regarding opening up access to women founders and founders of color. It feels like positive change is happening. But we have to see that in the numbers or it is just talk. And apparently we did not see it in the numbers last quarter.

Venture Funding Trends Intact

URL: <https://avc.com/2020/10/venture-funding-trends-intact/>

Date: 2020-10-14T09:42:42

Content:

The NVCA and Pitch Book are out with their Q3 report on the VC industry and what they report is that the VC industry continues to be very active throughout the pandemic. Deal counts and deal values are stable to up over last year.

The massive expansion of later-stage private capital continues unabated. Valuations continue to rise. And exits have been very robust. If this was a student coming home with a report card, it would be straight As. The startup economy is alive and well during the pandemic.

Numerai Signals

URL: <https://avc.com/2020/10/numerai-signals/>

Date: 2020-10-13T06:52:13

Content:

Our portfolio company Numerai , which operates the crowdsourced Numerai Hedge Fund and is the creator of the Numeraire crypto token introduced their latest effort, Numerai Signals , with this video yesterday:

The De-Carbonization Of The Economy

URL: <https://avc.com/2020/10/the-de-carbonization-of-the-economy/>

Date: 2020-10-12T07:08:13

Content:

Over the last decade, the Gotham Gal and I have moved away from oil and gas in our homes and have installed solar panels for electricity and heat pumps for heating and cooling. It has gotten less expensive to do this swap out as solar and heat pump costs have come down. My partner Albert told me that when you factor in the financing costs of this swap, the average home in the Northeast United States could save \$1000 to \$2000 a year by doing this swap. What this means is that homeowners can and should go to the bank and borrow the money to remove oil and gas powered boilers and replace them with energy efficient heat pumps and put solar on their roofs to power them. They should do this not just because it is good for the climate, but because it is good for the bank account. That's a big deal. I saw this chart in Azeem Azhar's excellent Exponential View newsletter this week: Electricity generation and consumption in the US has stabilized over the last twenty years and the use of coal to generate electricity is plummeting. In another twenty years this chart will have a huge amount of green and almost no red in it. The de-carbonization of the economy is a megatrend that is already underway and is highly investable because the unit economics of renewables and energy efficient electrical equipment is now superior to the unit economics of carbon and mechanical equipment. We can see this in cars (EVs>Gas) and heating/cooling systems and many other aspects of our economy. The narrative somehow has been that addressing the climate crisis is going to hurt our economy. I believe that is plain wrong. I believe it will power a huge economic boom that will look much like the boom that powered the carbon/mechanical/industrial economy from the late 19th century to the late 20th century. So let's get on with it.

Funding Friday: Getting Through The Winter

URL: <https://avc.com/2020/10/funding-friday-getting-through-the-winter/>

Date: 2020-10-09T07:07:26

Content:

I backed Basilica Hudson earlier this week when I saw a friend had backed it in my notifications. Helping a leading upstate arts organization keep going during this pandemic felt like a good thing to do. This morning, I backed a few other similar projects: Dirty Precious: Off Premises Museum Of The Moving Image As it starts getting colder here in NYC, I have a sense that if we can help these institutions get through this winter into the spring, they can make it through the pandemic and be around when we all will desperately want to be packed in a room with other people again. Kickstarter's Lights On category is all about these sorts of projects and I stop by and visit them regularly and back them.

E-Commerce and Retail

URL: <https://avc.com/2020/10/e-commerce-and-retail/>

Date: 2020-10-08T07:00:49

Content:

Most of us have seen some version of this chart that shows how the Covid pandemic has accelerated e-commerce adoption: What is interesting to me is that it has also impacted in person retail experiences. Most restaurants in NYC are not passing out menus anymore. They just have a QR code at the table that you aim your phone camera at and are taken to the menu. At my regular coffee shop in NYC, they now encourage ordering in advance versus standing in line to order your coffee. I took this photo while waiting for my coffee to come out yesterday: The initial download and setup of the Toast Takeout app takes a few minutes. It is not something I would have done in the past. But now that ordering online vs lining up to order is the way that this coffee shop mostly works, I was happy to make that investment of time. And now, that's the way I get my coffee every morning. I don't think I or any other regulars will go back to lining up when the pandemic is over. My point is this. Retail will come back after the pandemic. There are many reasons why we like to go into places and shop and drink and eat with others. I think we will enjoy that experience more than ever once we can do it again. But we will do it differently and more efficiently than we used to do it because we all learned some new tricks during the pandemic. And that is a good thing.

Business Books and Podcasts

URL: <https://avc.com/2020/10/business-books-and-podcasts/>

Date: 2020-10-07T06:11:34

Content:

I'm not a fan of business books. I find that you get most of the value from them in the opening chapter and then it is a lot of repetition from then on. But there are some great concepts that one can glean from business books and I've often wanted to find an efficient way to do that without buying the book and reading one chapter. Podcasts to the rescue. Most business book writers go on a podcast tour in order to promote their book. All you need to do is find your favorite interviewer on the podcast tour and listen to that one. That's generally thirty to forty-five minutes and you will get everything you need from the book and maybe more. As an aside, this is a classic example of the promotional effort cannibalizing the product itself. Fortunately great writers don't need to worry about this. I will always choose to read the words of a great writer over listening to them on a podcast. But there aren't many great writers putting out business books. They write novels or big ambitious works of non-fiction. Which I prefer to read on a Kindle or in print.

AirPod Alternatives?

URL: <https://avc.com/2020/10/airpod-alternatives/>

Date: 2020-10-06T06:00:23

Content:

We have been back in NYC for the last month and enjoying the city very much. One of the many things we love about NYC is that we walk everywhere (or most everywhere). I enjoy walking around NYC by myself and listening to music, podcasts, or talking to friends or colleagues on the phone. But earlier this year, I developed a bad case of Tinnitus . I stopped using the in-ear Airpods and the Tinnitus went away quickly. I am not saying that the Airpods caused the Tinnitus, but they certainly seem to make it worse and so I stopped using them about six months ago. I did not miss them much when I was in my car a lot, but I sure do miss them walking around NYC. So I am in the market for bluetooth headphones that fit over the ear, not in the ear, that are small, light, and good for walking around with. I just can't wear my Bose Quiet Comfort headphones (which I love for the office) out on the streets. So if you have any suggestions for me, I would love to hear them. Please click on the button that says "Discuss On Twitter" and leave them there for me. Or reply to the email if you get this blog post that way. I am all ears ■

Negative Social Proof

URL: <https://avc.com/2020/10/negative-social-proof/>

Date: 2020-10-05T07:09:59

Content:

I explained this last week on a call with some of our investors and I thought it might be useful to explain it more broadly. Most of USV's big wins have been in companies where we were the first institutional VC to talk to the company or where we had way more conviction about the opportunity than other investors at the time of our investment. There was no social proof on these investments other than the fact that nobody else wanted to make the investment as much as we did. You can call it negative social proof. I like to tell the story of when I met Brian Armstrong, the founder of our portfolio company Coinbase in the summer of 2012. Paul Graham had asked me to do office hours at Y Combinator and so I came to their offices and spent four hours meeting sixteen companies in back to back 15 minute pitches. At the end of the four hours, I walked out of the conference room and Paul was waiting for me. He asked "which ones did you like best?" and I replied "I like Coinbase. I think Brian Armstrong is on to something big." He was surprised and said "You are the first VC to say that." And I said "Then its going to be huge. Please make sure we get the call when they want to raise." That's negative social proof. When nobody else likes the deal but you. That's how you win big.

NBA Top Shot Public Launch

URL: <https://avc.com/2020/10/nba-top-shot-public-launch/>

Date: 2020-10-03T08:52:04

Content:

Our portfolio company Dapper took the ropes off NBA Top Shot this past week and it is now open to anyone who wants to play this super fun NBA collectibles game. I wrote about NBA Top Shot in early August and provided access codes to AVC readers who wanted to get in on the beta. So some of you are already playing the game. But now all of you can do so. I just bought a couple of packs this morning in the new and improved UI and scored a Nikola Jokic jumper (over AD) from the western conference finals. I love the Joker so I am going to hold onto this one. This is my pack opening experience from this morning: I will put some of those cards into the marketplace and sell them. But I am holding onto Jayson Tatum and Joker. I already have a few Kyle Lowry cards so I am probably going to put that one into the marketplace. I have a few cards that I am not ever letting go of. This Kawhi #1 (out of 1256) is my prized possession: The #2 of that card is listed for \$10k in the marketplace so I think mine is worth even more: I do have some choice cards listed in the marketplace for sale: So get into the game and pick them up from me ■ Anyway, you all get the idea. NBA Top Shot is a ton of fun and will be a great way for us fans to stay connected to the game during the offseason that seems like it is coming quickly. LeBron and this guy are quite the combination:

Covid Alert NY

URL: <https://avc.com/2020/10/covid-alert-ny/>

Date: 2020-10-02T07:39:34

Content:

I've written a bunch about Exposure Alerting and its potential to limit the spread of Covid by alerting people when they have come in contact with someone contagious. Back in April, Google and Apple came together to create GAEN , a framework for secure and private proximity data sharing on mobile phones. In July, the Linux Foundation open-sourced two code bases that operate on top of GAEN for public health authorities around the world to build mobile apps with. And yesterday, NY State launched Covid Alert NY that was built on those open source code bases. Covid Alert NY was built by the NYS Dept. of Health and Tech:NYC (where I am Chairman), along with Google, Apple, Bloomberg Philanthropies, Goldman Sachs, and a coalition of technology and research partners. Here's how Covid NY works: Phones that have downloaded the app are assigned a random ID that can be exchanged with other phones via Bluetooth technology. Devices that are within six feet of each other for 10 minutes or longer exchange those random IDs. If a person tests positive and reports it on the app, an alert goes out to those with whom they had close contact alerting them of potential exposure. The app also serves as a resource hub of daily case count numbers and informs users of the steps they can take to prevent further virus spread. And it's designed to work by placing privacy first: It uses secure Bluetooth technology, not GPS, that can only detect when two devices are in proximity to each other, not geographic location. It doesn't collect users' data on their location or movement. The random ID assigned to your device changes every 15 minutes, and users are not identified to other users, nor is their personal identifiable information shared — not with other users, Google, Apple, or the NYS Department of Health. I hope that all NYers download Covid Alert NY to their phones and participate in a voluntary network of exposure alerting. This alone will not end the pandemic, but it can slow the spread of the virus by letting people know when they might be contagious and encouraging them to isolate and get tested. Imagine if we had this technology widely deployed back in January and February? I downloaded Covid Alert NY to my phone this morning and am now participating in this voluntary exposure alerting network. You can join me by downloading Covid Alert NY to your phone: App Store (for iPhone) Google Play (for Android)

Sora

URL: <https://avc.com/2020/10/sora/>

Date: 2020-10-01T09:17:13

Content:

My partner Rebecca wrote about our most recent education investment, Sora , on the USV blog today . We have been investing in learning for over a decade at USV and have built a terrific learning portfolio focusing on companies that are providing services direct to the learner (as opposed to selling “ed tech” to institutions). What we had not done, until now, is backed a company providing an alternative learning “institution.” Sora does that. And so I thought it would be worth talking a bit about that. Sora is a high school “built for you.” As Rebecca wrote in the USV blog post about Sora : Through a combination of small social pods, self-directed projects, and student-run organizations, high schoolers shape their academic and extracurricular experience, as well as the governance of the school. Instead of tests and assessments, high schoolers prove what they know by what they can do – code a video game, wire a miniature greenhouse, or produce a paid ad spot for a company. Students are encouraged to lean into subjects that speak to them and build a project portfolio in the disciplines where they’re most excited. and Over time, Sora students hit all of the traditional curriculum milestones essential for high school graduation, in a more tactile, self-directed manner and without exams as a benchmark of their mastery or creativity. Even in these early days, Sora is wrapping up the final stages of accreditation and is part of the Mastery Transcript Consortium , meaning students graduate with a transcript easily understood by colleges if they choose to pursue that path. So if you or your child is/are not having a great high school experience and you want something else, check out Sora . Sora is not free, like your local public high school, but it is very affordable and we hope that it becomes even more affordable over time as it scales into a new, different, and possibly better way for some to go to high school.

Talk:NYC Podcast

URL: <https://avc.com/2020/09/talknyc-podcast/>

Date: 2020-09-30T06:35:20

Content:

I have been saying no to podcast requests and will continue to do so. But when Julie Samuels asked me to be the first guest on the Tech:NYC podcast, called Talk:NYC , I had to say yes. We talked about tech, NYC, the current moment we are living through, and a lot more. It's about 35mins. You can listen here .

<https://soundcloud.com/user-212806065/talknycep01fredwilson>

Tabs

URL: <https://avc.com/2020/09/tabs/>

Date: 2020-09-29T06:35:28

Content:

Our portfolio company Helium started shipping a new product called Tabs last week. Tabs competes with Tile and a bunch of other Bluetooth trackers and smart dog collars. But Tabs uses the Helium network (aka The People's Network) and that makes all of the difference as you can see in this chart: The Helium Network is powered by people like you and me who run Helium hotspots and earn Helium tokens. I wrote about my Helium Hotspot here on AVC last year . Since installing that hotspot, I have earned 8,266 Helium tokens. That is the People's Network in action. You do not need to own and operate a hotspot to use Tab. Anyone can use a Tab on the network. I set up Tab today for my Citibike key fob which I lose all the time. It was as simple as downloading the Tab app on iOS or Android and capturing the QR code on my Tab. Now I will know where my Citibike fob is at all times. Update: this is what my find screen looks like right now

Funding Friday: NextMaker Box

URL: <https://avc.com/2020/09/funding-friday-nextmaker-box/>

Date: 2020-09-25T07:22:43

Content:

Regular readers will know that I am a huge fan and funder of teaching kids to code. I believe helping young people learn to think logically via coding exercises is helpful to their development in so many ways. So when I came across the NextMaker project on Kickstarter , I backed it instantly. NextMaker is a monthly box that comes with a project that your kids can do combining coding with making things. The programming is all block based (visual) so youngsters can do it easily and it is fun for them. I'm embedding the video here on the web, but if you get this via email, click on this link and watch it.

Universal Access and Choice

URL: <https://avc.com/2020/09/universal-access-and-choice/>

Date: 2020-09-24T07:29:37

Content:

Our current investing thesis at USV is about expanding access to knowledge, wellness, and capital. We believe that these are core human needs and that opening up access to them is both good for society and also good business. Our approach to these challenges is centered on lowering the costs of these services and increasing competition to provide them. Often society's answer to providing universal access is to grant a monopoly. Look at cable services in the US. We granted local franchise monopolies in return for a commitment to build out the market and serve everyone. Look at our K12 system in the US. Everyone can go to school for free but you have to go to the school in your town, even if it's much worse than the school in the next town. Look at Medicare in the US. Everyone over 65 can get Medicare. But everyone gets the same coverage even if they have vastly different medical needs. These efforts are all great successes. They have provided needed services to the vast majority of society. But they are monopolies. To see them any other way is wrong. I strongly believe in equity for all humans, but I also believe that choice is incredibly important. It keeps everyone honest. It keeps costs in check. And it is central to ensuring equity for everyone. I started thinking about this during a debate with my kids and their friends this summer about making college education free for everyone. I wondered whether that would just entrench the current ridiculously expensive model of college education in the US. And whether there might be a better way of making sure everyone can access a high quality higher education experience. It is tempting to say "we should standardize on this and agree that we will all pay for it and make it available to everyone." How can you argue with that? And yet we know that approach leads to systems that don't change, don't adapt, cost too much, fail us, and frustrate us. This is the reason I am so drawn to the idea of a universal basic income. I can't honestly understand how we would structure it, how we make it sustainable, and how we actually all agree to do it. But the idea of spending our money ensuring that everyone has the means to access the essential human needs instead of trying to provide these services makes a lot of sense to me. Imagine if we stop providing these services and use all of that money to give people the ability to pay for them.

Priorities

URL: <https://avc.com/2020/09/priorities-2/>

Date: 2020-09-23T07:10:42

Content:

I am in the middle of a week of back to back to back to back all day meetings. Which means I am not responsive on email, which means I am not getting anything done, which means I can't be easily reached. Which means I am stressed. In times like this, I like to remind myself of my priorities. What matters most? For me, I like this line of words which does not include the one I want to use when I feel like this ■ Family, friends, fitness, firm, fires. Family comes first, always. Friends are next. They keep us sane and laughing. I have a number of text chats with friends. Thank god for them on days like I'm having this week. Fitness is next. I make time to ride my bike, do yoga, eat well, meditate, etc. I make time to see my doctors on a regular basis and engage in preventive healthcare. The more stressed I am, the more I do this. Firm is USV. It takes priority over all other business activities. Fires are the things that are burning right now and need my attention. This last one is hard because how do you know what is really a fire and what is posing as one to get your attention? That is something you learn from many years fighting fires. Everything else has to wait on weeks like this. I use weekends to catch up after weeks like this one. That helps. But the thing that helps most is knowing what matters most and focusing on it at the exclusion of everything else.

Stablecoin Adoption Revisited

URL: <https://avc.com/2020/09/stablecoin-adoption-revisited/>

Date: 2020-09-22T06:38:06

Content:

I saw that the SEC and the OCC issued guidance on fiat backed stablecoins yesterday . Better late than never. Because fiat backed stablecoins are seeing significant adoption this year. I wrote a post about stablecoin adoption in June in which I said this: I was perusing the crypto markets today and noticed that Tether, the grandfather of all stablecoins, is approaching a \$10bn market cap, making it the third most valuable crypto asset after Bitcoin and Ethereum. I also noticed that USDC, the US Dollar stablecoin that Circle and our portfolio company Coinbase are behind, is approaching a \$1bn market cap. <https://avc.com/2020/06/stablecoin-adoption/> Well, today those numbers are up by 50% and 150% respectively, as you can see on Coinbase : I heard about a transaction that closed last week in which the buyer sent millions of USDC to the sellers' wallet. Instead of wire instructions, scan a QR code and hit send. This is the future my friends.

Rebuilding NYC

URL: <https://avc.com/2020/09/rebuilding-nyc/>

Date: 2020-09-21T05:47:31

Content:

The Gotham Gal and I spent a good part of Saturday walking around NYC. At one point, we walked through the massive and amazing Chelsea Piers complex and saw this plaque: Think about that. In one four year period, the New York Public Library, Grand Central, the subway, the Queensboro and Manhattan bridges, the fire hydrant system, electrical street lights, firehouses, school buildings, and 51 piers, including the Chelsea Piers, were built. That right there is a recipe to get NYC back on its feet once this pandemic is over. We can and should build our way out of this downturn. There is no shortage of things to build in NYC. We need more housing, particularly affordable lower and middle-income housing. We need more transit. I am a fan of light rail, like the proposed BQX, throughout the outer boroughs. We need fiber to every block in NYC, not just the wealthy neighborhoods. We can build zero carbon buildings out of mass timber and reduce our carbon footprint. These are just a few examples of things we can and should build in NYC. Building can be financed with bonds. Building puts people to work. Building makes our lives better. Let's do it NYC.

Funding Friday: Dear Frontline

URL: <https://avc.com/2020/09/funding-friday-dear-frontline/>

Date: 2020-09-18T06:22:26

Content:

I backed this project today to make large scale public art projects honoring frontline workers . Frontline workers have been and continue to be the heroes of this pandemic. They are out there delivering our packages, stocking our stores, caring for sick people, etc, etc. I really like the idea of honoring them.

Mobile App Stores and Crypto

URL: <https://avc.com/2020/09/mobile-app-stores-and-crypto/>

Date: 2020-09-17T06:03:59

Content:

I have written extensively on this blog over the last decade and a half about the significant negative consequences that the two large mobile operating systems have on distribution of software. I am strongly opposed to the monopolies that Apple and Google have over mobile apps that run on iOS and Android. I am rooting for Epic/Fortnite in their battle with Apple over the 30% tax that Apple charges developers for distribution in their app store. But more than the tax, what bothers me about these monopolies is the innovation tax they impose on the broad tech sector with their terms of service/rules. There is no better place to see that than crypto, the next big wave in computing (after web and mobile). There are a number of reasons that decentralized crypto apps (dapps) have not gone mainstream, but certainly one of them is that the Apple and Google app stores don't allow a number of important features that decentralized apps require. The founder and CEO of our portfolio company Coinbase, Brian Armstrong, explained this well in a tweetstorm last week: He ended with this tweet: Recently Apple announced a way for developers to suggest updates to the App Store policies. Our team is planning to submit a formal request for Apple to allow its users to earn crypto and see a list of decentralized finance apps. We'll keep you updated on what we hear back. — Brian Armstrong (@brian_armstrong) September 11, 2020 Coinbase, Epic, and Spotify are not alone in their struggles with Apple and Google. They are simply large enough and protected enough to go public with their struggles. The truth is every developer that distributes software through these two app stores struggles with them. In what world does it makes sense for two large and powerful companies to completely control software distribution on mobile phones? In no world does it make sense. It must stop.

Circulate Networking Events

URL: <https://avc.com/2020/09/circulate-networking-events/>

Date: 2020-09-15T06:27:16

Content:

My friend and former colleague Charlie O'Donnell created a new kind of networking event for the moment we are in. These are virtual networking events designed to "include diverse perspectives in the innovation community." They are called Circulate . These are curated discussions, meaning you sign up to participate and the right group is selected to attend. These industry-specific events will bring together a who's who of accomplished and influential professionals as well as the most promising and most curious people from underrepresented communities that represent the future of these spaces. <http://www.brooklynbridge.vc/circulate> The next three events are shown here: If you are interested in participating in a Circulate Event, pls sign up here . There are a few remaining spots open for the event Thursday night on Education.

Home Sweet Home

URL: <https://avc.com/2020/09/home-sweet-home/>

Date: 2020-09-14T06:29:02

Content:

We have been back in NYC for about a week after being away for the entire pandemic. We were in LA when the pandemic hit and then spent the summer on the east end of Long Island. Like everyone, we have read the horror stories of NYC being a wasteland of homelessness, crime, shuttered storefronts, filthy streets, and more. These stories occupy the front page of the NY Post every day and cannot be avoided. While we have not ventured into every borough and neighborhood, we have been in downtown Manhattan and North Brooklyn, and what we have found is almost the exact opposite of what is being reported. New Yorkers are out and about, wearing masks, keeping their distance, and enjoying our city very much. Fall is the best season in NYC and New Yorkers are taking advantage of it. My daughter and I biked in Prospect Park yesterday like we do most Sunday mornings and it felt as busy as any Sunday morning in my memory. The Gotham Gal and I have been going out to dinner at our favorite restaurants in lower Manhattan, sitting outside, and enjoying the experience. The walks to and from dinner through lower Manhattan are amazing, the streets are bustling and NYC feels very much alive. It is true that the streets are filthier. It reminds me of NYC in the 80s and 90s when we first fell in love with this place. It is also true that many storefronts are empty, a continuation of something that has been going on in NYC for the last decade and has been accelerated by the pandemic. I am sure there are parts of the city that are not doing so well. I've heard that midtown is empty and facing challenges. I know that the neighborhood around the USV office in Flatiron is not as vibrant as it usually is. And I am sure that there are challenges in the neediest neighborhoods where the pandemic hit hardest and the economy is the most challenging. I am not saying that NYC is doing great. What I am saying is the demise of NYC seems to have been greatly exaggerated by the media and others. The NYC that we are experiencing is showing its resilience and makes me very confident that it will once again get back up from the punch it just took and start swinging again.

Funding Friday: Attack Surface Audiobook

URL: <https://avc.com/2020/09/funding-friday-attack-surface-audiobook/>

Date: 2020-09-11T09:18:46

Content:

The author Cory Doctorow is out with his third book in the Little Brother series. called Attack Surface, and is crowdfunding the audio book to keep it out of the Amazon/Audible ecosystem. I backed the project this week.

My "Zoom Room" Keyboard and Trackpad Setup

URL: <https://avc.com/2020/09/my-zoom-room-keyboard-and-trackpad-setup/>

Date: 2020-09-10T07:31:19

Content:

I've written about the power of having a really great setup for doing long video meetings. I call it my "zoom room" because it rhymes. I use Google Meet and a bunch of other video services regularly in my Zoom Room so it's not so much about the video service I use. One of the challenges of using a computer (in my case a Mac Mini) from a couch vs a desk is the keyboard and pointing device setup. My partner Nick suggested this trick and I use it in the office and at home. I buy an Apple Magic Keyboard and an Apple Magic Trackpad and then I snap them together with this piece of plastic called the MagicBridge. It looks like this: I find this works really well and if you are putting together a similar setup, I highly recommend it.

Bolster Your Management Team And Board

URL: <https://avc.com/2020/09/bolster-your-management-team-and-board/>

Date: 2020-09-09T11:53:23

Content:

I have had the great pleasure of working with Matt Blumberg and the senior leadership team of USV's former portfolio company Return Path (which was sold in 2019) for much of the last twenty years. Matt and many members of his leadership team got the band back together early this year and started a new company called Bolster in partnership with Silicon Valley Bank and the early-stage VC firm High Alpha . A few months later, USV joined that investor group along with our friends at Costanoa . Matt is a great CEO and has even written a book about leading and growing a company called Startup CEO . Their new company Bolster is all about scaling and building a great management team for your startup. The Bolster team believes that scaling a high growth company means that you need to adapt, grow, and supplement your management team continuously along the way. And a big part of doing that is accessing "fractional talent" which means people that don't work for your company full-time and permanently. All of this is outlined in the Bolster Founding Manifesto which explains why they started this company. Fractional talent can be a fantastic independent board member, fractional talent can be a CFO mentor for your VP Finance that you want to grow into a great CFO, fractional talent can be a VP Product that can cover for your VP Product while they are on family leave, fractional talent can be a part time Chief Revenue Officer that you want to "date before you get married", fractional talent can be a part time Head Of Insights that will allow you to understand if you need a full-time Head Of Insights. I could go on and on because there is no end in sight for the various ways a CEO can leverage fractional talent to make their company and their management team better. Bolster came out of stealth and into a beta period today and is opening up its marketplace to companies that want to access fractional talent and to executives who want to work at high growth companies in interim, fractional, advisory, or board roles. Bolster also will allow venture capital firms and startup investors to participate in its platform as super users. If you are any of the above and want to engage with the Bolster network, you can sign up here . The full marketplace will launch soon. We have already introduced Bolster to a bunch of USV portfolio companies and the enthusiasm for this model is really high. I love the idea of USV investing in a company that can help our portfolio companies do things better. We have done that before with Twilio, MongoDB, Carta, Sift, and a host of other companies. It's a double whammy and it pays off in so many ways.

Honoring Labor

URL: <https://avc.com/2020/09/honoring-labor/>

Date: 2020-09-07T06:45:14

Content:

Something that bugs me about our tax code in the US is that we tax labor more than capital. If you make \$100,000 of gains on your purchase of Tesla stock you pay 15% of those gains to the IRS. But if, instead, you earned that \$100k of income as a school teacher, you would pay 22-24% of that income to the IRS (depending on if you are married and filing jointly or single). This tax policy values capital over labor and seems wrong to me. I think it would be better policy to lower the income tax rate and raise the capital gains rate to something like 20% so that all income is taxed equally no matter how it is achieved and so they the net impact on revenues is neutral. It's fine to have a federal holiday called Labor Day to recognize the contributions from working people but an even more powerful gesture would be to stop taxing their work more than your stock market gains.

Funding Friday: Insider Art

URL: <https://avc.com/2020/09/funding-friday-insider-art/>

Date: 2020-09-04T06:58:51

Content:

The comic book community on Kickstarter is so great. This project that I backed today is a great example of the creativity that they express in every project they do.

Some Thoughts On SPACs

URL: <https://avc.com/2020/09/some-thoughts-on-spacs/>

Date: 2020-09-03T07:57:14

Content:

As many of you know, Special Purpose Acquisition Companies (SPACs) are all the rage on wall street right now. SPACs are publicly traded “shell companies” that raise capital in an IPO process and then use that capital to merge with a privately held business. SPACs have been around for at least thirty years and I have always thought of them as a “liquidity path of last resort” for our portfolio companies. The thinking was that if you could not go public in a traditional IPO, and if you could not find a traditional M&A buyer, then you would consider a SPAC. But my thinking on SPACs has changed in this latest SPAC frenzy. I now see them as part of the continued “assault” on the traditional IPO process and largely a good thing. For most of my career as a VC, the IPO has been the holy grail. Our very best portfolio companies would be offered an opportunity to go public by the top investment banks on wall street. And I have been involved in several dozen IPOs in my career. The terms of an IPO are fairly locked down and are largely a great business for the top wall street banks and their buy side clients. I don’t take as much offense to this situation as others in the VC business have. I have viewed it as a mutually beneficial relationship between the top banks, VC firms, and the founders and CEOs who lead our portfolio companies. However, in the last few years, competition has emerged for IPOs. On the left has come direct listings. And on the right, we have SPACs. Now founders and CEOs and Boards have a plethora of options for moving from a privately held business to a publicly held business. Competition and choice is good. That is deeply held belief of mine across all aspects of life and business. And so the deluge of SPAC money coming to market right now is a good thing for the founders and CEOs who lead our portfolio companies. It offers them a wider array of options for going public than they had before. I am certain that will be a good thing for the tech sector and the VC sector. All of that said, I do think SPACs have positives and negatives relative to IPOs and Direct Listings. What is right for your company will depend on the circumstances you find yourself in, including whether or not you need to raise primary capital, whether or not you need a lot of secondary liquidity, whether or not your “story” will be exciting to public market investors right out of the gate, how quickly you need to transact, and a host of other factors. It is also the case that a number of VC firms and growth investors are raising their own SPACs. That too reflects the changing dynamics of the investment business and how fund managers like USV access capital and deploy it. I have always been a traditionalist when it comes to raising capital and deploying it. I like the small VC firm model, a close and long standing relationship with our investors (called LPs), and the rhythm of raising funds and sending the money back again and again. But I appreciate that others don’t see things that way and they may be on to something important with the VC SPAC model. We will see. I like that people are experimenting with the model. It will be revealing to all of us in time.

Mental Healthcare 3.0

URL: <https://avc.com/2020/09/mental-healthcare-3-0/>

Date: 2020-09-02T06:14:15

Content:

My colleague Hanel wrote an important post on USV.com yesterday. It looks at mental healthcare solutions and compares them to what has happened in online learning in the last decade. USV invests in both wellness and learning and we believe that the way learning has evolved can teach us about where healthcare can go. Hanel's post is in keeping with those beliefs. I particularly like this chart which lays out how mental health solutions have evolved over the last decade and where they may go in the next one: If you want to understand that chart better and understand our thinking on where mental healthcare solutions can go, please read Hanel's post .

Better Residential Internet In Manhattan

URL: <https://avc.com/2020/09/better-residential-internet-in-manhattan/>

Date: 2020-09-01T07:37:46

Content:

Our portfolio company Pilot Fiber , which provides the best fiber internet to businesses in NYC, has teamed up with a national telecom provider to offer residential fiber internet in Manhattan. Here's the way they describe it on their landing page : Pilot has teamed up with a no-BS, national telecom company (trust us, you know them) to bring gigabit fiber to apartments, condos, and brownstones across Manhattan. We provide the super fast, reliable infrastructure—they hook residents up with a customer-obsessed home internet experience. If you live in Manhattan and want better fiber internet, go here and leave your name and contact info and get on the list.

Some Email Stats

URL: <https://avc.com/2020/08/some-email-stats/>

Date: 2020-08-31T09:47:48

Content:

I was looking at my Feedblitz dashboard this morning. Feedblitz powers the daily email for this blog. These are all of the emails/blog posts I have done this month: As you can see the open rate hovers between a low of 33% (Ghost Pacer) and a high of 45% (Subscription Agreements). The unsubscribe rate ranges from 0.02% to 0.075% (on my birthday!). I suspect the click data is not instrumented properly because I can't imagine that nobody clicks on any links in the posts. But since I am not trying to generate clicks, I don't really care too much about that. I don't view AVC as an email newsletter. I view it as a blog. But it is both and this data shows that lots of people get it that way and enjoy it. That's great.

Funding Friday: Isolated On The Road

URL: <https://avc.com/2020/08/funding-friday-isolated-on-the-road/>

Date: 2020-08-28T11:08:33

Content:

I backed a bunch of projects this morning on Kickstarter and this one really stuck with me. I like supporting young creators who are putting their work out there and seeking funding for it. And I also like the idea of documenting this pandemic in photos so we can remember it when its in the rear view mirror.

I'm No Good At Numbers

URL: <https://avc.com/2020/08/im-no-good-at-numbers/>

Date: 2020-08-27T06:40:34

Content:

In the final presentation session of our Summer Bridge internship program yesterday, an impressive young man told us that he had stayed away from a career in business because he “was not good at numbers.” I stopped him and suggested that maybe he is good at numbers but only numbers that interest him. He pondered that for a minute and agreed that when numbers matter to him, he’s interested in them. That’s how everyone is in my experience. If things get too abstract or too fuzzy, people tune out and then convince themselves they aren’t any good at the subject. Of course some people are better at numbers than others. I’ve always had a feel for numbers. But I can’t sing. So everyone has their strengths and weaknesses. But I reject the idea that some people are not good at math. I think if you make math interesting and relevant to them, everyone can and will do math.

The Trifecta

URL: <https://avc.com/2020/08/the-trifecta/>

Date: 2020-08-26T06:54:19

Content:

A trifecta in horse racing is when you accurately predict win place and show. It is when you get three bets correct. We've had the opposite happen in 2020. We've had three things go wrong at the same time. As my friend David Steinberg said to me last month, we are witnessing 1918 (pandemic) plus 1929 (economic crisis) plus 1968 (racial crisis) all at the same time. Of course they are related. The economic crisis was brought on by the pandemic. And the racial crisis has been made worse by both. At some point, the pandemic will ease. I am hopeful that behavior change (mask wearing, social distancing, self quarantining, etc) combined with rapid and inexpensive testing will help contain the spread of the disease while we wait for the therapies and vaccines which will eventually eradicate it. But when the pandemic is over, we will still have the economic and racial crises to reckon with. And reckon with them we must. The financial markets suggest that the reckoning will be easy and painless. I'm less sure of that. As I wrote about a few days ago, our public sector budgets have massive holes in them. The inequities that have come to the fore in the racial crisis cannot be swept under a rug. I believe we are in for a lot of change and a lot of pain in the wake of this trifecta and there is no escaping it. I also believe, as I wrote last week, that this painful period of change can lead us to a better place. But that will take time, energy, and capital to achieve and it won't come easy.

Pay and Precedent

URL: <https://avc.com/2020/08/pay-and-precedent/>

Date: 2020-08-25T07:01:12

Content:

We are finally in an era where an equal role comes with equal pay. This is a very good thing but it comes with some hard lessons. One of them is about pay and precedent. You cannot make a hire and a compensation commitment without thinking very deeply about the precedent you are setting. Let's say your company is now fifty people and you can see that you will need to be a hundred and fifty people in a couple years. You decide it's time to build a proper senior leadership team. And you want to start with a CTO. That first "C level" hire will set a precedent for what you should be prepared to pay (in cash and in equity) for all of your C level hires. You do not have to pay every C level executive the exact same amount but they need to be in a band and I would argue that they need to be in a tight band. And there needs to be a strong rationale for the compensation for each role. Let's say you are bringing on your first independent director and that person is so great and you want to give them a very generous equity grant. You can do that but you should know that you are setting a precedent for what the next independent director will get. Let's say you want to bring on a mentor and advisor for your VP Finance to help her "level up" to a CFO. That advisor will want and should get some equity compensation. What you do for that advisor will set a precedent for all other advisors you bring on. Many times I hear founders say "this is good enough for now and we can fix it later." But fixing compensation issues later can be very hard and sometimes impossible, particularly if your company significantly increases in value between the problem you want to fix and when you need to fix it. These are some of the most painful errors you can make in a startup. It is very important to be thoughtful, diligent, and precise in your compensation decisions and approach and you have to start early in a company's life. Getting a strong and experienced head of people onboard early on will help you avoid these issues. And trust me, you want to avoid them.

Some Thoughts On New Tax Revenues

URL: <https://avc.com/2020/08/some-thoughts-on-new-tax-revenues/>

Date: 2020-08-24T06:48:59

Content:

Federal, State, and Local governments are facing massive budget gaps and will need to close them with a mix of cost reductions and new revenues. While this is always hard and has a real toll on people who might lose their jobs or have to pay more in taxes, it is also an opportunity to do things that have been hard to do until now. Here are some ideas on the revenue side: 1/ Legalize the cannabis industry and tax it. This has already been done successfully in some states. It is time for it to happen in all states and for the Federal Government to legalize cannabis as well. 2/ Legalize the online betting industry and tax it. This is another thing that has been done successfully in a few states but needs to be done in every state. 3/ Tax carbon. We have a full on carbon crisis and we are not changing our behavior in reaction to it quickly enough. Taxing carbon will not only accelerate the behavior change we need to address the climate crisis, it will also raise a lot of revenue. 4/ Tax unrealized gains that are financed/monetized. There have been calls in state governments to tax unrealized gains. While that idea is unworkable because many people will not have the money to pay for a tax on the appreciation of their home or some other asset, there is a wrinkle on this idea that I like. We can tax the unrealized gain if it is financed or monetized. This happens all the time in real estate and also with stock gains. If those unrealized gains are captured via a loan or some other instrument, they can be taxed like realized gains. This will also have the benefit of reducing the rampant speculation in real estate that has been making real estate so unaffordable for so many. I am sure there are arguments against all of these ideas, starting with those who are against taxes of all kinds. And we cannot tax ourselves out of these budget messes we are in. We will need to cut costs as well. But a time of crisis is also a time of opportunity. We should get creative and do new things that have not been possible until now. We need to be open to new ideas like these and others and not just keep doing what we've been doing which is not working so well right now.

Funding Friday: Crownes Chess Set

URL: <https://avc.com/2020/08/funding-friday-crownes-chess-set/>

Date: 2020-08-21T07:16:32

Content:

Let's say you are going camping and want to bring a chess set. This cool chess set and board would be ideal. Chess is a great game and this is a great way to play it. I backed it when i saw it this morning.

59

URL: <https://avc.com/2020/08/59/>

Date: 2020-08-20T07:03:14

Content:

It's my 59th birthday today. 59 is a nice number. It's a prime number. I kicked off the day by getting a cup of coffee and sitting on the beach and reflecting on things. I am taking the day off from work and plan to spend the day with our family.

Sunpower Dashboard

URL: <https://avc.com/2020/08/sunpower-dashboard/>

Date: 2020-08-19T06:23:39

Content:

We use Sunpower solar panels and inverters and they have this cool dashboard that shows us a number of interesting things. This is the percentage of power we are drawing from our solar panels vs the grid since May 1st: This is how much power we are consuming on a given day and how much we are producing via Solar: We want the green bars to be higher than the blue bars. It's hardest to achieve that in the summer months when the temps are high and AC is on. I love having an all electric house that is powered by solar panels. I want to get to the point where we don't need any power from the grid. We aren't there yet in the summer months, but we are super close. Over the course of a year, we are producing more than we are consuming and that feels great.

NYC Is Dead, Long Live NYC

URL: <https://avc.com/2020/08/nyc-is-dead-long-live-nyc/>

Date: 2020-08-18T06:03:45

Content:

There is a lot of negativity around NYC right now. Bloggers writing sensational headlines. That sort of thing. It makes me want to go out and buy a ton of NYC stock right now. It is certainly the case that many talented people are leaving NYC right now. It is also the case that the City is suffering from rising crime, filth, etc. And the City is in deep financial trouble and cutting costs everywhere it can. Commercial real estate is facing a huge crisis and residential real estate might not be far behind. Real estate tax revenues (which provide much of NYC's income) will decline creating an even more difficult fiscal situation for NYC. The short term outlook for NYC is bleak. When companies go through this situation and their stock prices get clobbered, you have to ask yourself if the company is going to go out of business or not. If the answer is no, then the question becomes what price is the right entry price. NYC is not going out of business. It will need a turnaround. It will need new leadership, which it will get. The pandemic will end. Restaurants, museums, Broadway, nightclubs, etc, etc, etc will re-open. It won't be the same NYC that existed pre-pandemic. But that is a good thing. NYC has sucked for the last decade or more. Many people who can will leave forever. Rents will be lower (maybe a lot lower). Artists will be able to live in NYC again. We have the opportunity to reimagine what NYC is. We can reimagine transportation, schools, policing, housing, construction. We can create an environmentally sustainable NYC. We can create an affordable NYC. We can create a better NYC. But the first thing that has to happen is we need all the people who are afraid of all of this change to leave so those who are left can come together and create this better NYC. And thankfully that is happening.

Investments That Don't Work

URL: <https://avc.com/2020/08/investments-that-dont-work/>

Date: 2020-08-17T06:19:59

Content:

I woke up to a dream this morning where I was playing a game that was very similar to Turntable.fm , a failed effort to create a social music experience that had a moment back in 2011 and that I had invested in via USV. In the dream, someone had created a new version of the game that was basically identical to the original version. It was as fun to play it as it was to play Turntable back in the day. Then I found out that the creators of this new game had received venture capital funding and were going to turn it into a business. I met the founders and was happy for them. Then I woke up. Investments that don't work haunt me. It isn't the losing money part. I have learned to live with that. It comes with the territory in VC. It's the losing part that haunts me. The what could have been part. The "if only we had done it differently" part. Good ideas will eventually be executed successfully. And investments that don't work are often failures of execution. So it makes sense that someone could come along and make your idea work after you failed with it. It happens regularly in the startup world. And it can be painful to watch. I've gone through a few periods of burnout in my career and it was usually brought on by a string of painful failures. I've watched others navigate that similarly. If you are heavily invested in something that doesn't work, it hurts. And the more the investment is of yourself, your time, your enthusiasm, the worse it is. I've gotten out of these periods of burnout by turning my attention to something else. Crypto was helpful for me back in 2013 and 2014 when I was going through one of those periods. It was something new that I could throw myself at, that was different, and that was working. It's that old adage about getting back on the horse that tossed you. I am not a horse rider, but I get the adage and agree with it. The best salve for failure is success. And you have to keep going to get there.

Funding Friday: Ghost Pacer

URL: <https://avc.com/2020/08/funding-friday-ghost-pacer/>

Date: 2020-08-14T06:02:05

Content:

As is my weekly routine, I went onto Kickstarter and backed a bunch of projects this morning. One of them was Ghost Pacer , a holographic running partner. Ghost Pacer was created by AbdurRahman Bhatti , an “All-state cross country runner, Princeton-bound engineer, and an avid tinkerer and Tetris player.” I guess he made this for himself and is now bringing it to market. I really like it when people are inspired to make something for themselves and then they make it for everyone. If you want to back Ghost Pacer, you can do so here .

Quizlet's State of Remote Learning Report 2020

URL: <https://avc.com/2020/08/quizlets-state-of-remote-learning-report-2020/>

Date: 2020-08-13T14:27:14

Content:

Our portfolio company Quizlet put out a "State of Remote Learning Report" this week based on what they are seeing across their global learning platform during the pandemic. Quizlet wrote a blog post about it as well. There are some very interesting data points in the report: Quizlet explains this chart in their report this way: Although no country was prepared for the quick pivot to remote learning, most were able to not only return to their pre-COVID-19 online study levels, but actually became more engaged than before. In fact, across Quizlet's top 50 markets, we saw a 200 to 400percent increase in new students and teachers signing up to use the platform as schools moved to distance learning models. This was especially true in countries, such as Singapore, where the national government mandated classes to resume and provided guidance on the structure and tools to use in a remote setting. The U.S. however, was far less prepared than many other countries to pivot and engage their students online through the rest of the school year. As shelter in place orders came into effect, U.S. high school student visits dropped, and even as students tried to finishout the school year and regained some of their study habits back, the U.S. did not return to normal study engagement levels. So the US has not reacted to the shift to online learning nearly as successfully as many other countries around the world. It also seems that subjects like math tend to work better in an online environment. These are just two of the interesting data points in the report. The entire report is worth a read and it is only ten pages. You can read it here .

Subscription Agreements

URL: <https://avc.com/2020/08/subscription-agreements/>

Date: 2020-08-12T12:44:54

Content:

I just finished completing a thirty page form for an investment my wife and I are making in a limited partnership. This form is called a subscription agreement. I wrote about the frustration of having to complete this identical form again and again six and a half years ago here on AVC . One great thing has happened on this issue in those six and a half years. Many/most subscription agreements are now sent digitally via DocuSign or Adobe. That's great. It is certainly a bit easier to complete them online and once you have done that, there is no need to scan and email. But I remain confounded by the fact that we complete the exact same form time and time again, answering the exact same questions. One would expect that there would be registries/registrars that would onboard an entity (a person, an investment fund, etc) and then when that entity planned to subscribe to an investment, it would just authenticate with the registry and that would be that. That's what I was hoping we would see emerge when I wrote that blog post six and a half years ago and we still have not seen it happen. That is kind of amazing to me given how much innovation we have seen in and around financial and investing services in the last decade.

Nurx: Reimagining Healthcare

URL: <https://avc.com/2020/08/nurx-reimagining-healthcare/>

Date: 2020-08-11T09:00:00

Content:

I've written a bit about our portfolio company Nurx since we made the investment back in 2016. Nurx is a great example of how technology is helping to reshape how healthcare is delivered. With the Nurx mobile app, women (and men too) can find the prescription or home diagnostic test they need, connect to a doctor who can review the request and write the prescription, and get the medication or test shipped to them at home. No stigma, no wait, no travel. What is amazing to see is the scale with which people are opting to access their healthcare this way. Nurx and their doctors are currently providing healthcare this way to over 300,000 patients a month. That turns out to be over \$150mm a year of healthcare being provided by a mobile app and a network of doctors. I suspect these numbers are only the tip of the iceberg in terms of how many people will opt into this sort of relationship for their regular healthcare needs. The Covid pandemic has certainly been a boost to all forms of telehealth and Nurx is no exception. They have seen a 75% increase in new patient requests this year. But like many things that got a boost in this pandemic, I believe many patients who adopted this approach to everyday healthcare needs will not go back to the old way when the pandemic ends. We are witnessing a sea change in the way we want to access healthcare in this moment. Nurx accepts insurance and also offers affordable options for those who don't have insurance. That is a reflection of Nurx's mission to expand access and improve the quality of care while decreasing cost to the patient. Technology makes all of this possible. At USV we believe that technology can expand access and reduce the cost of healthcare at the same time and we have been investing in that theme for the last six or seven years. Nurx is a great example of our thesis in healthcare.

Financing Document Forms

URL: <https://avc.com/2020/08/financing-document-forms/>

Date: 2020-08-10T06:16:50

Content:

Many founders want to do SAFE note financings for their early rounds to save time and money. My response to that is "let's do a priced round, we can use a standard financing form we both like, we won't use a lawyer on our side, and we can close in a week." The key to being able to do that is the availability of standard financing forms. Many venture law firms and also the NVCA have published standard forms on the web. Here are Cooley's forms . Here are Orrick's forms . Here are the Series Seed forms created by Fenwick. Here are the NVCA forms . Here is Gunderson's document library . I am not suggesting the founder go without a lawyer. I am suggesting that the founder and their lawyer pick a "standard form" to use to do the equity round, send it to us for our review, and if we are comfortable with it (they are all pretty much the same), then we will agree to sign it without negotiation and close within a week. Typically the only thing we all have to agree on is what the cap table will look like before and after the financing so that the correct numbers are put into the documents. Everything else is pretty standard anyway. There is this narrative that equity rounds are expensive and take a long time and that SAFE notes are quick and inexpensive. That is not right. We can do priced rounds as quickly and inexpensively as SAFE notes. And we do that regularly.

Funding Friday: Jelly2

URL: <https://avc.com/2020/08/funding-friday-jelly2/>

Date: 2020-08-07T06:08:57

Content:

I've written about the need for smaller form factor smartphones and know a bunch of people who are frustrated by the lack of choice in small form factor smartphones. So I was interested to see this Kickstarter project to bring to market a 3" Android smartphone that sells for sub \$200. Not everyone wants or needs a credit card sized smartphone, but those that do benefit from Android being open and platforms like Kickstarter that make niche products viable for creators.

NBA Top Shot

URL: <https://avc.com/2020/08/nba-top-shot-2/>

Date: 2020-08-06T10:00:00

Content:

One of the questions I hear on crypto is “what can I do with it besides trade it?” And that’s a good question because truth be told, there have not been great use cases for crypto other than storing value, sending value, and speculating. But that is changing, as I mentioned in this blog post last week. One thing you can do with crypto is make digital assets scarce. Bitcoin is scarce. There will be only 21mm Bitcoins. And Bitcoin is a digital asset. So using the same technology, you can make any digital asset scarce. And that’s a big deal. Ever since media went digital (mp3s, jpegs, movs, etc), media creators have been trying to figure out how to put the genie back in the bottle and largely failing. But if you create a crypto-asset, you can make it scarce. Our portfolio company Dapper Labs has been working with the NBA and the NBA Players Association over the last year to create digital trading cards that are scarce. These digital playing cards are being made available via a game called NBA Top Shot . NBA Top Shot is invite only right now but if you read on, you will be given an opportunity to get an invite. I’ve been playing NBA Top Shot for about a month now. I have bought something like 5 or 6 “packs” which contain a bunch of cards. When you buy a pack, you don’t know what cards you will get. Opening them is a lot of fun. Players are posting their pack openings on YouTube. Here is one of those videos: [Here is my collection of cards](#) (sorry for the messed up formatting, I had to shrink my screen to get them all): As you can see, I have put two of my cards up for sale in the NBA Top Shot marketplace. Like a good Knicks fan, I have to trade KP away. I’m only asking \$25 for that card. There is a lot more coming in this game, but for now the game play is buying, opening, collecting, and trading. And it is a lot of fun. If you want to check it out, here’s a typeform where you can enter your email address and answer one quick question and then you will get an invite. I encourage you to buy my Joe Harris and KP cards so I can turn around and buy RJ Barrett and Julius Randle in the marketplace. I encourage everyone to check out NBA Top Shot . For one, it is a lot of fun. And it also reveals something important about crypto and how it can and will change videogames, collectibles, and other sectors by making digital/virtual goods scarce and collectible.

Independent Director Compensation

URL: <https://avc.com/2020/08/independent-director-compensation/>

Date: 2020-08-05T07:55:15

Content:

I got this question yesterday and answered via email and thought I'd share that discussion with all of you: I enjoyed your article on Board Diversity (<https://avc.com/2020/06/board-diversity/>) and am planning to implement it at my company. I was hoping to get some guidance on the following: * How would you define the role of the independent director / what is their job? * How would you compensate them for this job? I believe the role of the independent directors is to represent "the Company" in all board discussions. Founders and investors can and do think about what is best for the Company, but they also think about what is best for them. An independent director can and should represent the Company in Board discussions. Also, an independent director should have experience operating a business and should actively share that experience with the leadership team. For compensation, I like the use an annual amount of \$100,000. That is substantially less than public company directors make (which is more like \$200,000 per year), but being a public company director is more time consuming and exposes a director to more liability. So I feel like \$100,000 a year is reasonable compensation for a private company director. The spread between private company board compensation and public company board compensation narrows as a Company gets closer to being public. Private company directors are usually compensated in stock, not cash. I like to use the following approach for stock based compensation: For companies valued below \$40mm enterprise value, pay an independent director 0.25% of the Company per year served on the Board. For companies valued above \$40mm of enterprise value, pay an independent director a percentage of the Company per year served equal to (\$100k/enterprise valuation). For example, if your Company is worth \$100mm, then you would pay 0.1% per year served (\$100k/\$100mm). It is typical to make a "front-loaded" grant of four years of value and vest it over four years. So in this second example, where the Company is worth \$100mm, the independent director would be granted an option for 0.4% of the Company, worth \$400k, and vest that over four years. However, for very early stage companies where the annual grants are quite large (0.25% per year), it is more common to make those grants annually so that the dilution from these grants comes down as the Company's value increases. That said, front-loaded four-year grants are made for directors of early-stage companies as well. As I said in the blog post on Board Diversity linked to above, I believe getting independent directors on your board from the very start is a good move. It will make your Board meetings better and it will make your Company better. And make sure to strongly consider diverse candidates when you add independent directors to your Board.

Instant Covid Tests

URL: <https://avc.com/2020/08/instant-covid-tests/>

Date: 2020-08-04T07:18:29

Content:

We are now approaching five months into the Covid pandemic in the US. The world is more like six or seven months in. And while we wait for vaccines and/or therapeutics to end it, we are left with social distancing, mask wearing, testing, and tracing. These tools can and do work well if used rigorously and ubiquitously. As we prepare to return to NYC in the fall, I am curious about the state of small and portable diagnostic technologies that can deliver an accurate and “real time” result cost effectively. I am thinking of something like a pregnancy test. There are many things that would benefit from such tests. Schools could be more aggressive about re-opening if everyone (teachers and students and staff) could be tested every morning on the way in the door. Offices could re-open too. So could stores and other local businesses. And it would be easier to go see friends and family if you arrive at their front door with a test in hand and get a negative result before walking in the door. I know that there are a number of companies working on such tests. What I don't know is the status of these efforts, how soon they can come to market, and what they will cost. The less expensive the better obviously. If you know anything about these technologies, please hit the “Discuss On Twitter” button below and share it with all of us. If you want to see what has been shared, hit the “View Discussions” button. If you are reading via email, go [here](#) to see these buttons and hit them.

The Dog Days Of Summer

URL: <https://avc.com/2020/08/the-dog-days-of-summer/>

Date: 2020-08-03T06:50:16

Content:

We are officially in the dog days of summer when vacations and the heat and humidity cause things to slow down. It used to be true that companies would put financing efforts on hold in late July and August and return to “the market” after labor day. In recent years, that summer slowdown has not happened as much and we have advised our portfolio companies to keep raising during the summer doldrums. This year will be interesting as many founders and investors have been working remotely for five months now. Will that change anything this summer? It is possible that everyone needs a break and things will slow down this month. But I kind of doubt it. This has been a crazy and unpredictable year but the one thing that has been true throughout the year is that the capital markets are working overtime and I suspect that will be true during the dog days of summer too.

Funding Friday: The Last Fair Deal

URL: <https://avc.com/2020/07/funding-friday-the-last-fair-deal/>

Date: 2020-07-31T06:31:19

Content:

Playing cards and listening to the blues is the perfect combo and this deck of cards celebrates that. I backed this project immediately when I saw it this morning. It has five days to go and is 70% of the way to its goal. If you love cards and the blues, check it out .

Repost: Open Up Vs Break Up

URL: <https://avc.com/2020/07/repost-open-up-vs-break-up/>

Date: 2020-07-30T07:37:54

Content:

I was in a board meeting for most of yesterday so I did not watch the theatrics on Capitol Hill. William told me that there were many calls for breaking up the big tech companies. So I thought I would repost this which I wrote about a year ago. There have been many calls to break up the large Internet monopolies; Amazon, Google, Facebook, Apple, etc. Breaking up a large monopoly feels like a very 19th/20th century move to me. I would prefer that politicians and policy makers think about opening up as the better intervention. A good way to explain this is to go back to the architecture that Twitter used in its early days when there were many third-party Twitter clients. Imagine if Facebook, Instagram, Twitter, LinkedIn, etc were protocols, not applications, and there were many high-quality clients to participate in these networks. Then the clients could innovate on things like content filtering, promotion of high quality content, business model, etc If we are going to “break up” these large social media platforms, I would urge elected officials and regulators to think about pushing them to move from platforms to protocols instead of just ripping them apart. We could do the same thing with search. Our portfolio company DuckDuckGo has built a nice search business by building a different user interface on top of one of the two leading search indexes. If we made it easier and reliable for others to innovate on top of the core search engine, then there might be many more options in search. In mobile, a good first step is to open up the app stores and allow the browsers to have the same access to the operating system as native mobile apps. In commerce, if I could checkout as easily everywhere as easily as I can on Amazon, there would be more competition for my shopping dollars. I think you get the idea. It is very true that the big Internet services have built centralized monopolies and have consolidated their market positions. We do need more competition in these core services. And the best way to do that is to force them to open up their services, not break them up.

Is This One For Real?

URL: <https://avc.com/2020/07/is-this-one-for-real/>

Date: 2020-07-29T07:31:02

Content:

Crypto has been on a tear in the last week. Bitcoin is up 18% in the last seven days: Ethereum is up over 30% in the last week: But this isn't the first time we've had a bullish run in crypto since the bear market started in early 2018. If you look at the total market cap of all crypto tokens you can see that this bear market has had several moves up followed by downward price action: So why will this time be any different? I certainly don't have a crystal ball, but there are some underlying factors in this run-up that make me think it might be different this time: 1/ There is real fundamental activity in the decentralized finance sector where lending, borrowing, staking, swapping, and yield optimization are all growing significantly in recent months. This chart of the activity on the Uniswap liquidity network is indicative of that: ■ Every day I want to tweet about new @UniswapProtocol volume records but it's climbing too fast to keep up ■ \$1.3B 30D volume (\$15.6B annualized) ■ \$650M 7D volume (\$34B annualized) ■ \$150M 24hr volume (\$54B annualized) pic.twitter.com/EgeBN1BniB — hayden.eth ■ (@haydenzadams) July 27, 2020 This chart of the total value locked up in the Compound lending/borrowing system is another indication of that: 2/ There are a number of interesting consumer projects launching this summer, many in the gaming and NFT (crypto collectible) sector, that could bring more mainstream users to crypto. 3/ Gold has also been on the move recently. Gold is up 10% in the last month as capital looks for safe havens. I realize that using the words crypto and safe haven in the same sentence is hard for most people to understand, but I believe that one of crypto's primary use cases is store of wealth and Bitcoin is particularly popular for that. I don't believe we have left the bear market behind just yet. But if the total market cap of all crypto assets gets above \$450bn, where the first bear market rally stalled out in the spring of 2018, then I think we will be back in a bull market in crypto. And we aren't far from that. A few more weeks like this past week and we could get there pretty quickly.

Entrepreneurship And The Climate Crisis

URL: <https://avc.com/2020/07/entrepreneurship-and-the-climate-crisis/>

Date: 2020-07-28T07:29:58

Content:

Vinod Khosla penned a fantastic blog post this week outlining how a few entrepreneurs have made a material impact on clean energy and reducing our collective carbon footprint in the last decade and how a few more can move the needle even further in the next one. Vinod starts off with this statement: 12–15 entrepreneurs, driven by entrepreneurial energy and passion for a vision, and a little bit of luck, could change the climate crisis into societal transformation This is music to our ears as USV has started to back climate-focused entrepreneurs . I hope that we can back one or two of these 12-15 innovators in the coming years. That would be great for society and great for USV too.

The Startup Community Way

URL: <https://avc.com/2020/07/the-startup-community-way/>

Date: 2020-07-27T06:21:44

Content:

My friend Brad Feld has updated his excellent book on startup ecosystems called Startup Communities. The updated and expanded book is called The Startup Community Way and it is available for pre-order on Amazon . The book comes out tomorrow so you won't have to wait long for it. The timing of this book is excellent. The pandemic has shown that you don't have to live and work in any particular place to be productive and innovative. This suggests to me that we will see tech entrepreneurship and innovation move even more broadly around the US and around the world this decade and The Startup Community Way can be a playbook for how to make that happen.

Funding Friday: The Steamchasers

URL: <https://avc.com/2020/07/funding-friday-the-steamchasers/>

Date: 2020-07-24T06:24:11

Content:

I am a big believer in the saying “you can’t be what you can’t see.” And I have spent a lot of time and energy finding ways for young people to see careers in science, technology, and innovation so that they can put themselves on a course to have one themselves. I came across a series of books for kids called The Steamchasers on Kickstarter today. These are books about a group of kids, The Steamchasers, who take a scavenger hunt through town finding the contributions Black Americans have had to our everyday lives in the areas of Science, Technology, Engineering, Art, and Math. The first and second books in the series are available on Amazon . The third edition is being funded on Kickstarter right now and I backed it this morning. For those of you reading on the web, here is the video. If you are reading on email, you can watch the video here .

Headgum and Gumball

URL: <https://avc.com/2020/07/headgum-and-gumball/>

Date: 2020-07-23T08:03:08

Content:

Podcasts have emerged as a major new category in media/entertainment/news/education etc. We have seen huge deals for big podcast hosts like Bill Simmons and Joe Rogan, both of whom did transactions with Spotify for nine-figure amounts. But as Spotify (and surely others to follow) lock-up top podcast content to strengthen their subscription offerings, we stand to lose something awesome about podcasts which is the ability to listen to them for free on any platform we choose. But the counter weight to this trend is the growing size of the “live reads” ad market. This is when a podcast host reads out an advertisement on the show. This has been a staple of talk radio for many years. I remember Howard Stern doing live reads for LoJack back when Howard was on CBS Radio. Live reads are powerful and a form of influencer marketing. If you love Howard and he waxes eloquently about LoJack, you love LoJack. Or so it seems. The live reads ad market for podcasts was in excess of \$700mm in 2019 and seems headed to a multi billion dollar ad market in the coming years. So there is certainly a lot of money out there for podcast hosts who want to stay free and independent, or are emerging and building an audience. And that is where Gumball comes in. Gumball is a marketplace where advertisers post live read ads and podcasters pick them up and read them on their shows. Ad-buying opportunities within podcasts have historically been manual and limited, not unlike the process of purchasing web ads pre-2000. As podcasts continue to gain market share, Gumball's self-serve ad marketplace has the opportunity to be as transformative to the podcast industry as Google Adwords was for web ads. Gumball is a subsidiary of the Headgum podcast network. Headgum is a network of owned and operated comedy podcasts as well as third party podcasts that join the Headgum network for distribution and monetization (via Gumball). USV has been looking for an opportunity to invest in podcasting that fits with our thesis and we found it with Headgum and Gumball. We like the way that Headgum's owned and operated content, its Headgum network content, and its monetization platform Gumball all fit together and enhance each other. We made an investment in Headgum recently and blogged about it on the USV blog this morning .

Open Source Exposure Alerting Apps

URL: <https://avc.com/2020/07/open-source-exposure-alerting-apps/>

Date: 2020-07-21T08:35:21

Content:

The Linux Foundation announced its Linux Foundation Public Health initiative yesterday. They are starting with two open-source exposure alerting apps called Covid Shield and Covid Green. These are two apps that use the Google Apple Exposure Notification (GAEN) infrastructure. The codebase for both apps has been open-sourced. The Linux Foundation had this to say: "To catalyze this open source development, Linux Foundation Public Health is building a global community of leading technology and consulting companies, public health authorities, epidemiologists and other public health specialists, privacy and security experts, and individual developers," said Dan Kohn, LFPH general manager. "While we're excited to launch with two very important open source projects, we think our convening function to enable collaboration to battle this pandemic may be our biggest impact." <https://www.prnewswire.com/news-releases/tech-leaders-and-health-authorities-from-around-the-globe-collaborate-to-combat-covid-19-301096039.html> Countries, states, public health organizations, etc can build on these open source code bases to create exposure alerting and other apps that can help with the Covid pandemic and potentially other public health issues going forward. I quite like how this is playing out. Google and Apple have built the base level infrastructure, the open source community is coming together to build the application level code base, and governments and public health organizations can take all of that and put applications into the market. I am hoping we will see applications built this way coming to market in the near future.

Landline Phones

URL: <https://avc.com/2020/07/landline-phones/>

Date: 2020-07-20T15:46:47

Content:

I know so many people who don't have landline phones. They simply have their cell phone and use it for everything. But I also know a lot of people who are working from home (or a rented place, a vacation home, etc) right now and struggling with their cell phone reception and other issues. I grew up in a time before cell phones and have always had a landline phone. I still use a landline phone. But I have used the power of voice over IP (VOIP) and the cloud to make landline phones work better for me and I thought I'd share that "hack" with all of you. I've ported all of the landline numbers I've had over the years to the cloud and host them in a cloud-based PBX called OnSip . I then use a VOIP phone (my favorite right now is a DECT-based VOIP phone from Yealink) to connect to one or more of those numbers in the cloud. That way, my landline phone number can follow me from my office, to my home, to my Airbnb, to my wherever. This also allows us to have different numbers; a home number, a work number, multiple work numbers, and even a number that only a few people have (which I like to call "the batphone"). If you would like to combine the reliability of a landline phone with the mobility of a cell phone, try a cloud based PBX and VOIP phones. It's a great combination and works great for us.

Funding Friday: Skin Deep

URL: <https://avc.com/2020/07/funding-friday-skin-deep/>

Date: 2020-07-17T08:29:13

Content:

This animated short film project showed up in my Kickstarter feed this week and I backed it right away. It's about kids learning to love who they are. It is a message that we all need to hear right now.

When Do I Create A Board?

URL: <https://avc.com/2020/07/when-do-i-create-a-board/>

Date: 2020-07-16T08:24:35

Content:

I've been asked this question a bunch in the last few weeks in response to my post about more diversity on Boards . My answer to this question is simple. A Company should have a Board the day it is formed. The Board should contain one Founder (or possibly two) and at least two independent Directors. I know that many founders want to control their Boards for as long as possible. I would prefer to see a Founder give up control right away but place control in the hands of independent Directors they nominate. That way they can be comfortable that the independent Directors will have both their interests and the Company's interests at heart. This will also make it a lot less likely that the Investors will eventually control the Board as the Board will have institutionalized the notion of independent Directors early on and ideally they will remain the majority of the Board forever. Finally, it's a great idea to pick diverse candidates for those independent seats day one. Diversity means "not like us" so it could mean gender diversity, racial diversity, industry diversity, experience diversity, or ideally more than one of those things.

Not So Hyperactive

URL: <https://avc.com/2020/07/not-so-hyperactive/>

Date: 2020-07-15T05:53:55

Content:

I wrote a blog post last week in which I said: The second quarter of 2020 is now behind us and we will see the data on it soon. I suspect what we will see is a very active venture capital market, quite the opposite of what was initially expected. Well the data is out and its not quite as active as I had thought. Venture deal activity slowed in the second quarter, with \$34.3 billion invested across 2,197 deals, a 23% decline in deal count compared to the second quarter of 2019 but only down slightly from 2,298 venture capital deals in the first quarter of this year. Notable among the figures was a slump in seed deals to 315 in the quarter, way down from an average of 650 deals per quarter over the last year. Angel rounds were roughly steady by comparison in the quarter. The dropping investment in seed rounds is attributed to investors re-evaluating their portfolios and shoring up balance sheets for the quarters to come. Standing out in the data is a trend for investors to double down on portfolio companies, with follow-on financing activity heavily outweighing first-time financing in the quarter. Likewise, there has not been a drop in late-stage activity as deal count tracked at a higher pace than 2019. In the quarter there were 57 late-stage megadeals, those of more than \$100 million. That brought total megadeals to more than 100 this year, on track to surpass the 175 megadeals closed in 2019. The report notes that some of those deals can be attributed to startups experiencing newfound growth amid the pandemic, while others were forced to raise additional funds to weather the economic turmoil.

<https://siliconangle.com/2020/07/14/venture-capital-drops-due-covid-19-second-quarter-started-recover/> So Q2 was down from Q2 2019 but almost flat with Q1 2020. The most interesting thing is that Q2 had a very slow start and a very strong finish. Different segments of the venture capital market fared differently to others with the biggest overall slump occurring in April amid lockdowns across the U.S. The report notes that through April and into early May, many venture capital firms exercised caution, triaging and focusing primarily on stabilizing their own portfolio companies. But investment started to pick up again by mid-May.

<https://siliconangle.com/2020/07/14/venture-capital-drops-due-covid-19-second-quarter-started-recover/> That squares with what I have seen, although USV was quite busy throughout the entire quarter. The strong finish to Q2 bodes well for the remainder of the year and I think for the most part the venture capital sector is very much open for business in the midst of this pandemic.

Reading On Paper

URL: <https://avc.com/2020/07/reading-on-paper/>

Date: 2020-07-14T10:14:43

Content:

I'm staring at a pile of paper on my desk that is my stack of things I found on the Internet that I want to read. It's a bit ironic to write this on a blog, but if I come across something on my computer or phone that is longer than a page or two, I print it out and read it on paper. I have found that when I read on a computer screen or phone, I tend to skim. That's fine for a short email or a short blog post (as this will be). But it is not great for an eight page blog post, a white paper on a new crypto project, or a memo from one of my colleagues or portfolio companies. When I read on paper, I often will use a pen to underline or mark-up the document. I find that leads to better comprehension and retention of the concepts. I've noticed that our children, all of whom are in the mid to late 20s, also read books in paper form and mark them up when reading them. So while reading on paper may be a generational thing, I believe it is also a valuable technique for all ages and all generations.

Haggling

URL: <https://avc.com/2020/07/haggling/>

Date: 2020-07-13T07:05:17

Content:

Growing up, I thought the price asked was the price. The only decision was whether or not you wanted to pay it. As I moved into adulthood, started hanging out with the Gotham Gal and a bunch of friends, and entered the world of business, I learned that the price was what you agreed to pay for something, not what was asked. When I started out in VC in the mid 80s, the investors usually started the price negotiation. The founder would come in and pitch, and if the investors liked what they heard, an offer would be made. It is very different now. Founders have an asking price when they walk in the door. And often VCs treat that asking price like I treated prices as a kid. The only decision is whether or not you want to pay it. The reason for this is that the VC market is highly liquid and there are many buyers out there. Investors understand that even if they won't pay the asking price, someone will. And so they treat it like it's "take it or leave it." But I am not a fan of that approach. I prefer to have a discussion about the asking price. If a founder says they are thinking of raising \$10mm for 20% of the Company, I like to reply with something like "We were thinking of \$6mm for 20%", thereby setting up a discussion of the price. It doesn't always work. Many founders reply with something like "I've got term sheets at that price already" which basically means "take it or leave it." But even then, I have found there is a way to have a price negotiation if both sides are looking to do business with each other. The key is doing it respectfully and honestly. I feel like the sooner you have the price conversation the better. The worst thing is dragging a founder along in a process with them thinking you are at their price when you are not. Negotiation is an important part of any business transaction. It reveals something about both parties and helps them understand each other and decide if they want to work together. I would encourage everyone to seek a negotiation and engage in it enthusiastically. Doing a deal without a negotiation feels like a missed opportunity to me.

Funding Friday: Ameelio

URL: <https://avc.com/2020/07/funding-friday-ameelio/>

Date: 2020-07-10T07:38:10

Content:

Ameelio is a nonprofit tech company seeking to break the prison communications monopolies and provide free communication solutions for prisoners and their friends and families. They have a Kickstarter project up right now and I backed it today.

Reviewing The CEO'S Performance

URL: <https://avc.com/2020/07/reviewing-the-ceos-performance/>

Date: 2020-07-09T07:04:55

Content:

The CEO is an interesting case when it comes to performance reviews. They manage an entire company and they specifically manage the senior leadership team. They do not have a single reporting supervisor. They report to a Board. And that Board may, like the team they manage, have differing views on their performance. Also, some executives are strong at managing down but weak at managing up. And the reverse is often true, where an exec is great at managing up but weak at managing down. A failure mode I have seen in CEO reviews is when a Board thinks a CEO is doing well but they are not and that CEO gets a strong review. I've seen the opposite when a CEO manages up poorly but down well and they receive a weak review from the Board. Given all of that, this is what I have learned to do. 1/ Schedule a CEO review cycle with a regular frequency and stick to it. 2/ Review compensation at the same time that performance is reviewed. If performance is reviewed more than once a year it is fine to only review compensation on the annual review cycle. Do not review compensation without doing a performance review at the same time. 3/ Have a third party (a CEO coach or some other skilled facilitator) interview all of the CEO's direct reports and all of the Board members. 4/ I like to have the facilitator interview the direct reports first and provide that data to the Board prior to interviewing the Board members. This ensures that the CEO's performance inside the Company informs and colors the Board members' feedback. This is the best way I have learned to mitigate the "manage up well, manage down poorly" issue. 5/ The third-party facilitator compiles a review report and shares it with one or more Board members. If there is a Board Chair, she should be part of this part of the process. 6/ The Chair and possibly one other Board member (the Comp Chair if there is one) meet with the CEO, go over the performance review in detail, and then address compensation in light of the review. This is a time intensive process and must be done thoroughly and with care. The stronger and more experienced the third party facilitator is, the better. You cannot skimp on this work. It might be the single most important thing a Board does on an annual basis. Feedback is so important to ensure that a leader develops in the role and functions at a high level. In my experience, CEO feedback is often an afterthought because no single person owns the responsibility. If there is a Board Chair, she owns this. But otherwise, it can be a shared responsibility that falls through the cracks. As Board members, we can't let that happen. We owe it to the CEOs we work with to give them clear, regular, and accurate feedback. And this process (above) works well to do that.

Hyperactive?

URL: <https://avc.com/2020/07/hyperactive/>

Date: 2020-07-08T06:49:24

Content:

When the pandemic started, the conventional wisdom was that the capital markets would take a beating, including the venture capital market for startup capital. The second quarter of 2020 is now behind us and we will see the data on it soon. I suspect what we will see is a very active venture capital market, quite the opposite of what was initially expected. There are a number of reasons that I think we will see that. First, venture capital firms raise funds and it is our job to put them to work. If we see interesting opportunities, it is our job to invest in them. We are not paid to hoard the cash. Second, the stock market for tech companies has been on a tear in the last three months and that weighs on the minds of investors. A bullish stock market leads to a bullish venture capital market. Third, the pandemic showed that software based businesses, e-commerce, software infrastructure, and other sectors popular in startups and venture capital are resilient and attractive right now. Fourth, sitting at home all day, not being able to travel, not being able to socialize, creates an efficient work environment for many (but certainly not all). And finally, there are so many great founders out there coming up with excellent business ideas. The pandemic has not slowed that down. If anything, it has sped it up. It is possible that some sectors of the venture capital market have slowed. Some areas which have attracted big growth investments over the last few years were quite negatively impacted by the pandemic and I would imagine we will see parts of the growth market negatively impacted as a result. But looking back on the second quarter of 2020, what I see is a hyperactive venture capital market firing on all cylinders. And that is good news for founders and innovation.

Doubling Up

URL: <https://avc.com/2020/07/doubling-up/>

Date: 2020-07-07T07:42:14

Content:

Regular AVC readers may have noticed that after blogging about my once a day routine , I posted twice yesterday. What happened is that I had been planning on blogging about Summer Bridge , a project we've been working on for the last few months, first thing Monday morning after the July 4th holiday. But when I woke up, I had a DM from my friend Jonathan with some data about the content on AVC over the years and got excited to share it and did. A colleague reminded me about doing the Summer Bridge post and so I published as planned mid-morning. For those that may have missed my post about Summer Bridge, it is a new youth summer employment program for the neediest kids in NYC. It is a virtual/remote internship program that runs most of the month of August. The City and State are providing the stipends and companies provide remote "workplace challenges" for the kids. USV is planning a workplace challenge around finding interesting startups working to address the climate crisis. I am excited to work with our teenage interns on that project next month. If your company wants to work on an interesting problem with inner-city youth this summer, please consider participating in Summer Bridge. You can sign up here .

NYC Tech Companies: Please Consider Participating in Summer Bridge

URL: <https://avc.com/2020/07/nyc-tech-companies-please-consider-participating-in-summer-bridge/>

Date: 2020-07-06T10:30:00

Content:

NYC's Summer Youth Employment Program is the nation's largest youth employment program, historically connecting NYC's neediest young adults (between the ages of 14 and 24) with a paid work experience every summer. The COVID-19 pandemic threw a wrench into it this summer and it was canceled. In response, the City and State and over 50 nonprofits have come together to design the Summer Bridge program for summer 2020. Summer Bridge will provide low-income NYC students with City and State-funded professional workplace experiences in the tech industry and beyond. Summer Bridge will provide summer internships to 35,000 young adults this summer. Student interns will participate in workplace challenge projects for 10-20 total hours (2-4 hours per week for 4 weeks.) The program begins on August 3rd and finishes on August 28th. Summer Bridge and its non-profit partners will match student interns with companies, compensate students with a stipend (\$700-1000 for the summer), and manage day-to-day-student relationships. We want the NYC tech sector to be a big part of Summer Bridge this summer. Please consider having your company involved. Here is our ask of your company: Design a "workplace challenge" for students based on a real business need or problem in one of four areas: product, engineering, marketing, or design. Tech: NYC is providing templates for these challenges. Recruit employee volunteers to meet weekly with small groups (15-20 students) for hour-long virtual interactions. Ideally, each volunteer would see 2-3 groups a week. Offer feedback to students at a virtual final workplace challenge presentation. We hope your company will participate in Summer Bridge this summer. If you would like to participate, go here and sign up .

Short and Sweet

URL: <https://avc.com/2020/07/short-and-sweet/>

Date: 2020-07-06T06:09:21

Content:

My friend Jonathan sent me a couple graphs he made of the content on AVC over the years. Here is how word count has evolved over the years. I started out with short posts, got longer for a while, and am now back to the short post. Here is how post count has evolved over the years. In the early days of AVC, I would post multiple times a day (like many people use Twitter today). I moved to the once a day post around the time Twitter came along, although I don't think they are related, and have been doing that ever since. So that's how the short daily post format evolved here at AVC. It is neat to see it visualized like this.

Funding Friday: Second Chance Studio

URL: <https://avc.com/2020/07/funding-friday-second-chance-studio/>

Date: 2020-07-03T06:16:30

Content:

My partner Nick blogged about this Kickstarter project yesterday and I immediately backed it. Second Chance Studio is a nonprofit digital media company that trains and employs formerly incarcerated individuals. You can back their Kickstarter project [here](#) .

Crawl, Walk, Run

URL: <https://avc.com/2020/07/crawl-walk-run/>

Date: 2020-07-02T18:14:26

Content:

I am a fan of the slow and steady approach to building a business. I call it “crawl, walk, run.” I have seen many founders try the “run right away” approach and it is super hard to make that work. An example of “run right away” would be to raise a \$30mm seed round, hire a couple of hundred employees, and go for broke. That mostly results in being broke. Of course, there are examples of founders who did that and succeeded. But they would be the exceptions that prove the rule. Crawl, walk, run generally means start small, do one thing really well, then get a little bigger, do a few things really well, then get a little bigger and do a few more things really well. Crawl, walk, run is more resilient. It allows for mistakes that aren't fatal. It takes a bit longer to get to the finish line this way, but the probability of success is way higher with crawl, walk, run. Crawl, walk, run is a mantra for doing a startup and I recommend it to everyone.

Masks

URL: <https://avc.com/2020/07/masks/>

Date: 2020-07-01T07:01:58

Content:

I'm sitting outside of my favorite coffee shop sipping on a coffee and writing. I do this many mornings. When I walked into the coffee shop this morning I was wearing a mask: I counted all of the people in the shop waiting in line (six feet apart) and waiting for their coffees. There were twelve people in total, including two people behind the counter making coffee and taking payment. Everyone in the store had a mask on and was wearing it properly. That's how it is and how it has been in that coffee shop since May 1st when we arrived here. Wearing a mask is easy. I keep a bunch in my car and one in the pouch on my bike. It's no big deal to put it on every time I go indoors anywhere other than our home. I can't think of anything simpler and more powerful that we can all do other than wearing a mask. I wear one proudly and I hope everyone else does to as long as the pandemic continues.

Mail Hosts

URL: <https://avc.com/2020/06/mail-hosts/>

Date: 2020-06-30T07:10:48

Content:

I got a question this past weekend that kind of stumped me. The question is – are there any really good mail hosts other than Gmail and Outlook? I realize that Yahoo still operates a mail host as does AOL. And that many of the ISPs offer mail hosting. But all of those feel like 20 year old technology. Of course I could be wrong about that. I am not talking about mail clients like Superhuman and Hey and others (including Apple and Microsoft's mail clients). I feel like there has been a lot of innovation in that area over the years. I am talking about the hosting platform that receives the email, filters out spam, and provides the connectivity to the mail client. If you know of a modern and reliable mail host that supports the various third party mail clients, I would love to know about it. If you are reading this on the web, please click on the button that says "Discuss On Twitter" and share your suggestion with me and everyone else who is interested. If you are reading via email, please reply to this email or go to the web and share it with everyone via "Discuss On Twitter." I appreciate the replies!!

Working Virtually

URL: <https://avc.com/2020/06/working-virtually/>

Date: 2020-06-29T10:47:50

Content:

Many of us have been working from home or some other remote location for over three months now. We have learned a fair bit about this approach to work and we have more to learn in the coming months. I don't think we will be done with remote work until the pandemic is over. It has taught me three conflicting things: 1/ I can be a lot more productive working remotely than many of us believed before the pandemic 2/ Those with kids at home don't experience the same productivity boost 3/ I can't wait to be back working together in person On the first point, I am able to get a lot more done in a day working remotely than I am able to do in the office. I now regularly do days with ten to twelve meetings/calls/videos. I don't think I was able to do that in the office. I have also found it easier to find time for work that requires a lot of focus (writing/modeling/analyzing/etc). And I've been much better at keeping my inbox and other communications up to date and current. And I can do all of that while making time to go biking, do yoga, meditate, etc. It is a revelation to me how productive I can be working remotely, particularly when our entire team is doing the same. All of that said, my friends and colleagues with kids at home have not experienced the same productivity boost. They get some of the benefits of working from home, but they also face distractions, double duty, and more. If we cannot reopen schools in the fall, it is going to be a very challenging time for parents. It is also the case that I miss the feeling of being together with my colleagues. Today we will spend four to five hours on Zoom in our weekly team meeting. It is way more enjoyable doing it in person around our conference table. Reconciling these conflicting realizations will be the key to what happens when the pandemic ends. I am certain that we will all want to retain some of the convenience and productivity that comes with working remotely. But I am equally certain that we will want to work together again.

Funding Friday: Checking In On The \$1k Project

URL: <https://avc.com/2020/06/funding-friday-checking-in-on-the-1k-project/>

Date: 2020-06-26T06:29:43

Content:

I wrote about this project to financially support people who were laid off because of the Covid pandemic back in early April. We also participated in the project and supported a family in the NY metro area back then. I saw this tweet yesterday: 1/ So proud of @1kprojectorg reaching \$1,000,000 in sponsorships for families impacted by the pandemic. To celebrate, we made this infographic. Please take a minute to scroll through it and re-share. pic.twitter.com/CFDUqYiBPU — Alex Iskold | 2000 0000 4000 8000 Ventures (@alexiskold) June 26, 2020 \$1mm in funding, almost 350 families supported, in ten weeks. That's terrific. If you want to participate, you do so here .

Board Diversity

URL: <https://avc.com/2020/06/board-diversity/>

Date: 2020-06-25T07:20:07

Content:

This is a topic of great importance and one that we in the tech/startup sector have not done a good job with. We wait until a company is ready to go public and then address it. While that is better than nothing, it is not good enough. The board diversity problem is a symptom of a much broader problem around lack of diversity in founders that get funded and lack of diversity in VC firms. Most startup boards are made up of a few founders and a few VCs. No wonder you have no diversity on the board. Here are some suggestions for addressing this situation. I am working on this in my portfolio and USV is working on this in our broader portfolio. We are not control investors so this is a process of advocacy and persistence. This post is a part of that effort.

- 1/ When a startup board is created, there should be two independent seats on it. Day one. I know that will mean that founders will be unable to control their boards early on but these "independent seats" can be nominated by the founders to allay those concerns. And founders should put diverse people (gender, race, life experience, etc) into these independent seats.
- 2/ VCs should accept observer seats instead of board seats when they invest in companies. Boards don't need three or four VCs on them. One is often enough. Two maximum. Instead VCs should negotiate for an observer right and the ability to nominate an independent director. And they should nominate diverse people for those seats.
- 3/ There should be term limits on board seats. Nobody and no investor should have the right to sit on a board forever. I could argue that in some situations, the founder might be the exception to this statement. That does not mean a valued board member should step down. That valued board member can always be asked to serve another term. What term limits do is raise the question about whether a person is the ideal board member for the company for the next few years. Often the answer is no.
- 4/ We need more resources like The Board List , Athena Alliance , and ELC to surface great board candidates. One of the many problems with boards that aren't diverse is that they are not well connected to diverse candidates.
- 5/ We must commit to addressing this issue and make it a priority. Board development in general is not a high priority for founders. They are rightly focused on their company, their products, their customers, and enormous challenges of building a business from scratch. But boards are important. They need to be a priority and a diverse board is a better board for everyone. So we need to increase our efforts here. Ten years ago the tech/startup/venture industries started to make gender balance a priority in management teams, boards, and the venture capital industry. While we are not where we need to be, we have made good progress. We can do the same with diversity across the board. We can use the same approaches and the same persistent approach to the issue. I am committed to making this a priority with the founders and companies I work with and I hope that all of you will too.

Stablecoin Adoption

URL: <https://avc.com/2020/06/stablecoin-adoption/>

Date: 2020-06-23T15:33:36

Content:

I was perusing the crypto markets today and noticed that Tether, the grandfather of all stablecoins, is approaching a \$10bn market cap, making it the third most valuable crypto asset after Bitcoin and Ethereum. I also noticed that USDC, the US Dollar stablecoin that Circle and our portfolio company Coinbase are behind, is approaching a \$1bn market cap. Unlike other crypto assets, the value of stablecoins, particularly "fiat backed" stablecoins, is not theoretical. These coins are backed by fiat deposits of people who have bought them. It is not entirely clear to me how fully reserved Tether is. But USDC is 100% backed by fiat. So that means that almost a billion USD has been paid for and set aside for USDC. I've been spending a lot of USDC lately. I keep USDC at Coinbase and can spend it via the Coinbase mobile app. I've settled some golf bets with it, bought crypto with it, and am starting to use to buy crypto gaming assets. I used to settle golf bets in Bitcoin. I have friends who claim they have tens of thousands of dollars in Bitcoin from golf bets I settled with them six or seven years ago. And we don't play for a lot of money. So I don't do that anymore. Settling in a USD backed stablecoin seems a lot more sensible. The same is true of most commerce and p2p payments applications. I'm bullish on crypto as most readers know and I'm quite bullish on the stablecoin sector in crypto. I think their utility is just beginning to be understood in the west.

The Daily Email

URL: <https://avc.com/2020/06/the-daily-email/>

Date: 2020-06-22T06:46:16

Content:

AVC has always been a blog. But over time, it has also become a daily email. Ten years ago, the average monthly visitors to the website was 100k. Now, it is around 60k. But over the same ten year period, the daily email subscriber base has grown from 2,500 people to over 30k people. That is the power of push media. That is the power of an email list.

Rosetta

URL: <https://avc.com/2020/06/rosetta/>

Date: 2020-06-18T05:44:03

Content:

Our portfolio company Coinbase released an open source framework for crypto assets to make it easier to list them on crypto exchanges. It is called Rosetta . Coinbase is encouraging blockchain projects to integrate Rosetta so that they can more easily list new assets on the Coinbase Exchange. But as this Coindesk post outlines, any crypto exchange can adopt Rosetta so this could be something that levels the field for everyone. Coinbase is putting Rosetta out to the broader community under an Apache license in the hopes that other exchanges will kick the tires on it. "All the code is available, it can be forked, it can be edited, so if there's another exchange or another project that wants to put their code on it they can do that and also suggest their own changes," Dalal said. "In a perfect world there are people building on top."

<https://www.coindesk.com/coinbase-open-sources-technical-standard-to-streamline-token-listings> Because different blockchains work differently, each crypto exchange needs to build their own interfaces to the blockchains in order to list them. That takes time and slows down listing new assets. An open source middleware framework like Rosetta should make it much easier for exchanges to list new assets and allow them to support new assets more quickly. This would be great for innovation in the blockchain sector.

Real-Time Recount

URL: <https://avc.com/2020/06/real-time-recount/>

Date: 2020-06-17T11:57:38

Content:

Our portfolio company Recount Media , which I have blogged about here before, recently launched an interesting partnership between Recount, Twitter, and brand marketers. They are calling this partnership “Real-Time Recount.” Recount is a news organization which publishes short-form video news on their owned and operated web and mobile apps, and also on platforms like Twitter, YouTube, Instagram, etc. These short-form videos are particularly popular in social media platforms like Twitter . What Real-Time Recount allows marketers to do is associate with a branded news organization while also taking advantage of the scale and hyper-targeting available on the scaled social platforms. Ad Age has a good story today about this partnership (behind paywall) and Recount CEO John Battelle has a good post on his blog about it as well. I like how John summarizes this opportunity at the start of his post: It's time to get back to the work marketers used to be really good at: Deciding on the appropriate context in which to engage your audience. And it's time to pull back from a habit most of you have fallen into: Letting the machines choose your audience for you. Thanks to new approaches which fuse at-scale ad targeting with high-quality editorial product, you can step into this renewed role without sacrificing the reach, precision, and targeting afforded by the likes of Facebook, Google, Twitter, and their kin. <https://battellemedia.com/archives/2020/06/marketers-have-given-up-on-context-and-our-national-discourse-is-suffering> Since the AdAge article is behind a paywall, I will pull a quote from yours truly to wrap up this blog post: It won't be for all advertisers in the beginning, but the ones who are courageous and can think about how to do it in a way that is consistent with their brand and their values, I think they're going to be rewarded because they will get a lot of audience. They will get it in a [scaled] way, with high frequency and high quality. So, I think that's one of the opportunities and challenges for The Recount is to bring advertisers along with us. Advertisers are used to being in cable news and linear television. They understand what that is. We've got to educate them on how to do it in social platforms, to do it in a way they can be comfortable with.

Enemy Of All Mankind

URL: <https://avc.com/2020/06/enemy-of-all-mankind/>

Date: 2020-06-16T07:20:38

Content:

We have a book club at USV. We read one book together every month and then discuss it over lunch. Today, we are going to discuss *Enemy Of All Mankind*, the story of the British pirate of the late 17th century, Henry Every. The book was written by our friend and former USV portfolio company founder Steven Johnson. As is typical of Steven's work, *Enemy Of All Mankind* is both a great story and also an object lesson in how single event can have a compounding effect on global politics and economics. In this case, Every and his crew of pirates siezed a treasure ship belonging to the Grand Mughal that was returning from a pilgrimage to Mecca. In addition to making Every and his crew rich beyond belief, the attack set off a global political storm between India and England and resulted in a manhunt to find and punish the pirates. It is a story about the dominant economic forces of the time (global trade routes) and how a single actor can and did wreak havoc on them. And it is a story about how that moment changed the course of India and England for the next two centuries. I thoroughly enjoyed the book and am looking forward to our discussion of it today. If you want to read it, you can get it on Amazon or Indiebound.

Leading Virtually

URL: <https://avc.com/2020/06/leading-virtually/>

Date: 2020-06-15T06:12:34

Content:

Most (all?) of our portfolio companies have been working remotely for over three months now. So have we at USV. The initial experience with remote work has been mostly positive. The typical comment has been “we are doing a lot better than I expected.” Productivity is up in some places, down in some places, but overall our portfolio companies have adapted to the remote work model quickly and well. But three months in with no end in sight is starting to wear on companies and I am sensing that the challenges are mounting. The trio of crises we are experiencing; a public health crisis, an economic crisis, and a racial injustice crisis, has everyone on edge and overwhelmed. Leading a company in this time is very hard. My job mostly entails talking to our portfolio company leaders and I am hearing that they are yearning to be able to walk the halls, look people in the eyes, stand in front of the team, and talk to them face to face. But that is not happening any time soon. So leadership in this moment means giving everyone a sense of belonging, letting them know they are being heard and that they are valued, and doing that via Zoom, Slack, email, and other software tools. This is uncharted territory for most leaders. Here are a few things I am hearing that are working for some: More frequent short checkins with the entire team One on ones with people you don't normally do one on ones with (skip one or two or three levels) Leaning harder on the leadership team to help lead the company Giving more time off to the team (shorter days, shorter weeks) Celebrating more (birthdays, anniversaries, accomplishments, ship dates, etc) Being yourself I am curious to hear from all of you on what else is working in this challenging time. Please reply below with the “Discuss On Twitter” button and share with me and everyone else. And if you'd like to see everyone's suggestions, you can click on the “View Discussions” button.

Funding Friday: Bail Funds

URL: <https://avc.com/2020/06/funding-friday-bail-funds/>

Date: 2020-06-12T07:10:10

Content:

The Gotham Gal and I have been donating to bail funds for a while now. This Positively Gotham Gal podcast from April 2019 with Robin Steinberg of The Bail Project is a great education into the bail system and why it is so problematic. Now, with protestors around the world being arrested, bail funds have become part of the protest movement. This Atlantic piece describes why that is. One of the issues with giving to bail funds is figuring out which one to support. An AVC reader recently pointed me to an Act Blue page that allows you to make a single donation and support over 70 bail funds and other similar organizations. I donated via that page today and I am sharing it with all of you who may want to join me in doing that.

Two Screens

URL: <https://avc.com/2020/06/two-screens/>

Date: 2020-06-10T15:40:25

Content:

Last December, my friend Brad Feld stopped by to see me in Los Angeles and I proudly showed him my home office with a separate Zoom Room . He looked at me with a quizzical look on his face and said “why don’t you have two screens on the wall?” I asked why and he explained that Zoom allows you to have the gallery on one screen and the person or material presenting on the other. So I added a second screen and was blown away by the better experience in video meetings. When we left Los Angeles at the beginning of May and returned to NY, I added a second screen to my home office setup here. I honestly can't imagine a video heavy work day without the second screen. We have offered our USV employees to pay for upgrading their home work setups. New chairs, new desks, second screen, etc. Many have taken us up on that and I am glad they have. Working from home can be a challenge, but it is way better if you have the right setup. I would encourage all companies to invest in their employee's work from home setups and I would especially recommend getting a second screen.

Behavior Change

URL: <https://avc.com/2020/06/behavior-change-2/>

Date: 2020-06-09T08:46:42

Content:

As I've mentioned a few times here during the pandemic, I'm very interested to see what behavior changes that we adopted during the pandemic will stick when it eases and which will not. Mask wearing, for example, has been commonplace in Asia for many years but not so in the west. I suspect that will change now. Anytime I don't feel well and need to go out, I plan to wear a mask as is the practice in many Asian cultures. My guess is the Covid pandemic will make that quite common in most parts of the world now. Another one is food delivery. Apparently only about 3% of US households used online food delivery services before the pandemic. Many more adopted them during the pandemic. Some will go back to the grocery store in the coming months but many will not. The adoption hurdle has been cleared and online food delivery is now in the mainstream. Full disclosure, USV has a few companies in our portfolio that benefit from this trend. Another is telehealth. Many of us did one or more doctor appointments over video during the lockdown. For something simple like a prescription refill or a checkin, it worked quite well for me. I don't plan to stop seeing my doctor in person when I feel it is necessary, but I welcome the option to do it over video when it is not. USV also has a few companies in our portfolio that benefit from this trend. Maybe the most impactful behavior change that many of us have adopted during the pandemic is working from home. The home part has been challenging for many. But the idea that we can be productive and effective outside of the office is a game changer for many employees and many employers. I suspect most knowledge industries will make material moves toward hybrid models post pandemic. The next 6-18 months, the time most experts think we will still have material risk from the virus, will be an interesting period to study these behavior changes and get a sense of what will stick and what will not. Now that most parts of the US have reopened but are still being careful, we can watch and learn and possibly get a head start on understanding how all of this will play out in the future.

Reopening

URL: <https://avc.com/2020/06/reopening/>

Date: 2020-06-08T06:03:33

Content:

Today, NYC starts the process of reopening its economy from almost three months of lockdowns to halt the spread of Covid 19. It is time. The city has massively reduced the spread of the virus in those three months. Here is a chart of infections and testing in Brooklyn over the last three months: The two things about that chart that get my attention are that the virus is still out there and that testing has massively increased. Almost 80,000 people were tested in New York State last Thursday, almost 30,000 of them in New York City. I hope we keep up this level of testing. If we have a uptick in cases as a result of reopening, we can see them, trace them, and react to them. I hope we don't have an uptick in cases, but now we are so much better prepared to deal with them if we do have them. Phase one of NYC's re-opening plan means construction, manufacturing, wholesale and non essential retail businesses will be allowed to reopen. We are reopening several construction sites that the Gotham Gal and I are running right now. They have been closed since early March. I am so happy that the workers are coming back to work. And we will run those jobs with the proper safety precautions on the job sites to make sure they are safe for the workers. I am excited to see stores reopen. The lockdown has been very hard on small business owners and I am hopeful that they can rebuild their businesses while remaining under constraints. I plan to shop at stores that are reopening. But even with all of this energy around reopening, I expect that we will continue the mask wearing and social distancing that we perfected over the last three months. I know that I will. NYC was the hardest hit of any location in the US this spring with over 200,000 of known cases and likely millions of actual infections. Over 50,000 people were hospitalized and over 20,000 probably died from Covid related illness. That's a huge toll. I have lived through many tough moments in my adopted hometown over the last forty years and I think this is the toughest of them all. I think NYC faces enormous challenges recovering from the pandemic, which is still going on and will continue to go on until we have a widely available effective vaccine. But today is step one of that recovery and I am hopeful and excited to get going again.

Funding Friday: The George Floyd Memorial Fund

URL: <https://avc.com/2020/06/funding-friday-the-george-floyd-memorial-fund/>

Date: 2020-06-05T07:37:03

Content:

I saw this tweet last weekend and immediately thought "he is right." I really wish @fredwilson had used his Funding Friday to talk about George Floyd's memorial fund or Minnesota Freedom Fund but I guess solar power is more promising than black people getting justice right now. — joahspearman (@joahspearman) May 30, 2020 So under the theory that late is better than never, I made a donation to The George Floyd Memorial Fund and I am highlighting it to all of you today. This fund was set up by George's sister to "cover funeral and burial expenses, mental and grief counseling, lodging and travel for all court proceedings, and to assist our family in the days to come as we continue to seek justice for George. A portion of these funds will also go to the Estate of George Floyd for the benefit and care of his children and their educational fund." This campaign is now approaching \$13mm and will cover all of that and also possibly much more. This fund won't make George's murder right, but it will help his family do right by his memory. And that is a very good thing.

Black Lives Matter

URL: <https://avc.com/2020/06/black-lives-matter-2/>

Date: 2020-06-04T07:01:36

Content:

I believe that Black lives matter . I understand that the phrase Black lives matter speaks to a movement to stop the murders of Black people at the hands of the police. I also understand that it speaks to a broader protest movement seeking to reduce the unchecked power of the police. I support these efforts and am sympathetic to them. But the words Black lives matter mean even more to me. They mean that a Black person's life matters as much as any other person's life. They mean that the living situation of a Black person matters as much as anyone's living situation. They mean that the food a Black person eats matters as much as the food anyone eats. They mean that the health care that a Black person has matters as much as the health care anyone has. They mean that the education a Black person has matters as much as anyone's education. And they mean that the economic opportunity that a Black person has matters as much as anyone's economic opportunity. My record and that of the USV is poor on that last measure. We have spent much of the last week at USV talking about that and we talked about it publicly on our blog and Twitter yesterday. When the collective minds at USV focus on something we have always met our goals. While we are late to put our collective minds on this opportunity, we are not too late. And we have already started our work on it. We will do this the way we do everything at USV. We will stick to our thesis of access to capital, knowledge, and well-being. We will back teams that are working on these problems in ways we think are impactful. And we will be engaged, honest, and present in the work.

Talking About It

URL: <https://avc.com/2020/06/talking-about-it/>

Date: 2020-06-03T06:11:26

Content:

I took the day off from AVC yesterday in observance of the moment we are living through. It is a very difficult time. I spent part of yesterday talking to a number of the leaders of our portfolio companies who are trying to find a footing in this moment and provide the right leadership for their teams. My main advice to them was to talk about what is going on with the entire team, listen to how they feel, and engage now more than ever. I'm hopeful that the right answers for each team will come out of that. I think it is a time to be talking right now. While I did not write yesterday, my partner Albert did. And he didn't say much, but what he said was powerful. I agree with him. It is a confusing time, an infuriating time, and a difficult time. It is also time to take stock of what we believe, as Albert did, and act accordingly.

A New Month

URL: <https://avc.com/2020/06/a-new-month/>

Date: 2020-06-01T05:37:49

Content:

I woke up at dawn today. The sun was lightening the sky. The birds were chirping. I was reminded of the power of a new day, a clean slate, new opportunities. It is June. After three months of pandemic lockdowns, job losses like I have not seen in my lifetime, and a week of turmoil in our streets and in our hearts, we have the hope that comes with a new day. Clearly we have problems in our country and our world. When the tide goes out, you can see who has been swimming naked. And so many of us have been swimming naked. The pandemic has been quite revealing. It is time to make some changes. Big changes. Long overdue changes. We can start by acknowledging that. And then we should seize the opportunity that comes with a new day, a new month, a new set of priorities, to make those changes. We simply need to courage and conviction to come together and do it.

Funding Friday: Tesla Powerwall Clone Guide

URL: <https://avc.com/2020/05/funding-friday-tesla-powerwall-clone-guide/>

Date: 2020-05-29T06:21:05

Content:

I am a big fan of pairing solar panels on the roof with a battery system in the garage. The battery allows you to use the solar power at night when there is no sun. It also provides resilience for power outages and the like. So when I saw this Kickstarter project , I backed it immediately. The premise is simple enough. Find a battery pack out of a wrecked hybrid or EV vehicle at a junkyard and using simple off the shelf tools and materials convert it into a battery system capable of being charged from a variety of sources (solar, wind, grid, water, etc) and power a house's basic necessities during the midst of a crisis or during times when power is more expensive (during the day) while replenishing when power is either abundant or cheaper, like at night. While this information is available currently, most of whats out there is long, wordy, confusing and in some cases conflicting.

<https://www.kickstarter.com/projects/khohnholz/homebrew-tesla-powerwall-clone> I went for the \$20 pledge which comes with a complete users guide. Now I need to find a "wrecked EV." This should be a fun project.

Contact Tracing and Technology Conference

URL: <https://avc.com/2020/05/contact-tracing-and-technology-conference/>

Date: 2020-05-28T18:08:00

Content:

As I wrote about a few weeks ago , I am excited about the possibility that technology, particularly mobile computing technology, can supplement the work of manual contact tracing to keep us all safer until a permanent solution is found to this pandemic. But there is a ton of confusion about what contact tracing is, what exposure alerting is, what the role of legacy contact tracing systems are, and what role new applications can play in this moment. So I was thrilled that a group of organizations that operate at the intersection of public policy and tech innovation are putting on a series of online conferences on this topic. The first one will be next Wednesday from 11am ET/8am PT until 2pm ET/11am PT and will focus on the consumer apps that are being built on top of the Google and Apple APIs. There will be demos of many of these new apps and a series of panel discussions. If you are interested in attending (attendance is unlimited), you can RSVP here . There are four of these online events planned over the next two months (roughly every two weeks) and they will cover enterprise contact tracing applications, what is happening internationally, and more. The organizations behind this series of online events are The COVID Tech Task Force, Harvard's Berkman Klein Center, NYU's Alliance for Public Interest Technology, TechCrunch, Betaworks Studios, and Hangar. If you work in government and are involved in making tech decisions in this area, if you are interested in how tech can help address large scale public health issues, or if you are just curious about all of this, I hope you will attend. I plan to do that myself.

Coinbase + Tagomi

URL: <https://avc.com/2020/05/coinbase-tagomi/>

Date: 2020-05-27T07:38:12

Content:

Our portfolio company Coinbase announced yesterday that it will acquire Tagomi to build out its institutional prime brokerage business. This is an important moment in the maturation of the crypto trading business. At USV, we have used Coinbase to transact in the crypto markets and I've wanted advanced offerings like we get when we transact in the stock markets like buying or selling on a volume weighted average price (VWAP) and other things like that. Tagomi will bring those kinds of offerings to Coinbase and that will make it easier and better for institutions like USV to trade with Coinbase. This is also a bit of a reunion for USV as one of Tagomi's founders, Jennifer Campbell, was an analyst at USV when she co-founded Tagomi. Though USV was not an investor in Tagomi, we've always been rooting for Jennifer and her colleagues. Now, as part of Coinbase, we are all on the same team again. Slowly but surely crypto assets are becoming mainstream holdings for institutions and the prime brokerage offerings from Coinbase will help accelerate that transition.

Streaming Vs Torrenting

URL: <https://avc.com/2020/05/streaming-vs-torrenting/>

Date: 2020-05-26T09:44:14

Content:

Last night at dinner we got to talking the film Barfly , which came out the year the Gotham Gal and I were married, so a long time ago now. We decided to watch it after dinner with our family and friends we are quarantining with. Well it turns out that Barfly is not available to be streamed on any of the many streaming services we have on our AppleTV (at least ten of them). After a frustrating twenty minutes figuring that out, we thought about torrenting it and watching it that way. But for a bunch of reasons, we decided not to do that and went with another film. A decade ago, I wrote a lot about how streaming would kill piracy (it largely has) and how I feel about piracy when I can't consume legally (I am fine with it). This morning I was talking to one of our friends over breakfast and said that I am going to put a bitorrent client on the Mac Mini that is connected to our family room TV because if we try as hard as we can to pay for a film legally and cannot, then I feel OK with getting it some other way. I am just a bit shocked that is even necessary to do in the golden age of streaming.

Remembering Our Fallen Soldiers

URL: <https://avc.com/2020/05/remembering-our-fallen-soldiers/>

Date: 2020-05-25T08:02:43

Content:

On today, Memorial Day, we remember our fallen soldiers. I spent some time today going back over old blog posts I've written on this topic and landed on a post I wrote almost ten years ago , when I visited the Normandy beaches with my wife and son. It was a very powerful and moving experience for us. I am glad we take a day every year to remember the men and women who lost their lives in service of our country. And while we can't all go lay a wreath or march in a parade today, we can take a moment of reflection on their sacrifice and what it has meant for our country.

Funding Friday: In Time of Plague

URL: <https://avc.com/2020/05/funding-friday-in-time-of-plague/>

Date: 2020-05-22T06:09:48

Content:

I backed this photo book project today. The creator took photos of the Williamsburg neighborhood in Brooklyn during the more than two-month lockdown in March, April, and May 2020 and will produce a photo book. I really like what he says at 1:50min into the excellent project video ([link here](#) for those reading on email). It's undeniably a difficult time to produce a book, but I believe that art is more important than ever in times of crisis like this. Museums and galleries are struggling to stay afloat and publishers require painfully long time frames to produce books. We as a community can work more nimbly and quickly, which is needed in this historic moment. Well said Brian. Well said.

The Startup Job Market

URL: <https://avc.com/2020/05/the-startup-job-market/>

Date: 2020-05-21T06:54:38

Content:

My colleague Matt Cynamon told our partnership last week that the number of jobs on the USV job board had declined from 1,553 to 871 in the past month. So we suggested he share that data and some observations on the USV blog. He did that yesterday . Here is the chart of open jobs on the USV job board:

<https://www.usv.com/writing/2020/05/how-covid-is-impacting-hiring/> A large number of those 871 open jobs are in a handful of larger USV portfolio companies that are leaning into this moment to build their teams. Many USV portfolio companies have frozen hiring or have tightened it significantly. And there have been reductions in force as well in some parts of our portfolio. But all is not bleak. Matt ends his post with the following observation: In our next post we'll explore some areas where we're seeing major opportunities for job seekers.

<https://www.usv.com/writing/2020/05/how-covid-is-impacting-hiring/> I am hopeful that hiring will start to pick up in our portfolio in the second half of the year as our portfolio companies start to understand where their businesses are now and where they are headed this year and next.

Fiber To Home

URL: <https://avc.com/2020/05/fiber-to-home/>

Date: 2020-05-20T15:52:22

Content:

I've been working on getting a fiber internet connection to the home we are quarantining in. With nine of us living and working from home together, we are consuming a lot of bandwidth. And with everyone on our block doing more or less the same thing, the cable internet connections we all have are bogged down. As I understand it, cable internet suffers from a few problems relative to fiber. The bandwidth in cable is usually (always?) non symmetric, meaning the upload speeds are not nearly as good as the download speeds. For applications like browsing the web, that's fine. For applications like videoconferencing, that's not so fine. I also believe that cable bandwidth is frequently shared with your neighbors whereas fiber is usually a direct connection to the telco's main internet connection. That means if your neighbors are using a lot of bandwidth, that can slow you down if you use cable, but not if you have fiber. These are things I've heard over the years and believe to be true but I am happy to be corrected on Twitter (click the button below) if I am wrong about any of this. In any case, we are moving to fiber in an effort to make our large group work from home situation a bit better for everyone. And I suspect that I am not the only one doing this right now. USV has two fiber investments, Ting (owned by Tucows) and Pilot , and I believe that both will see demand for their services increase this year and beyond as we all need and want more bandwidth.

American Kingpin

URL: <https://avc.com/2020/05/american-kingpin/>

Date: 2020-05-19T08:07:45

Content:

I read my friend Nick Bilton 's book American Kingpin over the last few weeks. It is the story of Ross Ulbricht (aka Dread Pirate Roberts), the founder and owner of The Silk Road . It is a fascinating story with many angles; drug and arms dealing, entrepreneurship, criminal investigation, and much more. I highly recommend the book . It reminded me that The Silk Road was the original product market fit for Bitcoin. According to Wikipedia : The total revenue generated from these sales was 9,519,664 Bitcoins, and the total commissions collected by Silk Road from the sales amounted to 614,305 Bitcoins. These figures are equivalent to roughly \$1.2 billion in revenue and \$79.8 million in commissions, at current Bitcoin exchange rates...", according to the September 2013 complaint, and involved 146,946 buyers and 3,877 vendors [https://en.wikipedia.org/wiki/Silk_Road_\(marketplace\)](https://en.wikipedia.org/wiki/Silk_Road_(marketplace)) Those 9.5mm bitcoins, which certainly recirculated a fair bit, represented roughly all of the circulating supply of Bitcoin at that time. That does not mean that all of the bitcoins that had been mined at that time were in use on The Silk Road. A much smaller percentage of them recirculated back and forth between customers and suppliers in the market. But I have always believed that The Silk Road was where Bitcoin first found a massive use case and it was where many people first bought and used Bitcoin. This has led to a narrative around Bitcoin and crypto that it is shady and only useful for illicit behavior. That is unfortunate and not true. Many technologies that ultimately find mainstream use cases (the web browser, the VHS, etc) find initial product market fit in areas that are edgy at best. And such was the case with Bitcoin and crypto. These "edgy" use cases prove out the technology, provide an initial user base, and lead to more mainstream adoption down the road. And that is what happened with Bitcoin and The Silk Road.

Kickstarter Lights On

URL: <https://avc.com/2020/05/kickstarter-lights-on/>

Date: 2020-05-18T06:28:36

Content:

So many of our favorite community anchors have shuttered in the wake of the pandemic. And reopening them won't be easy. Music venues, movie theaters, art galleries, restaurants, performance spaces, maker spaces, conferences, festivals, and bookshops are the places we hang out in, enjoy each other, and and connect to art and culture. But these spaces also have communities of people connected to them, rooting for them, and eager to help them. Enter Kickstarter , the crowdfunding platform for bringing creative projects to life (and a USV portfolio company). Kickstarter is not charity, although there is certainly a need for charity in this moment. Kickstarter is a platform to engage your community, reward them, and encourage them to support your work. A few weeks ago, Kickstarter launched Lights On , a call for projects that "sustain your cultural space, event series, creative organization, or independent business". <https://www.kickstarter.com/lights-on> If you own or operate a cultural space, a local beloved business, an event series, or some other community treasure and want to engage your community in your reopening plan, Kickstarter Lights On is for you. You can learn more about it here .

Funding Friday: Keep The Faith NYC

URL: <https://avc.com/2020/05/funding-friday-keep-the-faith-nyc/>

Date: 2020-05-15T06:34:15

Content:

I just backed this project and got myself a great hoodie to wear this fall when we hope to be back in NYC.

r/CryptoCurrency Moons

URL: <https://avc.com/2020/05/r-cryptocurrency-moons/>

Date: 2020-05-14T14:18:38

Content:

We have been looking for ways in which crypto assets can go mainstream. Our interest and investment in Dapper's crypto games is an effort in that area. So is our involvement in the Libra project . We also have been involved in legacy mobile and web apps that have built cryptocurrencies inside of them. Kin and Props are two examples of that. But we are also always looking outside of our own portfolio for examples of ways in which crypto assets can go mainstream. And I saw yesterday that two subreddits, r/Cryptocurrency and r/FortNiteBR , have issued crypto assets on the Ethereum blockchain using the ERC20 token standard. The crypto asset associated with r/Cryptocurrency are called Moons. The crypto asset associated with r/FortNiteBR are called Bricks. They are very similar assets but they are not the same. I don't play FortNite but I do own cryptocurrencies, so I am a bit more interested in Moons and hope to accumulate them by actively engaging in the r/CryptoCurrency community. Here is how Moons work . Moons are a new way for people to be rewarded for their contributions to r/CryptoCurrency . They represent ownership in the subreddit, they are tokens on the Ethereum blockchain controlled entirely by you, and they can be freely transferred, tipped, and spent in r/CryptoCurrency . Claim your Moons in the new Vault section of the Reddit iOS or Android app! It will be rolled out gradually over the next two days and will be in beta testing until later this summer.

https://www.reddit.com/r/CryptoCurrency/comments/gj96lb/introducing_rcryptocurrency_moons/ The new Vault section of the Reddit mobile app now has an Ethereum wallet that can store Ethereum tokens, like Moon. And as you engage in the community, you earn Moons in your wallet. I think this is an interesting experiment and could bring more users into the crypto ecosystem. I hope to earn some Moons over the next few months and you may want to do the same.

Location and Work

URL: <https://avc.com/2020/05/location-and-work/>

Date: 2020-05-13T08:25:13

Content:

I am confident this pandemic will end. At some point, we will have a vaccine, therapeutics, and/or broad based immunity. When that will happen is less clear to me. I believe that at some point, we will be able to resume living and working as we did prior to the pandemic. However, I am also confident that we will not resume living and working exactly as we did prior to the pandemic because some of the things we have adopted to get through this will reveal themselves as comparable or better than what we were doing before. One of the places this is happening is knowledge work which is a growing percentage of the workforce in the US. What we have seen in this pandemic is that knowledge workers have been able to be comparably productive working from home and that has caused many large (and small) employers to consider different work/location options. Yesterday, Twitter told their employees that most of them can work from anywhere going forward: News: Twitter will allow its employees to work from home forever. @jack just emailed the company about it. Details here: <https://t.co/KvvozuQ8Qn> — Alex Kantrowitz (@Kantrowitz) May 12, 2020 A number of our portfolio companies have made that decision already as well: This week, we rolled out Work from Anywhere. — Will keep our NYC office as HQ (these are desks at a co-working space) — Anyone can work from anywhere in the U.S. — Michael Karnjanaprakorn (@mikekarnj) April 22, 2020 I can imagine large and small banks, law firms, accounting firms, media and entertainment companies, and other knowledge based businesses making similar decisions. I am not saying that remote work is ideal. There is something very valuable about being able to be in the same physical space as your colleagues. USV will likely keep an office for exactly that reason. But it is also true that USV is operating incredibly well during this pandemic and we have not (yet) missed a beat. What this means for large cities where many companies that engage in knowledge work are centered is an interesting question. I saw this chart this morning on Benedict Evans' Twitter: People have been calling the end of SF for long time, but it's worth remembering just how much the price delta has opened up in the last decade. For many people it no longer matters how driven you are if you can't afford a second bedroom pic.twitter.com/4suajjd1gS — Benedict Evans (@benedictevans) May 13, 2020 That compares two of the most expensive cities in the US (and world) to each other. And as bad as NYC is on the affordability index, SF is way worse. So when you combine these two situations; large knowledge work hubs getting prohibitively expensive and remote work normalizing, it would seem that we are in for a correction. What is less clear is where knowledge workers who can increasingly work from anywhere will choose to live (and work). Will cities remain attractive for the quality of life they offer (arts, culture, nightlife, etc)? Or will the suburbs stand to gain? Or will more idyllic locations like the mountains or the beach become the location of choice? Or will second and third tier cities become more attractive? I do not have a crystal ball on this question. I suspect it will be some of all of the above. But this may become a big deal. Like the "white flight" that happened in the 50, 60s and 70s in a number of large cities in the US. Wholesale movement of large groups of people can have profound changes on regions. Like many disruptions, this is both bad and good. Affordability (or lack thereof) and gentrification have been a blight on our cities. If we can reverse that trend, much good will come of it. This may also be helpful in addressing the climate crisis which remains the number one risk to planet Earth. So there are reasons to be excited about this. But wholesale abandonment is terrible. We should do whatever we can to avoid that. It is early days for this conversation. But it is one we are going to have all around the US, and possibly all around the world. So it is time to start thinking about it.

Investing In Learning

URL: <https://avc.com/2020/05/investing-in-learning/>

Date: 2020-05-12T06:40:22

Content:

USV has invested in the education sector for a bit more than ten years. We kicked things off with an event we called Hacking Education back in March 2009. We have focused on “direct to learner” businesses and have mostly avoided investing in companies that sell to the established education system. This has been a good strategy and we have assembled a fantastic direct to learner portfolio that includes companies like Duolingo , Quizlet , Skillshare , Codecademy , and Outschool . We've been doing some work to understand this portfolio in the light of this remote learning moment we are in. This portfolio reaches hundreds of millions of learners all around the world each month. Many learners use these products for free. A small percentage of learners pay. And yet this portfolio will generate close to a half a billion dollars of revenue in 2020. Another interesting thing about this portfolio is that none of these companies have spent a lot of capital building their businesses. They have all been very capital efficient and most are cash flow positive at this point. What this tells me is that direct to learner businesses are very attractive. They can serve a very large number of learners very efficiently, they can lightly monetize and yet produce massive revenues because of their scale, and they don't require a huge amount of capital to build. We hope to find more businesses like this to invest in as we think we are just at the beginning of rethinking how we want to learn and educate. If you want to see some of this in action, you should check out Codecademy's Learn From Home Day tomorrow, May 13th, starting at 10:45am ET. It looks to be a fun day of learning.

Leadership Has A Price

URL: <https://avc.com/2020/05/leadership-has-a-price/>

Date: 2020-05-11T05:52:59

Content:

We've been watching the ESPN series The Last Dance along with something like 6mm other fans who are watching it right now. It is a reminder of how dominant Michael Jordan was in the 90s and what a special player he was. I woke up thinking about the last three minutes of episode 7 which dropped last night. Michael is asked if his intensity has come at the expense of being perceived as a "nice guy." He gets pretty emotional and says "Winning has a price and leadership has a price. I pulled people along when they didn't want to be pulled, I challenged people when they didn't want to be challenged. I earned that right." ... "Once you joined the team, you lived at a certain standard that I played the game. I would not take anything less." ... "One thing about Michael Jordan is that he never asked anyone to do anything that he didn't do." It's a great piece of television and captures the essence of the man, how competitive he is, and how emotional he is about it all. It also captures the burden of leadership and what is required to get everyone to commit to each other and be the best that they can be. Leadership is not being liked. Leadership is being respected and followed. And the last three minutes of episode 7 capture that so well.

Funding Friday: The Arbus Box

URL: <https://avc.com/2020/05/funding-friday-the-arbus-box/>

Date: 2020-05-08T06:43:34

Content:

This pandemic has challenged us all in many ways. But it has also provided time for many of us to tackle things we've long wanted to do. Today, I would like to blog about an example of that. Kirk Love is well known to many AVC readers. He is also the designer of this blog. And he is a good friend. Kirk is also very fond of Kickstarter. He has backed over 300 projects on Kickstarter over the years and he has tipped me off to so many great ones that I have gone on to back. And Kirk has always wanted to do a Kickstarter project of his own. Well he finally found the time to do that and he has a great project up right now called The Arbus Box. I will let him explain it to you (video link here for email recipients): I backed it earlier this week. If you want to join me in supporting Kirk's creative project, you can do that here .

Growth

URL: <https://avc.com/2020/05/growth-2/>

Date: 2020-05-07T06:46:31

Content:

One of the great joys of the work I do is I get to watch the leaders of our portfolio companies grow over time. I've had a number of moments over the last few months where I got off a call or a meeting and thought to myself "wow, she's a new person." Growing as a leader takes time, mistakes, failure, feedback, and a lot of work. You don't magically show up as the CEO and you are good to go. It's not like that at all. The authority to make the final call doesn't mean that you are good at it and that people will line up behind your decisions. It is a process and like all processes, it requires time and patience. But for those who are committed to personal growth, there is a path. Two syndromes I see quite frequently are "deer in the headlights" and "I've got this." They are both tell tale signs of a leader who isn't there yet. Deer in the headlights is pretty obvious to everyone. The leader just doesn't seem steady and solid. You can see it in their eyes. I like to provide a leader with deer in the headlights syndrome a lot of support, advice, and constructive feedback. I have seen people go from deers in a headlight to strong decisive leaders in less than a year. It helps to have a gauntlet or two to have to run through. The greater the challenges the deer in the headlight faces, the more quickly they can emerge as a strong leader. "I've got this" is more problematic. The leader acts like they know what they are doing, but they don't. And everyone around them knows it except them. I like to provide a leader with "I've got this" syndrome with a lot of tough love but that is usually not enough. The answer to "I've got this" is usually failure of some sort, often a very significant one. The key is to be there for the failing leader in that moment and help them get through the failure and come out of it with self awareness and a desire to address the issues that have gotten in the way. These are just two of the immature leader syndromes, but they are two very common ones I have seen. I believe that most people have the capacity to be leaders if they want that for themselves. I also believe that leadership is a skill that you never stop learning. And I believe that it requires self awareness, courage, and deep empathy. Sitting at a table and watching a skilled leader work is quite a sight to see. And watching someone grow into that person is one of the great joys of my work.

AVC Comments Migration Complete

URL: <https://avc.com/2020/05/avc-comments-migration-complete/>

Date: 2020-05-06T13:35:41

Content:

Back when we launched the new AVC (AVC 3.0) and moved away from the Disqus comment system, I heard loudly and clearly that the folks who have left comments here at AVC, via Disqus, from 2007 to early 2020, would like to have their comments displayed at the bottom of all of those old blog posts. That was not an easy thing to do because I wanted to migrate all of those comments out of Disqus into the AVC WordPress database so that we have full control over them and how to display them in the new AVC. Disqus was super helpful in getting the comments out, but we ran into a number of issues given that massive number of comments. There were 459,000 comments left on AVC in the "Disqus era." Think about that. Here is an email the team at Storyware, who did the work, sent me explaining their process. They also migrated the comments on GothamGal.com and completed that last month. At first we tried to use the official Disqus Plugin to migrate your comments, but their plugin resulted in errors each time we tried to process a batch of comments. We then looked at writing a custom migration script for the exported XML file that you obtained from Disqus. With nearly 500k comments, your migration file was 397.3 MB in size. This massive file wasn't efficient for testing migration scripts so we tabled this, knowing that we would be migrating a small set of Disqus comments for GothamGal. The GothamGal export from Disqus turned out to be 27 MB, much smaller in size. We used her export file to then develop a CLI tool to process the XML file and migrate the comments into WordPress. This tool worked well, but it relies on holding a lot of items in memory: an array of the Disqus threads (your posts), an array of your Disqus comments, and an array of processed comments that we can use for associating parents with children. This same script just couldn't handle an export file that's the size of the one generated for avc.com. To run the Disqus to WordPress migration for AVC, we developed a plugin that allowed us to perform the following steps: 1/Process all of the threads in the XML file, and store them in a new database table. These threads are needed for grabbing the URL associated with each comment, which can then be used to associate each comment with a post in WordPress. 2/Process all of the Disqus comments in the XML file and also store these in a new database table, which we can use to gradually migrate the comments into WordPress. We did still have to break the huge AVC Disqus export file into 16 pieces in order to save the comments from the XML file into the database ■ 3/Use a Laravel-esque Queue system to run batches of migrations in the background, processing 5,000 comments with each batch. We used the WP Queue package from Delicious Brains for the basis of this functionality, and then created a REST endpoint for triggering the Queue to process. Storyware plans to clean up the plugin and release it as a developer tool in the near future. This turned out to be a pretty big project that took their time and my expense to get done. But I want to honor all of the work that the AVC community put into the comments and that has now been done. You can see what a long comment thread looks like at the bottom of the infamous Marketing post from 2011. We have noticed in the migration logs that some comments didn't make it through because of changes in the associated post's URL after publication, but the overwhelming majority of all your comments were migrated without issue. I do not plan to fix that. I don't believe in letting perfect becoming the enemy of the good. I am relieved that this is now complete. I hope you all are as well.

Learn To Code If You've Lost Your Job

URL: <https://avc.com/2020/05/learn-to-code-if-youve-lost-your-job/>

Date: 2020-05-05T06:26:48

Content:

Learning to code was the thing that unlocked it all for me. I learned to hack in Basic during high school. I parlayed that into a programming job in college, which led to my first job out of college, which then led to a job that helped me pay for graduate school, which led to a job in venture capital. That is why I have made getting computer science broadly deployed in the K-12 system in NYC and around the US the philanthropic effort that I put most of my charitable time into. I really believe that learning to code can put you on a path of opportunity. So I was excited to see that our portfolio company Codecademy, which helps anyone learn to code online, has a program to provide 100,000 displaced workers a free subscription to their Pro product. Here is how it works. For every Codecademy Pro membership that is bought, the company is donating 5 to displaced workers. So far, that has resulted in 50,000 "scholarships" for displaced workers. And I am confident they will reach their goal of 100,000 scholarships for displaced workers. If you are a displaced worker and want to learn to code for free, you can apply here (need to login first). And if you want to learn to code and support five scholarships by doing that, you can do that here .

Quantitative Tightening

URL: <https://avc.com/2020/05/quantitative-tightening/>

Date: 2020-05-04T09:04:02

Content:

I saw this tweet a few days ago and thought "that's clever": Is \$BTC a hedge against economic uncertainty? Our report "Bitcoin's Quantitative Tightening vs. Central Banks' Quantitative Easing" sets out to answer just that. Download it here: <https://t.co/EmEs2vT93d> pic.twitter.com/E8gORKjZSe — Grayscale (@GrayscaleInvest) April 30, 2020 On or about May 12th, Bitcoin will go through its third "halvening" in which the rewards for mining bitcoin will be cut in half. This will reduce the "inflation rate" of new bitcoins being mined and will also change the economics of mining bitcoin. In the past, halvenings have been bullish for the price of Bitcoin over the medium to long term, but there is no guarantee it will play out that way this time. There are a bunch of impacts to the Bitcoin ecosystem of a halvening and the past is certainly not a predictor of the future. However, as the Grayscale tweet above points out, there is a stark contrast between the way Bitcoin works and the way central banks work. Bitcoin is tightening its money supply at the same time central banks are loosening it. That is a reason to have some exposure to Bitcoin in my view. We are long Bitcoin and have been for many years.

Funding Friday: Food Bank NYC

URL: <https://avc.com/2020/05/funding-friday-food-bank-nyc/>

Date: 2020-05-01T09:53:13

Content:

Food Bank For New York City is NYC's leading hunger-relief organization. During this crisis, the number of people turning to their emergency food network has increased by 50% . Here are some interesting stats from their website: \$1 helps provide 5 meals OR \$1/day helps provide 150 meals every month I just donated some money to help feed people in need in NYC. If you want to join me, you can do so here .

Do People Care About Privacy?

URL: <https://avc.com/2020/04/do-people-care-about-privacy/>

Date: 2020-04-30T10:06:19

Content:

I got a lot of feedback on my post yesterday and a bunch of it was around the issue of privacy and whether we really care to keep our personal data private. I think we are increasingly aware of our data and the need to have more control over it and how it is used. When people ask me about this, I like to show them this chart : That is the daily search traffic on our portfolio company DuckDuckGo's private search engine . The 65mm searches a day on DuckDuckGo is about 1% of Google's estimated 7bn searches a day. But it is also the case that search activity on DuckDuckGo is growing faster than Google's search activity. If that continues to be the case, then that 1% can grow to something much more than that over the next decade. People do care about privacy, but the sacrifices we make for privacy must come at a low enough cost that we will make them. As DuckDuckGo has improved its product, more people have used it. The combination of increasing awareness of the issue of data privacy combined with better user experiences for privacy-focused competitors will drive us all to an online experience where privacy has a lot more value to everyone.

Exposure Alerting

URL: <https://avc.com/2020/04/exposure-alerting/>

Date: 2020-04-29T09:16:06

Content:

Christina Farr at CNBC has a good post that details the back story of how Apple and Google came together to implement an interoperable system and a set of APIs and SDKs to allow third parties to build exposure alerting apps on their mobile operating systems. Like many in tech, I have been interested in exposure alerting (which we used to call digital contact tracing) since this pandemic started spreading around the world. I have always believed that these little computers we carry around with us can help solve many challenging problems and this sure feels like one of them. But I was concerned about the need for interoperability, privacy, and security. I told everyone who I talked to about this problem in February and March that I felt like Apple and Google had to implement something in their mobile operating systems for this to work. And I was deeply concerned that would not/could not happen. But it did. And when I heard the news, I was so pleased. Difficult times can make for interesting bedfellows. This tweet cited in Christina's story is great: <https://twitter.com/marcelsalathe/status/1253051812183183365?s=20> Apple and Google's APIs are coming on May 1st and I hope to install an exposure alerting app that runs on them on my phone as soon after that as I can. I hope all of you join me in doing that.

Timing, Luck, and Surviving

URL: <https://avc.com/2020/04/timing-luck-and-surviving/>

Date: 2020-04-28T09:57:54

Content:

This moment we have been living through over the last two months has put pressure on many companies to figure out how to keep the lights on and stay in business. It has also been a second wind for some companies that have been struggling to survive in difficult sectors like delivery, food, and e-commerce. At the intersection of those two things lies a truth that I have seen over the years. If you stick around long enough, you can often catch a lucky break. But that lucky break can't come for you if you didn't figure out how to stick around long enough. Survival instincts are something that I have learned to appreciate in founders. There are other things that are important too, possibly more important, like the ability to get the right product to market, the ability to sell, recruit and raise, and the ability to inspire and lead. Those are all necessary for success. But the survival instinct is related to luck, which is an underrated factor in success. You can't be lucky unless you are at the right place at the right time. And you have to survive for that to happen.

Not All Gross Margin Is The Same

URL: <https://avc.com/2020/04/not-all-gross-margin-is-the-same/>

Date: 2020-04-27T09:32:15

Content:

I wrote a blog post in September of last year arguing that gross margins and operating margins really matter when valuing companies. I argued that “software companies with software margins” are better businesses than tech companies that are not really software companies but a tech-enabled version of some other business. But gross margins, in particular, can be tricky to compare. In some cases, a software business is in the middle of the revenue flow, takes the revenue, and then passes on a lot of it, and is left with what looks like a low margin, but is in fact a high margin. An example of that is the Dutch payment processing company Adyen. Here is a screenshot of a part of Adyen's income statement from Yahoo Finance : So Adyen operated in the last twelve months with an 18.7% gross margin. Many would think that was a “very low margin business.” But the truth is Adyen is simply passing through that \$2.1bn of revenue to financial institutions in the form of interchange and other fees. They do very little with that money. Let's compare that with the big retailer Macy's. Here is a screenshot of a part of Macy's income statement from Yahoo Finance : So Macy's operated at a 40.1% gross margin over the last twelve months, more than double what Adyen operated at. That \$15bn cost of revenue on Macy's Income Statement is the cost of purchasing everything you might find in a Macy's store, the inventory costs associated with that, and the cost and effort of displaying all of that inventory in the stores. So while it is the case that Macy's has more than double the gross margin of Adyen, I believe Adyen has a much more attractive business from a margin perspective than Macy's. That is because Macy's expends enormous amounts of working capital and operating expense and effort in its \$15bn cost of revenue where Adyen expends very little working capital and operating expense and effort in its \$2.1bn cost of revenue. The trick, I think, is to wrap your head around the cost of revenue or cost of goods sold line item in the income statement and think about what is going on there. If it is very little to no effort, and largely just an accounting entry, then you may have a “low margin business” that is actually a high margin business. On the other hand, if it is a lot of work and capital investment to produce those margins, well then you have what you have and that is often a low margin business.

Funding Friday: ROAR

URL: <https://avc.com/2020/04/funding-friday-roar/>

Date: 2020-04-24T16:41:00

Content:

Yesterday, Gabrielle Hamilton, the chef/owner/creator of Prune , a tiny twenty-year-old restaurant in the east village that The Gotham Gal and I and our family have always loved, wrote a piece in the New York Times that really captures the sense of loss we all feel around our favorite local places, particularly for the people who made them what they are every day, day after day, year after year. I can't get her words and the images and emotions they convey out of my head. So I want this Funding Friday to be for people like her, who have given a large part of who they are to serving us. And the cause I've selected is ROAR , Relief Opportunities for All Restaurants. You can follow them here: ROAR's Twitter ROAR's Instagram ROAR and Robin Hood, one of NYC's leading charitable organizations, are partnering with the National Restaurant Association Educational Foundation (NRAEF) to provide direct cash assistance to restaurant workers in New York City facing unprecedented economic hardship as a result of the COVID-19 pandemic. We made a donation today and if you'd like to join us, you can do that here .

Event Driven Growth

URL: <https://avc.com/2020/04/event-driven-growth/>

Date: 2020-04-23T21:23:33

Content:

I realize that most businesses are suffering greatly in this pandemic. Many have been shut completely. But there are some that are experiencing the opposite situation. They have a growth spurt as a result of this moment. Businesses in food delivery, e-commerce, online education, telehealth, remote work, and cloud infrastructure are examples of such situations. I've seen event driven growth spurts over the years. A plane lands in the Hudson and everyone heads to Twitter to see it. A competitor is shut down and everyone shows up on your door. Crypto gets hot and everyone wants in on the action. That sort of thing. And I've been talking to leaders who are experiencing this and wondering how to model out what happens when and if things return to normal. Each situation is different but a framework I like is to take your pre-event baseline, your event driven peak, and assume you will give up half of the delta when things return to normal and that will be your new baseline. That won't be right of course. It's a model. You can revise as real data comes in. But what it suggests is that not all of your new customers will stick around. But some will. And you will have a new and higher baseline. That has been true of almost every event driven growth spurt I have seen in my career.

The Duolingo English Test

URL: <https://avc.com/2020/04/the-duolingo-english-test/>

Date: 2020-04-22T10:26:05

Content:

I wrote about our portfolio company Duolingo's English Proficiency Test back in August of last year. I have always loved the idea that a company that helps people learn a language can also help people prove their fluency in a language. It is two sides of the same coin. But the road to success with the English Proficiency Test has been hard. The "incumbent provider" of English proficiency tests, Test Of English As A Foreign Language (aka TOEFL), has had all of the companies and universities who accept it locked up for many years. And if you are required to certify with TOEFL, well then you take TOEFL. The Duolingo English Test is and has always been a way better product than TOEFL. But in some markets, incumbency matters more than better. One of the primary benefits of the Duolingo English Test is you take it at home on your computer versus having to go to a proctored location. It costs less (\$49 vs \$205). And the test takes one hour vs three hours. And yet, it has been hard to crack into this market. And then the pandemic hit. No more in-person testing. As the international higher education publication PIE News puts it: With the suspension of traditional English proficiency tests in countries most affected by the coronavirus, a wave of US institutions are now accepting the results of the Duolingo English Test , either as stand-alone proof or as a supplement to other measures of English-language proficiency.

<https://thepienews.com/news/us-more-heis-accepting-the-duolingo-english-test-amid-uncertainty/> Duolingo's co-founder and CEO, Luis von Ahn , told me this in an email yesterday: 1. The number of tests we administer per day has gone up 10x! 2. 500 new university programs have begun accepting the Duolingo English Test in the last 8 weeks (we had 1,000 before this). 3. Both TOEFL and IELTS, after spending a lot of time saying that online tests were no good, now have online options. So now the market is open to competition and the best product can win. I'm betting on Duolingo (and have been since we made our seed investment in the company in 2012).

The AVC Cap Table Template

URL: <https://avc.com/2020/04/the-avc-cap-table-template/>

Date: 2020-04-21T09:07:56

Content:

I woke up to this tweet this morning: @fredwilson someone has hijacked your cap table link in this post – it now goes out to some random company rather than your template <https://t.co/UzzIWcAtob> — John Henderson (@johnhenderson) April 21, 2020 I went to that blog post and clicked on the link and sure enough someone had swapped out my cap table template from 2011 with their own cap table. I am not entirely sure how that happened and for how long that has been the case, but I was not going to let that stand. So I went to my google drive and searched and found the cap table that I had built for that post back in 2011, made a copy, made it public on the web but view only, and fixed the link. Phew. If you want to see a cap table and waterfall template in the style that I have become accustomed to over the years, here it is . Hopefully, nobody will hack it again. I will be super careful not to permission anyone to have edit capabilities (which is what I think I may have done accidentally).

Still Open For Business

URL: <https://avc.com/2020/04/still-open-for-business/>

Date: 2020-04-20T17:53:25

Content:

I wrote a blog post on March 12th called Open For Business and thought I would return to the topic. If you search for “vc open for business” on Twitter, you will see almost universal scorn for the idea that VCs are open for business right now. But our experience doesn’t match that scorn. Since writing that post, we have watched a bunch of our portfolio companies close financings, some on the same terms as provided before the pandemic and some on slightly adjusted terms. We have mostly seen VC firms live up to the commitments they made pre-pandemic and in the cases where terms changed, it has not been gratuitous. On our side, we have signed three or four term sheets since I wrote that post, closed on a few of them already, are currently engaged in several processes. We have had to step up to the plate in a few situations and provide interim financing, and we are certainly working very closely with our existing portfolio companies during this challenging time for many of them. But our focus has not moved dramatically away from looking at and investing in new companies and we don’t see a dramatic change in that regard among many of our peers in the venture community. David Kelnar sent me a blog post he wrote addressing some of these trends this morning and I saw this chart in it. I don’t think new investment activity has shrunk from 40% of the industry’s time to just above 20%. From what I see, it has shrunk a bit, but not cut in half. There certainly are funds who are focused on sectors that have taken a bath in the pandemic and in those cases it is natural and appropriate for those funds to be more focused on their portfolios. But I don’t see that across the entire VC landscape. It is always easy to talk yourself into the idea that the door is currently shut for you. But before you do that, I suggest you knock on it. It may in fact be open.

Video Of The Week: Stand With Small

URL: <https://avc.com/2020/04/video-of-the-week-stand-with-small/>

Date: 2020-04-18T12:11:59

Content:

You may have seen this short advertisement called Always Open on television over the last few days. It is part of a larger campaign called Stand With Small that Etsy (where I am Chairman and a large stockholder) is running right now to encourage everyone to support small businesses during this downturn. This 2 1/2 minute video explains the idea in more detail:

Funding Friday: NYC Covid Fund

URL: <https://avc.com/2020/04/funding-friday-nyc-covid-fund/>

Date: 2020-04-17T09:24:23

Content:

We continue to be concerned about the most vulnerable among us and that is where we want to focus our giving right now. To that end, Give Directly has a NYC Covid Fund that will give funds directly to people. Specifically:

GiveDirectly is delivering cash to families enrolled in SNAP (a federal nutrition assistance program) and living in the local ZIP codes most affected by COVID-19. Most recipients are single mothers. Each will receive \$1K.

<https://www.givedirectly.org/covid-19/nyc/> I made a personal donation to this today and I know of a number of other significant contributions to this fund by others. If you want to support it, you can do so here .

In Real Life

URL: <https://avc.com/2020/04/in-real-life/>

Date: 2020-04-16T08:55:32

Content:

We call it IRL "In Real Life" in the tech sector. IRL is the opposite of the virtual reality/online worlds that we have been reading about in science fiction and slowly building over the past three decades. I have heard a number of people assert that this pandemic, when we are staying home and working, learning, and playing online, will rapidly increase our comfort with and usage of the virtual world. I beg to differ. I think this pandemic is showing all of us how much we crave being in real life. After five weeks of total and complete self isolation in our home, the Gotham Gal and I started inviting another couple over for a socially distant cocktail this week. They come and go via our driveway, we sit in the back yard, separated by ten feet. I serve drinks in latex gloves. We talk. After an hour or two, they depart the same way and we wash everything up in warm soapy water and then have dinner back in our self isolation. It has made a big difference to our frame of mind. In person social interaction is the core of being human and I think this pandemic is reminding all of us how vitally important that is. The tech sector will continue to build virtual worlds and online experiences. We will continue to use them, some more than others. They are valuable, efficient, convenient, and entertaining. But they can not and will not replace in real life experiences. This pandemic has shown me that in spades.

Marketing During A Crisis

URL: <https://avc.com/2020/04/marketing-during-a-crisis/>

Date: 2020-04-14T09:11:20

Content:

One of the most fascinating things I've been watching is how the 80 something USV portfolio companies are adjusting their marketing strategies during this pandemic. It is all over the map, based on the unique situations of each and every company, with some pulling back on marketing, some accelerating it, and some keeping it more or less the same. Even the ones who are not changing marketing spend are changing their marketing mix a lot. Digital/performance marketing, whether online or on TV (where there is a lot of targeted performance inventory now – talk to our portfolio company Simulmedia if you want to see for yourself) is really showing its stuff in this downturn as it is responsive to changing demand. Keywords/search is a great example of that. If there are fewer people searching for what you are selling, there is less spend. There are many digital/performance channels that work similarly. Marketing costs have come down dramatically in some channels and companies are taking advantage of that to grow their customer bases and market share. But some channels have gone the other way with increased marketing costs. If you are selling something that everyone wants right now, it may cost you more to reach customers right now. Making sense of all of this is not easy but important. You may have big opportunities that you are missing. Or you may have big problems you aren't seeing. Which is why I'm going to tune into this webinar by my friend David Steinberg and his friend John Sculley on Thursday at noon eastern. Full disclosure, USV is an investor in Zeta Global where David Steinberg is the CEO. I'm curious to hear about how their customers are operating in this environment and what is working and what is not.

Accelerating Working Capital

URL: <https://avc.com/2020/04/accelerating-working-capital/>

Date: 2020-04-13T09:08:03

Content:

As policy makers around the world seek to mitigate the economic shock from this pandemic, one less obvious but powerful place to look are working capital flows. Yes we do need direct relief for small businesses like the forgivable PPP loans. We also need things like payroll tax deferrals and other relief from the CARES Act. We also need our capital markets to work so actions like the Fed is taking are necessary and important. As Sandy Kemper, founder and CEO of our portfolio company C2FO puts it in this blog post : The greatest financial relief we can give small and mid-sized businesses in this economic crisis is faster payment of their outstanding invoices — liquidity. The lending programs being launched by the world's governments and central banks and directed to small and mid-sized businesses are extraordinary, needed and laudatory, but will fall short not just in terms of dollars, but more critically, they will not arrive soon enough for tens of millions of the world's small and mid-sized businesses in dire need. <https://c2fo.com/resources/vendor/how-to-solve-the-16-trillion-small-business-liquidity-trap/> Sandy goes on to calculate that the world's "150 million small and mid-sized businesses, employing 60% of the world's working population and generating nearly 50% of the world's GDP, are owed more than \$16 trillion by their customers, half of which are large companies." Sandy calls that the \$16 trillion liquidity trap. His proposed solution is: low-cost funding specifically for larger companies to pay their small and mid-sized suppliers immediately You can read the entire proposal here . It makes a lot of sense.

Funding Friday: The \$1k project

URL: <https://avc.com/2020/04/funding-friday-the-1k-project/>

Date: 2020-04-10T09:18:40

Content:

This is the fourth funding friday blog post in which I've suggested good causes to contribute to during this pandemic. March 20th – restaurant workers March 27th – health care protective gear April 3rd – feeding people in need Today, I would like to highlight The 1k project . The 1K project was built by Alex from NYC, Minda from Seattle, and a group of over 20 volunteers consisting mostly of tech founders This is an effort to pair people with means with individuals who have lost their jobs and need some help to get through to the other side. A supporter signs up to support one or more individuals who have recently been laid off and have been nominated by their former employer. The support is standardized at \$1k per month for three months. I joined here . You can too. If you decide to participate, you will be asked who referred you. Please say "Fred Wilson" and use this email address for me – t.org. That way they will be able to track the supporters who came via this blog post.

The Internet

URL: <https://avc.com/2020/04/the-internet/>

Date: 2020-04-09T09:27:12

Content:

I linked to a post by Cloudflare CEO Matthew Prince the other day . In it , he wrote: The super heroes of this crisis are clearly the medical professionals at the front lines saving people's lives and the scientists searching for a cure. But the faithful sidekick that's helping us get through this crisis — still connected to our friends, loved ones, and, for those of us fortunate enough to be able to continue work from home, our jobs — is the Internet. The data is kind of incredible. My friend Paul sent me this from Akamai: – Since the week of Feb 10th, Akamai has seen a 30% increase in traffic in four countries with early lock-downs (China, South Korea, Japan, Italy) vs. RoW. – Since the week of March 9th as more countries implemented lock-downs, global traffic saw 30% Y/Y growth vs. 3% on average – Peak traffic has more than doubled Y/Y to 167 Tbps. – AKAM execs calling it the “greatest spike in Internet traffic the company has ever experienced” Cloudflare is seeing similar numbers. Big cloud providers are investing massively in their infrastructure to keep up . I was on a Zoom yesterday and the clarity of the picture was remarkable. I thought to myself, “how are they doing this when everyone is using this service?” And the answer, of course, is that Zoom doesn't have to provide all of the bandwidth for their service. We all do. Netflix doesn't have to provide all of the bandwidth for their service. We all do. The decentralized architecture of the internet is showing itself off right now. And it is a beautiful thing to behold.

Masks4All

URL: <https://avc.com/2020/04/masks4all/>

Date: 2020-04-08T08:38:26

Content:

A couple of weeks ago, I saw this tweet by my partner Albert:

<https://twitter.com/albertwenger/status/1244003302364282882?s=20> I clicked on the underlying tweet thread and learned that some countries have adopted an approach where everyone wears face masks when they are out and about. That way, if you are infected and don't know it, you won't spread the virus to others. It requires everyone, or most everyone, to adopt this approach, which is why they call it Masks4All. So I went to Etsy (Disclosure: I am the Chairman of Etsy and own a large amount of stock) and bought some face masks for my wife and me from a number of Etsy sellers. These are not medical masks. They are fabric masks, some with filters, some without filters. And we have been wearing masks when we leave our home ever since. In the following days, every time we would go out to the market or for a walk, we would notice more and more people wearing masks. We are in Los Angeles right now and I would guess that at least half of everyone out and about in LA right now are wearing masks in public. It could be even more than that. Last week, federal and state and city government officials started recommending wearing masks in public and we started to see even more people wearing masks. Around the same time, Etsy started to see a lot of people coming there to find and purchase fabric masks. So they put out a message to all of their sellers (they have over 2.7mm sellers) asking them to make fabric masks if they can sew and work with fabric. And they massively increased the number of sellers making masks and the amount of mask inventory on Etsy. If you go to Etsy and search for face mask (or mask or fabric mask or something along those lines), you will see this: You can drill down and find the right kind of mask for you, your kids, your parents, or whomever you want to buy one for. I like this story for a lot of reasons. For one, it shows that tens of thousands of individuals can come together and quickly ramp supply of something that everyone wants to buy right now. We don't have to be reliant on a single large supplier. Second, by using fabric masks, we leave the medical mask supply for the healthcare workers which is critical right now. And maybe most importantly, masks can become personal. Mine is different than yours. Maybe I have a bunch of them for various moods, days, times of day, etc. Like t-shirts or hats. If we are going to be wearing masks in public for a while, we might as well treat them like any other item of clothing we wear, make sure they are comfortable, fit well, and look good too. And Etsy is a great place to shop for things like that.

Slowing Down

URL: <https://avc.com/2020/04/slowing-down/>

Date: 2020-04-07T09:41:20

Content:

One of the silver linings to this awful pandemic is that things have slowed down a lot. Not just work. Everything really. I find myself taking more time to do the dishes, work out, meditate, etc. There is less “racing through the day” and more time to do things right and carefully. We clean the house on Sundays and it takes the two of us almost three hours and while I can’t call it enjoyable, there is a certain satisfaction from doing it well and doing it right. My inbox has less in it and I can spend more time talking to people; my colleagues, the leaders of the companies I work with, friends in the business, etc. I find myself being more proactive and less reactive. It feels really good. I would happily trade this good feeling for a world in which nobody is dying and nobody has lost their job. It’s a terrible price to pay for more time. But we are where we are and we can’t go back and change the course of history. What I am wondering is how we keep this slower pace when the world gradually reopens. And will we? I hope so because it is showing me the cost of going so fast and the benefits of going more slowly.

Summer Internships

URL: <https://avc.com/2020/04/summer-internships/>

Date: 2020-04-06T08:24:42

Content:

There are so many challenges facing us right now that the smaller things often get overlooked. One of those things is summer internships for students who are focused on a career in tech. Many companies are struggling to stay afloat and have canceled all of their summer internships. That makes total sense as you can't really consider having summer interns when you are laying off half of your workforce or more. But there are many companies in the tech sector who are going to be able to get through this crisis without major cuts. And I am hoping that they can pick up the slack a bit. Etsy, where I am Chairman, just notified all of their summer interns that they are maintaining the program, but all of the interns will work remotely this summer. That will be challenging for Etsy and the interns, but I am thrilled that Etsy is able to do this. Our portfolio company Cloudflare went a step further last week. They are doubling the number of summer interns they will take. And they are encouraging other companies in a position to do this to follow suit. If you have a summer internship program and are in a financial position to continue it, please consider doing so. A remote internship might not be as great as an in-person one this summer, but it is way better than sitting at home doing nothing.

Funding Friday: Americas Food Fund

URL: <https://avc.com/2020/04/funding-friday-americas-food-fund/>

Date: 2020-04-03T17:27:47

Content:

As we continue to make our way through this pandemic, I keep coming back to the question of how do we help those in the most need right now. Last week it was our health care responders on the front lines , the week before it was workers in the hospitality industry who are now out of work . This week, I'm drawn to this huge GoFundMe campaign that Apple, Laurene Powell Jobs, and Leonardo DiCaprio launched yesterday to raise money for World Central Kitchen and Feeding America, two large charities who run food programs for the poor and dislocated. When things go wrong, it is always those with the least who suffer the most. So I am helping this campaign get to its \$15mm goal. If you want to join me, you can do so here .

The SoundCloud Stimulus Plan

URL: <https://avc.com/2020/04/the-soundcloud-stimulus-plan/>

Date: 2020-04-02T10:52:18

Content:

As Billboard is reporting this morning , our portfolio company SoundCloud is putting up \$15mm to support its creator community in this difficult time for musicians. Musicians can't tour right now. That's a huge part of their earnings. Many are turning to live streaming and I hope that will turn into real money for them. But regardless, everything that supports musicians right now will help. SoundCloud is investing an additional \$10mm in its Repost Select artist services platform to get money into the hands of artists now. They are also making \$5mm of Promote On SoundCloud inventory free to artists. And SoundCloud has made it one-click simple for artists to connect to Kickstarter, Patreon, Bandcamp, and PayPal so their fans can provide direct support. And last but not least, SoundCloud has relaunched its Repost by SoundCloud offering that makes it simple for its artist community to get plays (and get paid) across all of the major streaming services. All of this will help the SoundCloud artist community make more money online while their in-person business is offline. And that is a really great thing.

An Emergency Response Startup Story

URL: <https://avc.com/2020/04/an-emergency-response-startup-story/>

Date: 2020-04-01T15:09:50

Content:

My friend Matt Blumberg, who ran USV's former portfolio company Return Path for twenty years before selling it last spring, got a call from Colorado's Governor Polis two and half weeks ago asking him to fly out and be the founding leader of an innovation startup to help Colorado's Covid 19 response. A large part of Return Path's organization has always been in Boulder so Matt is well known out there. Matt said yes and spent fourteen days getting it off the ground and hiring his replacement before flying back to the NY metro area last weekend. He took notes throughout the entire two week experience and is sharing them on his blog, called Only Once . Here are Days Zero and One Here are Days One Two and Three Here are Days Four Five and Six Matt will post the rest of the days over the course of the next week. You can subscribe to his blog and get the posts via email . I asked Matt to send me the entire thing yesterday and read it last night. It is fascinating reading and I think all of you who start and lead companies will think so too.

Drones - A Socially Distant Way To Get Work Done

URL: <https://avc.com/2020/03/drones-a-socially-distant-way-to-get-work-done/>

Date: 2020-03-31T15:24:11

Content:

If you have a roof that needs to be inspected but you don't want people crawling all over your house right now, if you have mission-critical infrastructure that needs to have its regular inspection done but you don't want third parties in your environment right now, if you want to have your facade inspected but don't want to be putting up a sidewalk shed and all of that, then you might want to use a Drone mission to get that work done. Our portfolio company Dronebase is in that business and has been doing "socially distant" missions for over five years. Over the last three weeks, as much of the US and Europe have shut down with work from home orders, Dronebase has been able to deliver on that vast majority of its missions and is very much open for business . One of Dronebase's smaller customer sectors is media, but they do regularly fly missions for news organizations and here is some imagery of New Orleans that they captured recently for Reuters (video link , image below): Here is some from Santa Monica, where I just was socially distant biking this morning (video link , image below):

Startups and SBA Loans

URL: <https://avc.com/2020/03/startups-and-sba-loans/>

Date: 2020-03-30T09:54:46

Content:

Last week Congress passed the CARES Act which provides a vast array of financial relief provisions to people and businesses in the US. Congress is providing relief to small businesses via a forgivable loan program administered by the Small Business Administration (SBA). The SBA has long been in the business of making small business loans, but the loans under the CARE Act are very different. Here are the primary provisions of these CARE Act loans (cut and paste courtesy of my friends at KE Law): **Loan Program Eligibility.** Any business concern (including franchises) as well as non-for-profit organizations, with no more than 500 employees are eligible to receive a single loan under this Act. The maximum amount of the loan is the lesser of (1) \$10M, and (2) 2.5 times the monthly payroll costs determined over a specific testing period. No personal guarantees or collateral will be required for loan eligibility under this Act. **Loan Proceeds Usage.** Loan proceeds can be used for payroll and other compensation costs, health benefits, insurance premiums, mortgage interest, rent, utilities and interest on other outstanding debt. **Loan Forgiveness.** Perhaps the most important element of the Loan Program is its loan forgiveness element. Pursuant to the Act, borrowers under this Act will be forgiven a specific sum equal to the sum of (1) certain payroll costs, (2) mortgage interest payments, (3) rent, and (4) utility payments that were incurred during an 8-week period beginning on the loan borrowing date. **Forgiveness Penalties.** Given the intent of the Act to save American jobs and salaries, the amount of the foregoing loan forgiveness will be reduced by certain factors. These factors include a reduction in the average number of full-time employees as well as substantially reduction (beyond 25%) in employees' salaries. **Other Terms.** The maximum loan term under the Act will be 10 years (for amounts that were borrowed that are not subject to loan forgiveness), and the maximum interest rate is 4%. The first payment on any loan under this Act will be for at least six (6) months, but not longer than a year. **How to Apply.** Eligible business should seek competent counsel immediately to work on the application, as the loans will begin to be available likely by the middle of April 2020. Required information for the application will include payroll documentation, tax filings, unemployment insurance filings, proof of payment of payroll taxes, mortgage applications and the like. So this sounds great for startups, right? Well not so fast. The law as written requires "affiliates" to aggregate their employees into a total and that must be below the 500 employee threshold in order to qualify for these loans. And most of the lawyers that I have talked to over the last few days read the affiliate provision in the CARES Act such that any venture capital-backed startup would need to affiliate with all of the other startups that are backed by the same venture capital firm or other kind of investor. There are many folks in startup land (lawyers, investors, CEOs, lobbyists, etc) who are working with Congress and the SBA to address this issue. Many of the largest employers in small businesses in the US are backed at some level by investors who back many startups, including angels, seed funds, VC firms, and corporate investors. From what I can tell, based on some work but not exhaustive work, this was not intentional on the part of Congress and there seems to be a willingness to figure this out. If you are planning on accessing these loans, I recommend talking to a lawyer who is well versed in venture capital and startup law and make sure you are looking carefully at the affiliate provision. And if you have a relationship with your elected officials in Washington, you might want to reach out to them and explain that the Cares Act affiliate rules are problematic. It is my hope that this "bug" in the law will get fixed over the next week or so. It may be possible for the SBA to address this issue without the need for any more work by Congress and that would be ideal in my view.

Video Of The Week: The Bill Gates TED Interview

URL: <https://avc.com/2020/03/video-of-the-week-the-bill-gates-ted-interview/>

Date: 2020-03-28T12:58:00

Content:

Earlier this week Chris Anderson, who runs TED, hosted a 45min conversation with Bill Gates . I heard a lot about it in the last few days (it has already had 1.2mm views) and this morning the Gotham Gal and I watched it over our morning coffee. What I like about this conversation is that Bill provides a lot of information and helpful context in a very calm, serious, and helpful way. It made me more comfortable just watching it. And we can all use some comfort right now. If you do watch this, please make sure to stick around to the last six minutes or fast forward to it. It has such a hopeful ending. Bill is a long term optimist about science and technology, as am I, and the talk ends in a discussion around that.

Funding Friday: Helping Healthcare Workers

URL: <https://avc.com/2020/03/funding-friday-helping-healthcare-workers/>

Date: 2020-03-27T08:46:20

Content:

As the coronavirus pandemic spreads across the US, the people who are stepping up the most to meet this challenge are our country's healthcare workers. We should do everything we can to help make sure they can work safely during this crisis. So today I am highlighting two fundraisers for protective equipment for these health care workers. Both are on GoFundMe (which happens to be a USV portfolio company but that is just a coincidence here). I have given to both of them. A Million Masks For NYC – This one was started by a bunch of folks in the NYC tech sector and has raised from individuals (like me) and NYC tech companies. You can give here . Frontline Responders Fund – This is a \$10mm campaign started by Edward Norton and the logistics company Flexport to fund supplying “masks, gowns, gloves and other critical supplies to protect medical professionals in hospitals across the world.” You can give here .

Buying Bitcoin In Your IRA - The Alto IRA

URL: <https://avc.com/2020/03/buying-bitcoin-in-your-ira-the-alto-ira/>

Date: 2020-03-26T09:27:46

Content:

I wrote about the idea of buying Bitcoin in your IRA last year. I got a lot of responses to that post and one of them was from the founder of Alto IRA. I set up an Alto IRA, moved my old IRA over to it, and waited. When they had an alpha version of the crypto service up and running, I bought some Bitcoin in my Alto IRA via their Coinbase integration. Now that service is fully battle-tested and ready for everyone. Here are the details of the Alto Crypto IRA . If you are interested in buying crypto in your IRA, they have a slick Coinbase integration that worked great for me and should work well for you too.

OnCoins

URL: <https://avc.com/2020/03/oncoins/>

Date: 2020-03-25T09:53:33

Content:

If you are a crypto enthusiast like me, how do you stay on top of the daily crypto news cycle? There is crypto twitter, but that's not for the faint of heart. If you hang out there, you know what I mean. You can read the news at Coindesk , Cointelegraph , and the other leading crypto news sites. I do both of these things as well as participate in a number of chat groups where we trade links. It gets the job done, but it's a lot of work. Enter OnCoins , a crypto news aggregator by our friend William Mougayar . It looks like this: You will find the format familiar if you use Techmeme to follow the tech sector news. It's a great format, efficient, clean, fast, and it lets you go deep when you want to. William told me that he has used some technology and some tricks to make this work a bit differently than Techmeme and he has more planned. You can get OnCoins by email once a day if you prefer that format. Sign up here if you are interested. Well done William. I look forward to getting my daily email and staying on top of the fast-moving crypto sector.

Firefox Better Web (with Scroll)

URL: <https://avc.com/2020/03/firefox-better-web-with-scroll/>

Date: 2020-03-24T11:23:32

Content:

Ad blockers are hugely popular. Close to 800mm people around the world use them to avoid intrusive ads and data collection. I do not use an ad-blocker but I completely understand why one would choose to do so. And yet much of the media business is supported by advertising. There are a growing number of subscription-based media services, but many people cannot or won't pay for content and the vast majority of content consumed on the web is advertising supported. So USV has long felt that a subscription-based ad blocker would make a lot of sense. Ad-supported publications could opt-in to get a piece of the subscription revenue and agree to block ads to the subscribers who have the ad blocker. And that is why we invested in our portfolio company Scroll which makes exactly that. And today, Scroll and Firefox are launching Firefox Better Web , which is a service inside of Firefox (\$2.50 a month to start and \$5 a month in time). I downloaded the latest version of Firefox this morning and signed up. It went like this: I signed up by giving my email address and entering my payment credentials. And then I added the Scroll browser extension and was good to go. I visited SB Nation and got an ad-free experience. Which compares to this experience in my Chrome browser without Scroll (Scroll works on Chrome too) The partnership between Firefox and Scroll makes a ton of sense. Firefox has long been committed to privacy and making the web work better for its users. If you use Firefox try the Better Web service . And if you use Chrome or another browser, you can get Scroll and experience more or less the same thing there too.

Teaching Online

URL: <https://avc.com/2020/03/teaching-online/>

Date: 2020-03-23T09:00:12

Content:

I have been teaching in one form or another since college. I helped pay for graduate school by teaching other grad students. For most of my life, teaching has meant standing up in front of a group of people and explaining things to them in a large group setting. But, like many things, that is quickly changing right now. I mentioned that we have a new group of analysts at USV. And we are doing an onboarding program for them where the various partners at USV take turns teaching them things they will need to know during their time at USV. When we planned this onboarding program, we thought those classes would take place in person. But now they are taking place online. This week, I am going to teach a three-hour class on cap tables and liquidation waterfalls. These are the spreadsheets we use to track everyone's ownership in a company and how much money each shareholder gets in a sale transaction. While much of this is straightforward, there are edge cases that can be pretty gnarly. I am looking forward to teaching this class. As I prepared for it this weekend, I decided to create the bare bones of a google sheet that will have one tab for the cap table and another for the liquidation waterfall. The three analysts will act as the three founders of a company and we will simulate three rounds of financings and then a sale of the company. We will all be in the google sheet together and also in a zoom room together. I will coach them through the exercise but they will do all of the work. And as I was planning all of this out and building the bare bones google sheet, I thought to myself, "this may be the single best way to teach this material that I have ever come across." I have taught this material to many people, but never quite like this. We are leveraging two technologies that have come of age in the last ten years; collaborative documents (google sheets) and videoconferencing (zoom). And we are using project-based learning in a small group setting which has always been one of the (the most?) powerful teaching/learning models. The question I am wondering about is once I teach this subject this way, will I ever want to teach it any other way? I think maybe not.

Funding Friday: The Restaurant Workers' Community Foundation Relief Fund

URL: <https://avc.com/2020/03/funding-friday-the-restaurant-workers-community-foundation-relief-fund/>

Date: 2020-03-20T09:26:26

Content:

I mentioned in yesterday's post that when this is all over, I can't wait to go to my favorite restaurants and enjoy their hospitality and food. If they are able to re-open. While many industries are facing difficult times in this crisis, the restaurant and hospitality industry is particularly hard hit. So for today's funding friday, I am encouraging everyone to do what I did this morning – make a donation to the Restaurant Workers Community Foundation Relief Fund . So far, the RWCF has raised close to \$100,000 for this relief fund. I hope they can raise a lot more. The funds will go to these three areas: 50% FOR IMMEDIATE, DIRECT CRISIS RELIEF ASSISTANCE TO INDIVIDUAL RESTAURANT WORKERS . 25% FOR NONPROFIT ORGANIZATIONS SERVING RESTAURANT WORKERS IN CRISIS. 25% FOR ZERO-INTEREST LOANS FOR RESTAURANTS TO GET BACK UP AND RUNNING. There are more details on the RWCF relief fund here . Again, if you'd like to make a donation, go here . Also, if this is a sector you care about, you might want to subscribe to Some Meals Considered , a newsletter written by our daughter. She has been covering the challenges facing the restaurant industry almost daily this week and is surfacing a lot of useful and helpful information.

Correlation and Market Meltdowns

URL: <https://avc.com/2020/03/correlation-and-market-meltdowns/>

Date: 2020-03-19T18:04:32

Content:

On the first episode of Howard's new podcast, his guest said, "in panics, all assets are correlated." I suspect that is true to some extent. When bad news hits, I have seen traders sell quickly, get to cash, and then take some time to evaluate the situation before acting on the news. That is true of a company missing its quarter, a sudden management change, and many other forms of bad news. It is also the case when macro events hit the market. So when a macro event hits the markets, all assets get sold in a "risk off" trade to increase liquidity and buy some time to figure out what is going on. But soon enough, the market starts to sort through winners and losers. That's when things stop correlating. The obvious example is Zoom which is clearly a major beneficiary of this macro event we are in the middle of. Zoom sold off with the market over the last week and a half but has rebounded nicely and year to date is up something like 75%. Blue Apron, which the market had left for dead, is another example of a business that will likely do well in this macro environment, or at least it seems that the market thinks so. Contrast that chart with Bookings, one of the largest (the largest?) online travel businesses, and you can see the lack of correlation. I believe this downturn will see a greater number of winners and losers than most of the downturns I have lived through. That is because we are already into a pretty meaningful transition from an industrial/physical economy to a knowledge/digital economy and the very nature of this macro event is accelerating that transition in many ways. We just won't go back to doing some things the same way. I do plan to go out to my favorite restaurants as soon as I can. But I also plan to fly even less for business when this thing is over. Some things will return to normal. Others won't. And that is what the market will sort out over the course of this downturn and is already busy sorting out. Which takes me, naturally, to crypto. Crypto, to true believers like me, was supposed to be a place to go for safety. We can trust crypto when we can't trust banks or governments, right? Wrong. Bitcoin crashed harder than anything in the first few days of the market selloff. It was down 60% over five days from March 7th to March 12th. But since then it has recovered nicely and is now only down about 30%. Howard's guest was right. In panics, all assets are correlated because the market needs to deleverage. Margin loans get called. Leveraged bets go bad. Weak hands fold. And in crypto that happened faster and more furiously than any other asset class. That's because the market infrastructure is less mature, there are places (largely outside of the US) where you could (and maybe still can) get 100x leverage on a crypto trade, and because these markets are not as liquid and other markets. But now that the deleveraging has happened, we can look at what crypto has to offer. Bitcoin is "hard money." There is a fixed supply of it. 21mm bitcoins to be exact, some of which are gone and are never coming back. Contrast that to what the central banks are doing right now. The printing presses are melting down there is so much money being printed to stabilize the global economy. So if you want to hedge your portfolio from that risk, where can you go? Actually a few places. But one of them is Bitcoin. And I suspect that will be where some smart money will go over the next few months, quarters, etc. But that's not all that crypto has to offer. The entire decentralized finance stack (fintech 2.0) is being built on Ethereum. And we are seeing decentralized bandwidth, storage, and other critical infrastructure being developed in a number of new protocols. I'm not going to write an entire crypto thesis here. But my point is that crypto won't be correlated with the overall market for long. It's doesn't even appear to be a week in.

New Faces At USV

URL: <https://avc.com/2020/03/new-faces-at-usv/>

Date: 2020-03-18T11:50:15

Content:

We onboarded our new analyst team over the last few weeks at USV. As is our tradition, they have each written a "hello world" blog post on usv.com introducing themselves. They are: David Hannah Hanel I can't imagine how hard and surreal it must be to join a new firm just as we are all starting to work from home. So they are going to be challenged getting out of the gate more than prior analyst teams, but I am confident that each of them will rise to the challenge and we are learning some new tricks on how to remotely onboard too. I hope that many of you will get the chance to meet or engage with them. They are a great group of analysts and I am excited to work with them.

Howard and Fred On Panic With Friends

URL: <https://avc.com/2020/03/howard-and-fred-on-panic-with-friends/>

Date: 2020-03-17T13:21:36

Content:

I promised to post this once it is live and it went live today. So here it is:

Outschool needs 5,000 teachers to start offering online classes in the next 2 weeks

URL: <https://avc.com/2020/03/outschool-needs-5000-teachers-to-start-offering-online-classes-in-the-next-2-weeks/>

Date: 2020-03-16T09:30:53

Content:

I tweeted on Friday that our portfolio company Outschool, which offers live K12 classes delivered by real teachers over video, would be offering free classes to those who need them for their kids and can't afford to buy them right now: "we're announcing that we will be making \$100K worth of Outschool classes free for public school K-12 students affected by school closures. To get started taking Outschool classes for free, visit <https://t.co/WX2G9pBRSi> and sign up" <https://t.co/j9nu7bEOvT> — Fred Wilson (@fredwilson) March 13, 2020 As you might imagine, the response to Outschool's offer has been off the charts (an 11x rise in enrollments) and now Outschool is concerned about running short on classes to offer to families that are temporarily homeschooling their kids. So Outschool is looking for 5,000 more teachers who can start offering classes in the next two weeks. If you are a K12 teacher who wants to start teaching online during this downtime, or if you know a K12 teacher who would want to do this, please read visit or share this link. Here is a post by Outschool's CEO explaining all of this in a bit more detail. This is a challenging time for all of us, but being a parent with kids at home who want and need to keep learning is a particularly challenging situation. Thankfully we have a technology, online video, that can help. And we have K12 teachers who aren't at school teaching right now. So getting them online and teaching our kids is a great solution and I hope we can all help Outschool quickly find another 5,000 teachers.

Spring Break At Home

URL: <https://avc.com/2020/03/spring-break-at-home/>

Date: 2020-03-15T09:17:53

Content:

The Gotham Gal and I have been largely self quarantining in our home for the last two weeks and are preparing to continue doing so for a while longer. It's a bit depressing to be honest and I've been looking for ways to get the proper mental state for what could be an extended stay at home. My friend Brad Feld wrote a blog post yesterday calling this "spring break at home." I like that framing. It puts a positive spin on this challenging situation. Our oldest daughter told me that a lot of great work has been done by people when they were under quarantine for the plague. So I've been thinking about what I can accomplish with all of this new found time. Of course I plan to work as USV is open for business. But I also have down time which I am now going to spend at home. We certainly could binge on all of the TV shows we've never watched (Friday Night Lights, Breaking Bad, The Wire, etc, etc) but somehow I doubt that's where we are headed. Our younger daughter suggested I learn French on Duolingo. That's a possibility. She also suggested I finally learn to cook. That probably isn't. Thankfully the Gotham Gal is a fantastic cook so I'm set there. My point is this. It's a shitty situation we are all in right now. But I'm going to try to make the best of my spring break at home and I hope that all of you can too.

Funding Friday: Bold Maid

URL: <https://avc.com/2020/03/funding-friday-bold-maid/>

Date: 2020-03-13T09:55:20

Content:

This reimagination of the card game Old Maid is terrific. I backed it immediately this morning.

Open For Business

URL: <https://avc.com/2020/03/open-for-business/>

Date: 2020-03-12T20:03:42

Content:

I got an email from a well known journalist who covers the VC sector today. He was asking a bunch of VCs a few questions that basically can be summed up “are you open for business?” I answered him with these facts: 1/ We are working on two term sheets for new investments by USV this week and hope to sign them by end of this week 2/ We are closing on several existing term sheets as well 3/ At least one of our portfolio companies received a term sheet this week and hopes to sign it shortly 4/ We have seen a few deals that were in negotiations get put on hold in our portfolio. It will be interesting to see where his informal survey of the VC business shakes out. But from where I'm sitting it seems that much of the VC industry is still open for business and USV certainly is.

Panic With Friends

URL: <https://avc.com/2020/03/panic-with-friends/>

Date: 2020-03-11T19:31:50

Content:

My friend Howard Lindzon has started a podcast series called Panic With Friends. It's about the market meltdown and a lot more. I hope that it turns out to be a short lived series and this panic ends quickly. Episode One was posted today on Howard's blog. He asked me to do an episode with him and although I been saying no to all podcast requests for the last year or two, I'm going to say yes to this. If we have to panic, it's best to do it with friends. I will post the episode I do with Howard here. Likely some time next week.

The Tech:NYC COVID-19 Digest Email

URL: <https://avc.com/2020/03/the-technyc-covid-19-digest-email/>

Date: 2020-03-10T11:48:06

Content:

Tech:NYC , NYC's tech industry association (which I co-chair), has launched a daily email digest for the tech sector to keep up with the latest COVID-19 developments in NYC. Here is the first daily email that went out yesterday afternoon . You can sign up for it here . If you are leading a company right now, it is hard to know exactly what to do and when to do it. Industry associations, like Tech:NYC, can help by accumulating data on best practices and staying abreast of the latest information. There are links to a number of resources on best practices in that first daily email that went out yesterday afternoon. There is a lot of anxiety sloshing around right now and staying calm and making good decisions is important. I am glad that Tech:NYC is doing its part to help with that.

Market Meltdowns

URL: <https://avc.com/2020/03/market-meltdowns/>

Date: 2020-03-09T10:19:58

Content:

Today is a tough day in the financial markets. Who knows where we will end up at the end of the day, the week, or this month. We've already seen the major indexes give up around 20% of their value in a few weeks with today's down moves at the opening. I've seen this movie before. I had just started working in the venture capital business in 1987 when the stock market crashed 23% on "black monday." There was the Internet stock meltdown in 2000 when the internet sector went down something like 80% over that bear market. And then there was the financial crisis in 2008. I don't know if we are in for another of those moments or something else. But I do know that good companies can be bought at very attractive prices when markets meltdown. Back in 2008, I was blogging my purchases of Apple, Amazon, and Google during that crisis. I went back and looked at those blog posts this morning to remind myself of what it was like back then. In this post, I mentioned buying Apple at \$90, Google at \$320, and Amazon at \$40. Those turned out to be fantastic prices when the market bottomed and then started going up again. I eventually sold those positions which of course was a mistake. But even so, it was a great trade. I was buying these three great companies at less than 10x projected annual cash flow. And they went on to increase their cash flow enormously over the next decade. Capital markets sometimes put out the for sale sign and if you are patient and wait for bargains to emerge, they will do that. We are a long way from being able to buy Google and Apple at 10x projected annual cash flow and I am not suggesting we will get to those levels. But I do know that good companies with resilient businesses and strong balance sheets will survive these occasional crises and that they can be bought with confidence at the right time. I also know that market meltdowns cause a lot of unwinding of risk and leverage. This is a painful process and the losses can be enormous for investors and financial institutions. That impacts all capital markets, including the private markets. We may be in for a downturn in all markets and if you have a business that is dependent on the capital markets (ie you are losing money), then you need to be very mindful of that and make sure you are making the financial moves to preserve your cash. On the other hand, if you have a business that is not dependent on the capital markets because you are profitable and/or have a very strong balance sheet, then this environment could be an opportunity to play offense. But you really need to figure out which camp you are in and plan accordingly. I hope that this crisis will end quickly and that things will return to normal soon. But hope is not a strategy. So we all need to be clear eyed and calmly assess our situation and develop a strategy that gives us the best chance of success.

Funding Friday: Gramma and Ginga

URL: <https://avc.com/2020/03/funding-friday-gramma-and-ginga/>

Date: 2020-03-06T10:10:24

Content:

Our portfolio company Kickstarter has a showcase up right now called Long Story Short which features a whole bunch of short film projects that are being funded right now. So I went and looked at them and found this one about two wonderful ladies who are 105 and 101. I backed it immediately.

Flow Playground

URL: <https://avc.com/2020/03/flow-playground/>

Date: 2020-03-05T08:31:37

Content:

Our portfolio company Dapper (creator of Cryptokitties among other crypto games) has been developing a new blockchain designed for high throughput consumer experiences (like crypto games). That blockchain is called Flow . Today, Dapper is opening up the Flow Playground so that developers can start building things on Flow. The Flow Playground is the first taste of what building on Flow feels like: it is an interactive web environment where developers can write Cadence smart contracts and run them against the Flow Emulator being hosted by Dapper. Cadence is the smart contract programming language for Flow and it uses resource-oriented programming concepts to deliver a faster, safer, and better user experiences when it comes to writing smart contracts. Here are some screenshots of what it is like to develop in Cadence in the Flow Playground: If you are a developer who likes to create fun consumer experiences and wants to build something on a blockchain, you should check out Flow and the Flow Playground. You can get started here .

Fan Shares

URL: <https://avc.com/2020/03/fan-shares/>

Date: 2020-03-04T11:58:37

Content:

I've written a bit about "crypto adjacent" projects . These are projects that capture some of the aspects/behaviors/benefits of crypto without being full-on crypto projects. One of these "aspects/behaviors/benefits" of crypto that I like is the fractionalization of ownership. I believe the broader that something can be owned, the better. I also like the idea of early ownership in something by the users. Imagine if all of us who created the content that made Facebook, Instagram, and Twitter what they are got ownership in these services for those contributions. I also like the idea of owning a piece of something that we care about and are passionate about. Like a basketball player. I've been following Spencer Dinwiddie 's efforts to fractionalize his NBA contract and sell it in small pieces to his fans . I like Spencer. He plays for the Brooklyn Nets. He's fun to watch. He plays with a ton of energy. So the idea of "being in business" with him appeals to me. Yesterday I got the opportunity to sign up for this offering: Unfortunately, this offering is only available to accredited (ie rich) investors and is not broadly available to his fan base. That is in order to comply with the laws of the United States, as regulated by the SEC. So this is not quite like Bitcoin where anyone can buy it and own it. But it is a step in that direction and I think it is interesting. I want to hang around this rim and see where the ball bounces on this one.

Outschool can help your school prepare for unexpected closures

URL: <https://avc.com/2020/03/outschool-can-help-your-school-prepare-for-unexpected-closures/>

Date: 2020-03-03T08:29:44

Content:

Our portfolio company Outschool operates a service that allows any teacher to teach a live class over online video. They offer over 10,000 classes by teachers on almost any subject you can imagine. Over 80,000 students have used Outschool to take classes. Yesterday, Outschool announced that they intend to help schools that close due to the Coronavirus keep their students learning and teachers teaching. This is a post written by Outschool's CEO describing how they hope to help. The coronavirus is on everyone's mind. With over 80K+ cases worldwide and more numbers reported daily in the United States it is increasingly becoming clear that schools need to prepare for potential shut downs for prolonged periods. We all hope it can be contained in many countries, or will turn out milder in impact, however, we have already seen some schools close as a precaution and many others prepare. As well as helping families affected by unexpected school closures, Outschool has unique expertise that can help schools themselves prepare. I see it as our responsibility to offer that help now since the CDC has raised the possibility of "internet-based teleschooling". In other words, it's likely that many schools are seeking options to help their teachers continue instruction using online tools. Our team and community have more expertise in how to run online group classes over live video than any other US-based organization, having had 80K learners attend over 300K class hours. We're offering to quickly provide teacher training, webinars and resources on how to continue school online to affected schools and districts. This is not our core business – we want to help and will do this for free. We have already begun partnering with schools in the Bay Area to help prepare them for any closures. We'd like to help schools anywhere that are already affected or are working on readiness plans. We can get started helping with as little as 30 mins on the phone with school leadership or key faculty. If you are a parent or teacher please help us reach school leaders with this offer by sharing this link. If you are a school leader preparing for potential closure please reach out to me at so we can start helping.

The Digital Marshallese Sovereign

URL: <https://avc.com/2020/03/the-digital-marshallese-sovereign/>

Date: 2020-03-02T16:17:49

Content:

I've learned over the years that many of the most important things start out looking like little things or even laughable things. So if you want to laugh at this news, that will make me very bullish on it. The Marshall Islands announced today that they will be issuing a digital version of their national currency, The Marshallese Sovereign, built on top of our portfolio company Algorand's blockchain. The Marshall Islands claims that theirs will be "the world's first national digital currency." I suspect it won't be the last.

Video Of The Week: Albert And Fred Talking Climate At The Upfront Summit

URL: <https://avc.com/2020/02/video-of-the-week-albert-and-fred-talking-climate-at-the-upfront-summit/>

Date: 2020-02-29T09:52:03

Content:

Video of the week is back. This is the first video of the week post since we launched AVC 3.0. I don't plan to do this every week, but I will do it some weeks. About a month ago, my partner Albert and I took the stage at the Upfront Summit and talked to Erin Griffith of the New York Times about USV's developing interest in companies focused on tackling the climate crisis. For those reading via email, if the video embed doesn't show up, you can find the video [here](#) .

Funding Friday: Rocketbook Orbit

URL: <https://avc.com/2020/02/funding-friday-rocketbook-orbit/>

Date: 2020-02-28T08:58:41

Content:

Rocketbook is a serial Kickstarter creator, having done five successful projects already. They make notebooks and note pads that you can write on but also save your work to the cloud. They are back with the Rocketbook Orbit which is a “legal pad” that saves your work to the cloud. I backed it this morning.

The Venture Capital Math Problem Revisited (aka How Could You Be So Wrong?)

URL: <https://avc.com/2020/02/the-venture-capital-math-problem-revisited-aka-how-could-you-be-so-wrong/>

Date: 2020-02-27T12:09:50

Content:

Back in 2009, I wrote a post called The Venture Capital Math Problem . I was reminded of it yesterday when I saw this tweet: 1/ It is so damn hard to predict the future. This 2009 piece from @fredwilson (literally the best in the biz) predicted significant venture industry contraction when in fact the last 10yrs have seen massive expansion. <https://t.co/B88t5W6yYA> — Ben Siscovick (@bsiscovick) February 26, 2020 In that post, I argued that the venture capital business could not sustain more than \$20bn a year of new capital coming into it and continue to produce good returns to the investors in VC funds. The venture capital business has been raising north of \$50bn per year for much of the last decade and so far, the returns continue to look quite good. So what did I get wrong in my attempt to solve the venture capital math problem? I think it set the problem up correctly but I got one assumption very wrong and it was this: And I assume that the biggest exit each year is \$5bn. Yes, it is true that some venture investments turn into businesses like Apple, Google, Microsoft that are worth \$100bn and more. But it is also true that most VCs are long gone from those deals before the valuations get to that level. So for the sake of solving this problem, I'd assume the largest exit each year is \$5bn and then you have a power law distribution of another 999 deals. I'll assume that the biggest deal, \$5bn, represents 5% of the total value of all 1000 exits and that the total value of all exits is \$100bn per year. That was off by maybe an order of magnitude or more. Uber IPO'd at \$70bn and still trades at north of \$50bn. Zoom is now trading at \$32bn. Out of the USV portfolio in the last decade we have Twitter at \$26bn, Twilio at \$16bn, and MongoDB at almost \$10bn and a number of high quality public companies trading in the single digit billions. I suspect that last paragraph that I quoted should read "the biggest deal, \$50-100bn, represents 5% of the total value of all exits (likely north of 2000, possibly a lot more) and the total value of all exits is \$1-2 trillion per year" By that math, keeping all other assumptions, formulas, and math the same, the max that can be invested in VC is maybe as much as \$100bn per year and we are still well below that level based on the numbers I am seeing. So what did I learn from this mistake? I learned that you can't assume that the past is a predictor of the future. And I learned that it is helpful to ask yourself "what could go right?" instead of "what could go wrong?" It is also true that the last decade has been one of incredibly low interest rates/cost of capital, and conversely very high PE and revenue multiples on growth stocks. And we have seen companies like Uber, Facebook, etc stay private much longer so the VCs have exited at much higher valuations than was once the case. We cannot assume that will continue either and it may well be true that the \$50bn-\$100bn that is going into the venture capital business right now will not get the same returns that the \$20bn that was going into the venture capital business in 2009 has gotten. But regardless, I was dead wrong in that post back in 2009 and I have learned from it. As I have aged, I tend to underwrite to the upside not the downside. That has not been my nature but I have learned that it works better, particularly in the VC business. Finally, I do not regret writing that post one bit. As I replied to Ben's tweet when I saw it: One of so many bad calls I've made over the years. All public. All available for critique. But I can, and do, learn from my mistakes and so can anyone else because I've made them in public. — Fred Wilson (@fredwilson) February 27, 2020

From Start-up To Stand-out: What Distinguishes High Growth Potential

URL: <https://avc.com/2020/02/from-start-up-to-stand-out-what-distinguishes-high-growth-potential/>

Date: 2020-02-26T10:40:51

Content:

My partner Rebecca brought an appreciation for and an understanding of marketing to USV and it has made us better investors and it has helped us assist our portfolio companies with their marketing efforts. Rebecca is going on Simulmedia Live tomorrow at 2pm ET to talk about startups, marketing, growth strategies, and how she thinks about all of these issues in identifying attractive investments and helping our portfolio companies with their growth strategies. If you want to listen in, you can register here . Simulmedia is a USV portfolio company that offers internet style advertising products via a national scale television advertising network. As more and more internet channels have become saturated, many startups and growth companies have turned to Simulmedia to help them make TV work the way that their tried and true internet channels have worked for them. It should be an interesting discussion tomorrow.

Some Thoughts On Coronavirus

URL: <https://avc.com/2020/02/some-thoughts-on-coronavirus/>

Date: 2020-02-25T08:58:08

Content:

I mentioned it yesterday but given its impact on global health and capital markets, I thought I'd share a few things I've read and watched in the past few days that I found helpful (both shared on Twitter by my friend Phil). This is a conversation that was held last week at Johns Hopkins Business School: This is a good article from The Atlantic This is the Johns Hopkins Live Map . I like the headline of The Atlantic piece: You're Likely to Get the Coronavirus. Most cases are not life-threatening, which is also what makes the virus a historic challenge to contain. I think we should prepare ourselves for Coronavirus to be like the flu. It will be everywhere, including the US, and many of us will get it. A few of us will get really sick but most of us will not. I am not suggesting we should not be alarmed and do what we can to protect ourselves, our families, our companies, our communities, etc, etc. We absolutely should. If you run a company, you should prepare your employees and your company for a worsening outbreak. But I do not believe we should panic. I think there will be panic and that is understandable. But, I think remaining calm, getting prepared, and understanding what is going on and what is not going on is the best approach.

Videoconferencing's Moment

URL: <https://avc.com/2020/02/videoconferencings-moment/>

Date: 2020-02-24T09:29:57

Content:

I am going to spend much of today in my Zoom room participating in several meetings around the country and around the world. If you look at Zoom's stock price over the last month, since the outbreak of the Coronavirus, you will see that the market thinks that I am not the only one who will be doing that. The combination of limiting travel due to Coronavirus fears and the desire to lower carbon footprints tells me that we may have reached videoconferencing's moment. Maybe attending a meeting in person is a thing of that past and video'ing in is our future. If so, we may look back at this winter of 2020 as the moment that happened.

Funding Friday: The 7th RiffTrax Live Campaign

URL: <https://avc.com/2020/02/funding-friday-the-7th-rifftrax-live-campaign/>

Date: 2020-02-21T09:41:25

Content:

These guys have been using Kickstarter, and a bunch of other online platforms, to support their live shows riffing on “campy B-movies.” I love the underground, indie creative community and these guys are a great example of that. I backed this project this morning.

My 1985 Nike Air Jordan Investment

URL: <https://avc.com/2020/02/my-1985-nike-air-jordan-investment/>

Date: 2020-02-20T13:57:52

Content:

Earlier this week I purchased 1% of a collection of five 1985 Nike Air Jordan sneakers using our portfolio company Otis' mobile app . I paid \$330 for ten shares (out of a total of 1000 shares) implying a value of \$33,000 for the five pairs, or roughly \$6600 each. This page shows the highlights of this sale, including a video, a link to the investment deck, and a link to the offering circular. The Air Jordans offering sold out quickly but luckily I got a push notification on my phone alerting me to the "drop" and I was able to secure an interest in the collection in less than a minute. It was a lot of fun to do. I have bought interests in nine collectibles via the Otis app over the last few months. The idea of breaking up collectibles into small interests and creating/making a market in them is a very interesting idea. It allows people who appreciate these items and understand their value to participate in the appreciation without having to be super wealthy. I like that very much. I also like that Otis is a "crypto adjacent" business. Our friend Jesse Walden coined that term and I really love it. It suggests that there are non-crypto based applications, like Otis, that will deliver on some of the promises of crypto and prime the pump for what a fully crypto-based application can do for us. Otis could have been built on a blockchain and these security interests in Air Jordans could trade on a blockchain, but that is not how it works today. It may go there in the future. But regardless, we are starting to see how technologies like crypto can open up a market to everyone, or at least a lot more people, and that is very exciting to me.

Going Back In Time To Understand The Present

URL: <https://avc.com/2020/02/going-back-in-time-to-understand-the-present/>

Date: 2020-02-19T15:23:48

Content:

Our portfolio company Recount Media is doing some of the finest reporting on the presidential race right now. This 2 minute 16 second video goes back over Mike Bloomberg's debate appearances in his time as NYC's Mayor and shows how many of the questions he faces now were in fact questions he faced back then. It's interesting to watch this and see if we see some of the same responses this evening. Please don't take this blog post as an endorsement of Mike Bloomberg. I am very much in listen and learn mode right now and don't need to make a choice until NYC votes in late April. A lot may change between now and then.

Being In The Flow

URL: <https://avc.com/2020/02/being-in-the-flow/>

Date: 2020-02-18T08:20:08

Content:

I have been investing in developer tools since the earliest days of my VC career. The first investment I led in the late 80s was a financing that provided the funds to acquire a programming editor called Brief . It was a text-based editor for PCs. That investment worked out but we didn't make a lot of money on it. Brief was eclipsed by other better editors. But that did not cool my interest in developer tools. I have always believed that supporting the people who build software is a great business and it is. At USV, we have made developer tools a key area of investment and some of our most well-known successes like MongoDB, Twilio, and Stripe are developer tools. But as I learned from my Brief experience, all developer tools are not equal in terms of creating business value. Last week, I was discussing this in a texting session with my partner Nick . And he observed that the tools that have produced the most value for the founders and investors, including USV, are the tools that are "in the flow" and not on the side. That was quite an "aha moment" for me as it clarified something that I have longed felt intuitively but could not articulate. Now I can. I think this is true for many other areas of software. If you build software that sits in the flow of something important (mission critical, recurring, etc) then it will increase in value over time, and sustain its value, much more significantly than something that "sits on the side." So when thinking about what to build or what to invest in (it is the same thing, just depends on if you are investing time or money), try to be in the flow.

Entertainment vs Utility

URL: <https://avc.com/2020/02/entertainment-vs-utility/>

Date: 2020-02-17T09:45:14

Content:

The news this week that HQ Trivia has finally called it quits reminded me of this post I wrote back in 2012 about the difference in sustainability (and thus value) between entertainment and utility apps. What is interesting to me is if you could use a social app or an entertainment app to get to another place (distribution, platform, blockchain, financial services, etc, etc). That feels like a much more sustainable place to be. But very few social apps and games have been able to do that. And the result has been a predictable boom/bust cycle that has not produced a lot of value for founders or investors.

Funding Friday: End Of The Line

URL: <https://avc.com/2020/02/funding-friday-the-end-of-the-line/>

Date: 2020-02-14T06:18:56

Content:

This Kickstarter project seeks funding to continue making a documentary about the NYC Subway Crisis. I rode the subway a lot this week and it is essential infrastructure for millions of people every day. Shining a bright light on its challenges is something I support and I backed the project today.

Tech Jobs For All Who Want Them

URL: <https://avc.com/2020/02/tech-jobs-for-all-who-want-them/>

Date: 2020-02-13T08:55:56

Content:

The tech sector is the fastest growing sector of the economy in NYC and around the US and around the world. The tech sector offers high paying jobs and a growing number of them. But, as we all know, the tech sector lacks the gender and racial diversity that would allow everyone to benefit from this growing sector of the economy. Most of the studies that have looked at the lack of diversity point to a skills gap standing in the way. So last year Tech:NYC (where I am co-chair) and a few large employers (Google, Verizon, Bloomberg LP) and the Robin Hood Learning and Technology Fund commissioned a study of the skills training programs in NYC to see where there are gaps and what must be done to close them so that tech jobs are available to everyone in NYC who wants one. This report was done by the Center for an Urban Future and was released yesterday. You can read it here . What the report reveals is that NYC has a rich and expanding ecosystem of tech skills training opportunities, including K-12 and adult education. But, as we all know, the quality is uneven and so are the outcomes. The report makes twelve recommendations which are detailed here. They are: 1. Make a significant new public investment in expanding and improving New York City's tech education and training ecosystem. 2. Set clear and ambitious goals to greatly expand the pipeline of New Yorkers into technology careers. 3. Prioritize long-term investments in K-12 computing education. 4. Scale up tech training with a focus on programs that develop in-depth, career-ready skills. 5. Build the pipeline of educators and facilitators serving both K-12 and career readiness efforts. 6. Close the geographic gaps in tech education and skills-building programs. 7. New York City's tech sector should play a larger role in developing, recruiting, and retaining diverse talent. 8. Increase access to tech apprenticeships and paid STEM internships through industry partnerships, CS4All, and the city's current Summer Youth Employment Program. 9. Expand efforts to market STEM programs to underrepresented students and their families. 10. Develop and fund links from the numerous computer literacy and basic digital skills-building programs to the in-depth programs that can lead to employment. 11. Expand the number of bridge programs to provide crucial new on-ramps to further tech education and training for New Yorkers with fundamental skills needs. 12. Develop major new supports for the non-tuition costs of adult workforce training. I participated on the advisory board of this study and support all of these recommendations. Elected officials and policy makers in NYC (and really everywhere) should read and heed these recommendations. The tech sector faces many headwinds in society right now for a host of reasons. Not all of them can be solved by an employee base that mirrors the planet. But many of them can be and we need to work to get there. I want to thank the Center For An Urban Future, Tech:NYC, Robin Hood Learning and Technology Fund, Google, Verizon, and Bloomberg LP for giving us a roadmap on how to get there.

Andrew Yang

URL: <https://avc.com/2020/02/andrew-yang/>

Date: 2020-02-12T07:41:17

Content:

I am sorry to see Andrew Yang leave the race for the Democratic nomination last night. He brought a sense of humor, fun, and a ton of new ideas to the slog that is called the primaries. He will be missed. I hope he shows up somewhere else and lends his considerable talents to our nation. Our portfolio company Recount Media did a really nice tribute to his time in the race and there is a short version of it on YouTube which I've embedded below (which won't come through on email). If you download the Recount mobile app or go to their website you can see the longer version .

USDC

URL: <https://avc.com/2020/02/usdc/>

Date: 2020-02-11T07:01:17

Content:

I just bought some US Dollars today. I do that many days. But the dollars I bought today are crypto assets, like Bitcoin and Ethereum. These US Dollar assets are called USDC and they are issued by an industry consortium called Centre, led by Circle and our portfolio company Coinbase. I expect many other companies will join the Centre consortium in the coming months and years. I have been waiting to buy USDC for quite a while. As a NY State resident, I was prohibited from buying them on Coinbase, where I like to buy and hold my crypto assets. I read this morning that the NYS DFS had finally greenlit the sale of USDC to NYS residents and I went to Coinbase and made my purchase. USDC is a stablecoin, like Tether or Libra. It is designed such that it has a stable value. I bought my USDC tokens for a dollar each this morning. The idea is that I will be able to sell them for a dollar each in an hour, a day, a week, a month, a year, or a decade. The way Centre does this is they have a reserve. Everybody that spends dollars to buy USDC invests those dollars in the USDC reserve. And so when I want to sell USDC, the reserve is there to supply real dollars to me. The USDC reserve is audited and you can see the audit reports [here](#). So why would I want crypto dollars vs paper dollars or dollars in a bank account? Well for one, crypto dollars, like other crypto assets, ride on crypto rails. I can send my crypto dollars from my Coinbase wallet to your Coinbase wallet, your Ledger wallet, or many other crypto wallets. USDC is built on Ethereum and is an ERC-20 token. So it uses crypto standards to ride on these crypto rails. But more than all of that, USDC are programmable dollars. This is a big deal. Kind of like the difference between an MP3 file and song on a cassette tape. Once an asset is natively digital, without any strings attached, and can be programmed and routed digitally, interesting things happen. If you have cash balances in your Coinbase account, consider using at least some of them to buy USDC. Then send them around to friends and family. It will feel like using Venmo today. But that is just the start of a lot more to come once programmers start building apps that accept USDC and other crypto assets. We are emerging from a two year crypto winter right now. Lot's of interesting things are starting to happen. It's exciting to see.

Computer Science For All NYC

URL: <https://avc.com/2020/02/computer-science-for-all-nyc/>

Date: 2020-02-10T08:14:18

Content:

About ten years ago, I started asking why we weren't teaching computer science to every student in the NYC public school system. That led to a journey that started with some computer science high schools and eventually got to a ten year program to get computer science teachers in every school building in NYC and computer science classes for every student. That program is called Computer Science For All and this short three-minute video explains what it is and how it works.

Funding Friday: Squids In Disguise

URL: <https://avc.com/2020/02/funding-friday-squids-in-disguise/>

Date: 2020-02-07T10:00:45

Content:

Kickstarter CEO Aziz Hasan is running a Make 100 project called Squids In Disguise where he will make 100 surprise sticker packs. 80 packs will contain 5 limited edition art stickers at random from at least 10 packs will be a special edition of 5 Super Squids (Superhero exclusive) 10 packs will be a special edition of 5 Kickstarter-themed squids The reference for the artwork will be all nostalgia from my childhood, specifically cartoon and video game characters that I loved growing up, reimagined as squids.

<https://www.kickstarter.com/projects/ahzzzz/squids-in-disguise-limited-edition-art-stickers> I really like it when the CEO of a company uses the product or service publicly. I backed Aziz's project today.

A SEC Safe Harbor For Crypto

URL: <https://avc.com/2020/02/a-sec-safe-harbor-for-crypto/>

Date: 2020-02-06T14:00:26

Content:

SEC Commissioner Hester Pierce proposed a “safe harbor” for crypto projects that raise money before they are sufficiently decentralized. I am a big fan of “safe harbors” and wrote a bit a few years ago about why I like them so much and why a crypto safe harbor is such a needed and good idea. There is a chicken and egg problem in financing crypto projects. These projects need investment capital and community involvement/buy-in to get to market and begin the process of decentralization. But the SEC views crypto-tokens as securities until the crypto-networks are sufficiently decentralized. And so crypto projects get stuck in this never never land and have to craft crazy frankenstein financings or risk getting sued by the SEC (and/or both) in order to raise money and get their tokens in the hands of community members. I encourage the SEC to take Commissioner Pierce’s proposal seriously and adopt a workable safe harbor for crypto projects here in the US. We have seen the crypto capital markets and so much of the innovation in the sector move offshore and a safe harbor would be incredibly helpful in getting it back onshore (I couldn’t help the nautical metaphor).

The Zoom Room

URL: <https://avc.com/2020/02/the-zoom-room/>

Date: 2020-02-05T15:00:44

Content:

A year and a half ago, I converted my office at USV from a classic office with a desk to a small conference room with a couch, a chair, and a display for videoconferencing. I call it my "zoom room." It looks like this. You can't see the display because it is on the wall that the couch is facing. But that is my zoom room office at USV. I like it so much that I have recreated it elsewhere and my friend Brad Feld gave me a tip that I am now using which is to have two displays on the wall, one for the people you are meeting with and one for the presentation material. That is a big improvement to version 1.0 which I have running at USV. My day is usually all about meetings. I meet with people in conference rooms, I meet with people in my zoom room, and I meet with people on Zoom. So I don't need a desk and I don't need a traditional office anymore. The move to this new office model has been very positive for me.

Creating A Competitive Shaving Market

URL: <https://avc.com/2020/02/creating-a-competitive-shaving-market-2/>

Date: 2020-02-04T08:57:29

Content:

The FTC filed a complaint to stop the merger of Edgewell (Schick) and Harry's yesterday. I don't have a vested interest in this case in any way (other than having had a summer job working for Gillette in 1980). But it is a very curious action in my view. Over the last decade, two new competitors have emerged in the shaving market in the US, Harry's and Dollar Shave. They have brought innovation and competition to a market that has long been dominated by Gillette and Schick. In 2016, Dollar Shave sold to Unilever, joining Gillette (owned by P&G) in the hands of consumer packaged goods giants. In May of 2019, Harry's and Edgewell (Schick) announced their intention to merge and create a strong competitor to Unilever and P&G in the shaving market. As I understand it, the leadership of Harry's plans take over the Schick brand and bring its marketing and innovation talents to the combined business. This Recode post on the FTC action has some interesting numbers in it: According to the research firm Euromonitor, Gillette held 47 percent of the US men's razor market in 2018, with Edgewell's brands, which include Schick and Wilkinson Sword, combining for 13.6 percent of the industry. The Harry's brand, which started selling online but now has a large presence in both Target and Walmart stores, had just a 2.6 percent share at the time, according to Euromonitor. Dollar Shave Club owned 8.5 percent of the US market in 2018, according to Euromonitor, and is owned by Unilever, following a \$1 billion acquisition in 2016 .

<https://www.vox.com/recode/2020/2/3/21120169/harrys-ftc-acquisition-edgewell-schick-gillette-dollar-shave-club> So the FTC thinks that stopping a merger of the number two and four brands in a market is good for competition? I think it is bad for competition and keeping Harry's and Schick separated will just allow Unilever and P&G to dominate this market going forward. I don't understand what the FTC is thinking or doing with this case in the least.

Tech in 2020: Standing On The Shoulders Of Giants

URL: <https://avc.com/2020/02/tech-in-2020-standing-on-the-shoulders-of-giants/>

Date: 2020-02-03T09:05:05

Content:

Our friend Benedict Evans posted his annual “macro trends” deck this weekend. You can also download the PDF [here](#) . In the deck, Benedict poses the question “what is the next S-Curve?” And while he doesn’t exactly answer that question, these two slides are revealing: There is a lot more in the deck, particularly around regulatory issues in tech and it is well worth a quick skim this morning.

The Long Buy

URL: <https://avc.com/2020/02/the-long-buy/>

Date: 2020-02-02T10:34:33

Content:

One of the many things that venture capital has taught me is the value of the long buy. What I mean by a “long buy” is buying shares in a company over a long period of time. We have investments where we have bought shares seven or eight times over a ten to twelve year period. There are a bunch of reasons why a long buy is so attractive: 1/ You get to learn more about the opportunity before committing significant funds and each and every subsequent investment is based on a better understanding of the business, the team, the market, the product, etc. 2/ You get to build a blended purchase price which is less dependent on the circumstances of a particular moment in time. 3/ There is often a moment, sometimes several, over the course of a long buy when the company or its market is out of favor, and you can aggressively step up your purchase on more attractive terms than were possible in the first few purchases. 4/ When you own a lot of each and every security (Seed, Series A, Series B, Series C, etc, etc), you are less impacted by the specific terms of any one of the rounds. There is a special place in the venture capital landscape where this sort of investing is possible and practiced, and that is the traditional early-stage venture capital fund. Seed funds tend to get tapped out after two or three rounds. And growth funds don't come into an opportunity until the company has raised three or four rounds. But the traditional early-stage fund can start in the seed round, and keep investing round after round after round until the company no longer needs to raise capital. This is super attractive and not appreciated as much as it should be. There are not that many asset classes where the manager has a pool of long term locked up capital and the opportunity (and the right) to invest again and again in a company. This combination is possibly the most attractive aspect of the venture capital asset class. The competition to invest in Seed and Series A rounds is not really about the right to make that initial investment. It is about the right to execute a long buy. And the firms that do that, company after company, fund after fund, are typically the best performing firms in the venture capital business over the long run.

Funding Friday: Walsun Fingerprint Bike Lock

URL: <https://avc.com/2020/01/funding-friday-walsun-fingerprint-bike-lock/>

Date: 2020-01-31T09:43:39

Content:

I don't usually take a reward when backing a Kickstarter project, but I really need one of these fingerprint bike locks so I did today when I backed it.

You Can't Fire Your Investor

URL: <https://avc.com/2020/01/you-cant-fire-your-investor/>

Date: 2020-01-30T09:30:08

Content:

I saw this tweet coming out of the Upfront Summit yesterday (where I will be today): Josh Kopelman of First Round Capital: we can look at every company we've ever funded, and learned that the time from first email/contact to term sheet has shrunk from 90 days in 2004 to just 9 today. — Dan Primack (@danprimack) January 29, 2020 It is great that the capital markets serving founders have become hyperefficient. Being able to get a round done in a week vs a quarter is huge for founders who have better things to do than run around the country talking to VCs. However, there is a dark side to this trend and that is the reality that shotgun marriages don't often work out so well. You might be able to get a VC into your cap table in a week but try getting them out. That's almost impossible. Which reminds me of this tweet exchange with some friends about the Knicks ownership situation:

Site Reliability Issues

URL: <https://avc.com/2020/01/site-reliability-issues/>

Date: 2020-01-29T14:37:00

Content:

Since launching AVC 3.0 on January 9th, we have had some site reliability issues. The most common issue is a “too many redirects” error that has been reported by many people and is intermittent and not easily reproducible. That said, a number of you have been able to create .HAR files and send them to me. Thank you for doing that.

Siteground and Cloudflare are now debugging this issue and we hope to have it resolved soon. I have found that clearing your cache in your browser can help with this issue, but even so, I want to resolve it properly and hope to be able to do so soon. Last week we had a DDOS attack from China that was caught by Cloudflare and mitigated, but it did result in a short amount of downtime and required blocking several IP addresses at Siteground. And finally, Siteground had some unplanned downtime this past week as well. This is not a great way to start out of the gate with a new version of AVC and I am sorry about it. Those of you who get AVC via email and RSS should not have noticed anything as those services were not impacted to my knowledge.

Justworks

URL: <https://avc.com/2020/01/justworks/>

Date: 2020-01-28T11:58:24

Content:

I just posted about USV's investment in Justworks on the USV blog . I have known Isaac Oates for over a decade and he's a terrific entrepreneur and has built a great company which offers a fantastic HR solution to small and mid sized companies. If you don't love the payroll and benefits solution your company uses, go here and find out how Justworks can change that for you and your employees.

Billie Eilish

URL: <https://avc.com/2020/01/billie-eilish/>

Date: 2020-01-27T09:20:04

Content:

It was nice to see Billie Eilish and her brother Finneas O'Connell run the table on the Grammy's last night. It was yet another sign that the age of self made artists is upon us. As is our custom, my partner Andy and our friend Whitney posted some music to Twitter today. Andy and I went with Billie Eilish. it's fun to go back and listen to her early stuff on SoundCloud. <https://t.co/auxqxaO2sd> so nice to see her and her brother get the props they deserve. — Fred Wilson (@fredwilson) January 27, 2020 Which led to this response by Arnold: i like to believe that great art and great artists have the tools today to bypass that top driven industry and be heard on their own terms. — Fred Wilson (@fredwilson) January 27, 2020 The music industry remains vital and is enjoying a financial renaissance as streaming platforms provide a massive earnings stream for the industry. But underneath all of that is the fact that great art and great artists now have a much easier time finding their audience and being discovered. And that's a great thing, just like Billie's music .

Funding Friday: Haeckel

URL: <https://avc.com/2020/01/funding-friday-haeckel/>

Date: 2020-01-24T09:00:38

Content:

What a wonderful project . I backed it today.

Tech:NYC at the NYSE

URL: <https://avc.com/2020/01/technyc-at-the-nyse/>

Date: 2020-01-23T10:58:52

Content:

Tech:NYC is NYC's tech industry advocacy group. According to its 2019 Annual Report , Tech:NYC has over 800 member companies representing all shapes and sizes of tech companies in NYC. I am the co-chair of Tech:NYC. Today, the NYSE decided to celebrate tech startups in NYC (some of whom will eventually make their way to the NYSE) by inviting the leaders of Tech:NYC and some member companies to ring the opening bell. This tweet has a short video that shows the scene as it unfolded: NYSE Opening Bell ■: @TechNYC celebrates tech startups in NYC <https://t.co/CBrUHdTsaJ> — NYSE ■ (@NYSE) January 23, 2020 Here is a photo if you can't see the tweet: If you are a tech company in NYC and want to be part of Tech:NYC, please go [here](#) and learn about the member companies, what it takes to become a member, and join.

Stack Today, Stack Tomorrow

URL: <https://avc.com/2020/01/stack-today-stack-tomorrow/>

Date: 2020-01-22T16:35:09

Content:

Our portfolio company Stack Overflow (which I like to call Stack) is an Internet Treasure. My friend Mark Pincus introduced me to the concept of an Internet Treasure many years ago and I am a fan of the notion. In my view, an Internet Treasure is a service on the Internet that is wide open, gets better when more people use it, and solves a need that many/all of us have. Wikipedia is an Internet Treasure. Quizlet is an Internet Treasure. Reddit is an Internet Treasure. And Stack is an Internet Treasure. There are many more out there but you get the idea. Stack has a new leader and his name is Prashanth Chandrasekar. Prashanth wrote a "State of the Company" post yesterday on the Stack blog and I would like to highlight a few sections from it. First, this is what an Internet Treasure looks like by the numbers: Across Stack Overflow and the Stack Exchange network, we saw around 10 billion page views from 100+ million unique visitors over the course of 2019. In 2019, Stack Overflow added over 2.8 million answers and 2.6 million new questions, with over 1.7 million new users joining the community. There are now over 18 million questions and 27 million answers on Stack Overflow, and over 150,000 people sign up for a Stack Overflow account each month, 12 years after we started. Every day, users answer thousands of questions on topics like cloud technology, container orchestration, and machine learning. There is an ever growing trove of knowledge on Amazon Web Services, Google Cloud Platform, and Microsoft Azure. Our community members and volunteer moderators handled almost two million flags to keep inaccurate, abusive, unwelcoming, or inappropriate content off the site and in line with our updated Code of Conduct. Hundreds of thousands of engineers leveraged the power of Stack Overflow for Teams to better collaborate and ship products faster. Over 40,000 jobs were posted on Stack Overflow Jobs in 2019. We now have over 1,000,000 searchable profiles of developers who are interested in being contacted about a job on Stack Overflow Talent. Almost a million developers found new and useful tools after seeing a company advertise on one of our sites. New leaders don't want to sit still. They arrive, take measure of the people and the business, and then make big plans. And this is how Prashanth is thinking about the future of Stack: 1/ Continue to invest in the community, insure that the Code Of Conduct evolves to maintain the trust and safety of the community, and broaden the number of developers who fully engage in a the community. 2/ Continue improve and invest in Stack Overflow For Teams which allows organizations to use the same tool for internal knowledge sharing as they use for external knowledge sharing 3/ Expand the Advertising and Talent offerings to offer developers easy access to new tools and new career opportunities. 4/ Build and expand the team so that the Company can be responsive to the needs of developers and move quickly to adapt as the developer ecosystem changes. 5/ Stay true to the mission of supporting the needs of developers and technical workers and help them succeed in their jobs and develop their careers. I am excited to see Stack flourish under Prashanth's new leadership. That's what we should want for all of our Internet Treasures.

The Management Rights Letter

URL: <https://avc.com/2020/01/the-management-rights-letter/>

Date: 2020-01-21T08:52:10

Content:

A friend asked me over the weekend “why do VCs ask for a management rights letter when they make an investment?” A management rights letter is a short agreement between a company and an investor to allow them certain “management rights.” These are typically the ability to attend board meetings, the ability to have access to financial reports on a regular basis, and the ability to advise and consult with the management of the company. While it is nice to have these “rights”, the need for this letter actually has very little to do with how venture capital firms want to work with a portfolio company. The existence of these letters has everything to do with where the venture capital firms get their funds from. If a VC firm has pension fund investors who are subject to ERISA regulations (as USV does), then they need to be a “venture capital operating company (VCOC)”. And one of the best ways to make sure you are considered a VCOC is to have management rights letters for all (or most) of your investments. This post on Startup Lawyer explains it well: Venture funds request these rights in order to obtain an exemption from regulations under the Employee Retirement Income Security Act of 1974. Absent an exemption, if a pension plan subject to ERISA is a limited partner in a venture fund, then all of the venture fund's assets are subject to regulations that require the venture fund assets to be held in trust, prohibit certain transactions and place fiduciary duties on fund managers. However, a “venture capital operating company” is not deemed to hold ERISA plan assets. To qualify as a VCOC, a venture fund must have at least 50% of its assets invested in venture capital investments. In order to qualify as a venture capital investment, the venture fund must receive certain management rights that give the fund the right to participate substantially in, or substantially influence the conduct of, the management of the portfolio company. In addition to obtaining management rights, the fund is also required to actually exercise its management rights with respect to one or more of its portfolio companies every year.

<http://www.startupcompanylawyer.com/2007/12/03/what-is-a-management-rights-letter/> So as annoying as these letters are, it really doesn't make a lot of sense to try to negotiate away these agreements as the venture capital firm that is asking for it really does need these rights in order to be in business with their limited partners.

Peak Decade

URL: <https://avc.com/2020/01/peak-decade/>

Date: 2020-01-20T11:53:32

Content:

I read this post on Bloomberg about a theme this week at Davos (never been) about the 2020s being a “Peak Decade”: Peak Globalization (tighter borders in the coming years) Peak Capitalism (the emergence of “stakeholder capitalism”) Peak Inequality (the rich getting poorer, relatively) Peak Youth (an aging world population) Peak Climate Change (I sure hope so) Peak Oil (I sure hope so) Peak Cars (I sure hope so) Peak Central Banks (go crypto!!!) Even if some (most?) of these predictions are wrong, the very fact that leaders at the highest levels of business and government are having this conversation is encouraging. We are leaving the industrial age behind and moving into the knowledge age and we need to leave some things behind as we make that transition. My partner Albert’s book is a good read if you want to dig deeper on this topic.

Funding Friday: The Thinker Lamp

URL: <https://avc.com/2020/01/funding-friday/>

Date: 2020-01-17T10:21:50

Content:

I love this project and backed it instantly when a friend showed it to me last week.

USV's Climate Thesis

URL: <https://avc.com/2020/01/usvs-climate-thesis/>

Date: 2020-01-16T09:35:07

Content:

My partner Albert wrote a bit about how USV is investing in the climate/sustainability sector today . The high-level summary is “not very differently than we have and are investing in other sectors”. At USV, we like certain business models, go to market approaches, and product types and that won't change as we add climate/sustainability to our focus areas of wellness, knowledge, and capital. Albert's post mentions the two investments in climate/sustainability that we have made so far and they will look familiar to those who have followed USV's investments to date. Leap is an API for connecting smart devices to the energy markets. Kind of like Twilio, Stripe, etc for markets like demand response and more. Wren is a community and funding platform for carbon sequestration and more, using offsets as the incentive for consumers. Kind of like Kickstarter, GoFundMe, etc for getting carbon out of our environment. I am excited about this extension of our thesis 3.0 and have been working with the USV team to identify appropriate sectors of this market for us and interesting companies to meet and, possibly, invest in.

The Crucible Of Leadership

URL: <https://avc.com/2020/01/the-crucible-of-leadership/>

Date: 2020-01-15T10:19:11

Content:

Yesterday evening, the Gotham Gal and I went to see Jerry Colonna do a reading from his recent book, *Reboot: Leadership and the Art of Growing Up*. As we were standing around chatting waiting for Jerry to go on and start reading, Jerry mentioned that he once wrote a guest post for AVC. So I went back and read it this morning. It is great and I am reposting it for all of you to read this morning. ————— The Crucible of Leadership Work is difficulty and drama, a high-stakes game in which our identity, our self-esteem, and our ability to provide are mixed inside us in volatile, sometimes explosive ways...Work is where we can make ourselves; work is where we can break ourselves. David Whyte, *Crossing The Unknown Sea: Work as a Pilgrimage of Identity*. Fred started this series inspired by Bijan who urged folks to “invest in your team, help them become better managers.” The topic, said Fred with his flair for understatement, “is very important.” Over the weeks, different people looked at the process of building the capacity to actually lead—putting the team in place, scaling people, everyone argued may be the hardest part of building the company. To me, the hardest part of scaling people is learning to lead your self. The Crucible They often come to me, their coach, because they don't have any place else to put the feelings. They'll sit on my couch, or pace while they talk on the phone, pausing as we grapple with issue after issue after issue. The common denominator is always people. When I first take on a client I warn that I don't have a magic wand. Nevertheless their wish for some elixir to mend their relationships is heart-breakingly visceral. When they start, they often think the hardest part is figuring out what to do but they're inevitably knocked on their ass by the task of leading. And when they make mistakes—when they fail to lead—their identity, self-esteem, and ability to provide—as David Whyte notes—sometimes explode. We all too often break ourselves in the work of becoming a CEO, a manager, a leader. The only answer, the only balm against the inevitable existential pain of becoming the leader we were born to be is to see the lessons implicit in the practice of becoming. “In the course of studying how geeks and geezers became leaders,” writes Warren Bennis in the introduction to his classic, *On Becoming a Leader*, “...I discovered that their leadership always emerged after some rite of passage, often a stressful one. We call the experience that produces leaders a crucible...the crucible is an essential element of the process of becoming a leader...Some magic takes place in the crucible of leadership...The individual brings certain attributes into the crucible and emerges with new, improved leadership skills. Whatever is thrown at them, leaders emerge from their crucibles stronger and unbroken.” The magic, the alchemy, occurs when what we do mixes with who we are and is cooked by the heat of what we believe. Take as an example a client I worked with intensely over the last few weeks. She and a co-founder have been killing each other (okay, I have a flair for the overstatement...still, they have both been getting sick with a host of ailments—migraines and stomach problems). The arguments had gotten so bad that neither could stand to be in the same room with the other. Even I was exasperated. During one late night call, I asked my client to forget, for a moment, whether her co-founder was right or wrong. “I don't care who's right,” I said with my voice rising. “The only thing we have to focus on is what are you supposed to be learning from this.” There was a long silence. I thought, “Okay. You've really pushed her too far. You and your woo-woo ‘lessons in the pain’ crap.” But then: alchemy. She opened up. “This is really shameful to admit,” she began, “but I know I'm a pain in the ass because I have to be right, all the time. I know it's wrong but I can't stop myself.” And with that we had something to work with. I pressed her: Given this tendency, what do you really believe? What values do you hold? What kind of company do you want to build? And what kind of adult do you want to be? Over the next few weeks, on guard for her need to be right, we carefully went to work changing her approach to the co-founder. For her, the crucible moment came in facing her shame, acknowledging who she really has been and as a result she got to choose how she wanted to manage and who she wanted to be. We forge our truest identity by facing our fears, our prejudices, our passions, and the source of our aggression. The Buddhists teach that for the steadfast warrior to emerge, we've got to break open our hearts to what is. *Eat Me If You Wish* “One day,” begins a story re-told by Aura Glaser in the latest issue of *Tricycle Magazine*, “[the Buddhist saint] Milarepa left his cave to gather firewood, and when he returned he found that his cave had been taken over by demons. There were demons everywhere! His first thought upon seeing them was, ‘I have got to get rid of them!’ He lunges toward them, chasing after them, trying forcefully to get them out of his cave. But the demons are completely unfazed. In fact, the more he chases them, the more comfortable and settled-in they seem to be. Realizing that his efforts to run them out have failed miserably, Milarepa opts for a new approach and decides to teach them the dharma. “If chasing them out won't work, then maybe hearing the teachings will change their minds and get them to go. So he takes his seat and begins... After a while he looks around and realizes all the demons are still there...At this point Milarepa lets out a deep breath of surrender, knowing now that these demons will not be manipulated into leaving and that maybe he has something to learn from them. He looks deeply into the eyes of each demon and bows, saying, ‘It looks like we're going to be here together. I open myself to whatever you have to teach me.’ “In that moment all the demons but one disappear. One huge and especially fierce demon, with flaring nostrils and dripping fangs, is still there. So Milarepa lets go even further. Stepping over to the largest demon, he

offers himself completely, holding nothing back. 'Eat me if you wish.' He places his head in the demon's mouth, and at that moment the largest demon bows low and dissolves into space." Surrendering to the demons that torment your organization does not mean abdicating your responsibilities to manage. You are still responsible for dealing with the reality of what is. In some cases, the demon is the wrong vision for the company. In others, it might be that you've hired the wrong people. In still others, it might be your own failings—like an inability to admit that you're wrong. But in all cases, allowing your self to be eaten by the demon that remains—acknowledging the ways you contribute to the problem without descending into pointless self-flagellation—adds to the heat beneath the crucible. Without heat, there is no alchemy. On Becoming Your Self When I was a young Padawan , I remember lamenting to my therapist about my own fears as a manager. After a series of infuriating questions, she got me to admit that I was trapped by my own beliefs about success. I finally admitted I would never be satisfied until I was as successful as Bill Gates. Being myself was never good enough and, as a result, being comfortable in my own leadership was impossible. "If you bring forth what is in you, what you bring forth will save you. If you do not bring forth what is in you, what you do not bring forth will destroy you." Jesus , Gospel of Thomas It was only later, after allowing myself to bring forth what is in me, that I emerged not only as a leader but a Jedi master. Joel Spolsky, in his guest post for this series, tackled what I hear all too often in my workshops. He takes the Steve Jobs Question head on. He writes: "And yes, you're right, Steve Jobs...was a dictatorial, autocratic asshole who ruled by fiat and fear." But, importantly, he points out "you are not Steve Jobs." Just like I am not Bill Gates. Indeed, I think what Jesus taught was a simple truth: the only choice that doesn't destroy you is to be the leader you were born to be. The alchemy of becoming your self is the ultimate act of leadership. Listen close enough and you'll hear echoes of this from every conceivable source. Phil Sugar, tells us who he is and what he believes in the simple statement that, "My biggest legacy is the network of people I've hired and what they've gone on to do." Matt Blumberg, having gone through his own crucible challenged conventional wisdom (and the advice of Fred), choosing instead to invest in his team. "We consistently work at improving our management skills," he notes adding that, "We learn from the successes and failures of others whenever possible." JLM writes: "Develop a philosophy of management. Write it down. Try it out on some folks whose wisdom you admire. Put it to work..." and, my favorite, "Live it." I read in all these thoughts a steady, consistent wisdom: the wisdom of knowing yourself, your own beliefs, and living them. Enduring the alchemical crucible requires developing the capacity to reflect, to turn the pain of the everyday life as a leader into lessons. Every wisdom tradition I've ever encountered—from Fred's blog to the words of sages—ultimately demands the same thing: we must go inward. That's often the biggest obstacle to becoming your self. The frenzied, frenetic, do-it-now, answer-the-email-now-or-the-company-will-die-even-though-it's-3 a.m. attitude is precisely the wrong process of becoming your self. Joseph Campbell , writing in The Power of Myth , says, "You must have a room, or a certain hour or so a day, where you don't know what was in the newspapers that morning...a place where you can simply experience and bring forth what you are and what you might be." Call that room, at that hour, the crucible of leadership.

The AVC Daily Email

URL: <https://avc.com/2020/01/the-avc-daily-email/>

Date: 2020-01-14T11:46:07

Content:

Most of you read AVC via email. Today, all of you will see a refresh of the look and feel of the daily email to match the refresh we did to the website last week. I want to thank Phil Hollows of Feedblitz who made this happen for all of us. And Kirk Lov e who created the new look and feel and helped a bit with the email work too. A few stats: There are about 29,000 email subscribers to AVC. The daily open rate hovers around 40%. So roughly 12,000 people a day read AVC via email. That compares to an average day when about 6,000 people stop by the website and several thousand more who subscribe to and read the RSS feed on a daily basis. I hope you all enjoy the new look and feel.

Marketing

URL: <https://avc.com/2020/01/marketing-2/>

Date: 2020-01-13T08:57:16

Content:

I used this title for possibly the most regrettable blog post I have written on AVC back in 2011. My friend Alex's post on the topic this weekend has made me revisit my thoughts on the subject of marketing. Alex starts off his post with this assertion: 2019 was the year when VCs and startup founders soured on paid acquisition. I am not sure if that is true, but if it is, it suggests a dramatic change in the startup playbook. Back in 2011, I wrote: He said "every company needs a marketing budget." It seemed like a strong reply but in truth not one of our top performing companies had a marketing budget in their initial business plan. That is certainly no longer true. The 2010s were a decade in which startups mastered marketing and channels like Facebook and Instagram emerged to satisfy their demand. But what if that game is over? What if that well has gone dry? Alex suggests we have to go back to virality and customer to customer marketing in his post . I think we are more likely headed to something new and I am not entirely sure what that is. And the Google/Facebook/Instagram well has not exactly "gone dry". But it sure feels like steady-state to me now. It is a must-do but you can't beat the competition there anymore because everyone is there. So here we are. At the cusp of something new because we need it. Now we need to figure out what it is.

Funding Friday: Make 100

URL: <https://avc.com/2020/01/funding-friday-make-100-3/>

Date: 2020-01-10T08:55:25

Content:

Kickstarter kicks off the new year with a campaign called Make 100. The idea is to stimulate a lot of smaller projects where the creator makes 100 of something. It's a hodgepodge of creativity in the best sense of the word. Here are the current crop of Make 100 projects live on Kickstarter . I just went and backed a bunch of them. It's so much fun. My favorite is this project where the creator, JJ Chuan, is going to make 100 city maps out of old cassette tapes. I just love that.

AVC 3.0

URL: <https://avc.com/2020/01/avc-3-0/>

Date: 2020-01-09T16:14:33

Content:

Welcome to the new AVC. This is the third “iteration” of this blog. The first iteration (AVC 1.0) was the Typepad era during which I redesigned AVC a number of times using Typepad’s tools. That lasted from September 2003 to February 2014. About six years ago, we moved AVC to WordPress and did a significant redesign (AVC 2.0) and very little has changed since then. AVC 2.0 had a nice long run and served its purpose very well. But for most of the last year, I have wanted to make a number of changes to AVC: 1/ I wanted to move to a new host. I have been struggling to maintain the hosting infrastructure by myself and that has resulted in a number of outages, some only visible to me, some visible to all of you. 2/ I wanted to get a professional developer team involved that I can rely on from time to time to help me with technical issues. 3/ I wanted to improve search so that we can all find those old blog posts that we know exist but are no longer on the front page. 4/ I wanted to move to a more minimalist design where the blog posts are the main thing you notice when you come here. 5/ I wanted to find a way to continue to allow discussions without having to manage/maintain/moderate a full-blown comment community. I am happy to report that I was able to do all of that with AVC 3.0: 1/ AVC is now running on Siteground . We continue to use Cloudflare for security and caching. We now use AWS for backups of the WordPress data. 2/ AVC is now supported by Storyware who will help me manage the hosting infrastructure and will be available to make tweaks to the UI when/if necessary. 3/ AVC search now runs on Algolia which will allow me to tweak and improve search relevancy over time to make it easier to find older blog posts. 4/ AVC has a sleek new design, made by Kirk Love , which is minimalist and copy centric. 5/ Comments are gone, replaced by a very cool WordPress/Twitter plugin developed by my colleague Nick Grossman which was built on top of this existing WordPress plugin . Those are the big changes. Many things remain the same. 1/ You can continue to subscribe to AVC by email and RSS. We continue to use Feedblitz and Feedburner , respectively, to power that. 2/ We continue to maintain an archive of old blog posts by date and category and a specific archive for MBA Mondays . 3/ We continue to show full blog posts on the front page in reverse chronological order. 4/ We continue to run the USV Team Posts widget so you can see what my colleagues at USV are blogging about. There are two important changes that I would like to talk about a bit more. I have typically blogged every day, including weekends. I tend to post audio or video on Saturdays and write a regular blog post on Sundays. I am going to move to optional blogging on the weekends. I will sometimes write on Sundays and I will sometimes post audio or video on Saturdays. But I will not commit to doing that every weekend. I have already started to do this and some of you may have noticed it. You will notice this change in the About page . AVC has always had comments. Initially on Typepad’s comment system. Then powered by Disqus , a former USV portfolio company. Disqus is a fantastic product, built and maintained by a terrific group of people. It is the best commenting system in the market by a very long shot. But managing, maintaining, and moderating a comment community is something that you must actively work on. I have done that assisted voluntarily by a number of AVC regulars, most notably William Mougayar , and also Shana Carp . I very much appreciate all the work they have done on this over the years. But I have tired of the work and I imagine that they have too. So we have moved to hosting the discussions of AVC blog posts on Twitter. You will see two buttons at the bottom of a post. The first button allows anyone to easily post a comment as a reply to the @AVC tweet announcing a new blog post. The second button will allow you to see the entire comment thread on Twitter. Kirk initially suggested this approach of using Twitter to host discussions to me. My colleague Nick developed the functionality and it has been running on his blog for a few weeks now. He built it on top of this existing WordPress to Twitter plugin . The “Discuss On Twitter” functionality is now running on USV.com in addition to Nick’s blog and AVC. I think Twitter is a fantastic place to host discussions and I hope that other bloggers that use WordPress will adopt Nick’s plugin . And I plan to show this plugin to Jack and others at Twitter in the hopes that they will adopt it and make this a feature of Twitter than can run on all blogging platforms. I hope you like AVC 3.0 as much as I do. And I hope that you will continue to get as much value out of it as I do.

What Is Going On With AVC? (continued)

URL: <https://avc.com/2020/01/what-is-going-on-with-avc-continued/>

Date: 2020-01-08T08:52:14

Content:

I have received a bunch of questions from AVC regulars about this temporary design and what is going on with AVC. As I wrote in the first post in this series :), a couple of files in my WordPress configuration got deleted during the year-end holidays, messing up the look and feel of AVC pretty badly. At the same time, I have been working with Kirk Love (a longtime friend) and a WordPress design firm called Storyware to design and build an entirely new AVC. I am pleased to let all of you know that this shiny new AVC will launch tomorrow with a blog post from me talking about the new design and what we are trying to do with it.

Mass Transit In LA

URL: <https://avc.com/2020/01/mass-transit-in-la/>

Date: 2020-01-07T14:52:37

Content:

This is the sixth winter we have spent in Los Angeles. One of the things I have had the hardest time getting used to about life in LA is all of the driving. But starting last year, I found myself using the LA Metro system a bunch. The catalyst was going to Lakers and Clippers games at the Staples Center. I just could not stomach sitting for up to 90 minutes in traffic to attend a basketball game. Instead I would hop on the Expo line in Santa Monica and arrive at the Staples Center 35-40mins later. On the way home, I would grab a ride with a friend or Uber or some combination of both as traffic heading west at 10pm is almost non-existent. But then I suggested to The Gotham Gal that we Metro it downtown for dinner and Uber it home. We did that once or twice. This winter, I have already taken the Metro half a dozen times and I am writing this post on the Metro as I'm taking it to Pasadena from Santa Monica today. The Metro is not as convenient as the NYC Subway. There are fewer lines, six in total, and I still need to drive to get to it from our house. But being able to read, work, text with my children, and whatever else I might want to do instead of driving, is fantastic and makes LA a bit more like NYC for me. Which is a good thing in my book.

Turning It Off Vs Dialing It Down

URL: <https://avc.com/2020/01/turning-it-off-vs-dialing-it-down/>

Date: 2020-01-06T11:27:14

Content:

Today is one of those days when everyone gets back to work after a time off. This holiday break was a particularly long one given that Christmas and New Years came in the middle of the week. So many of us are getting back to work after a particularly long break. I am a huge believer in down time. I think everyone needs a break to step away from work and rest a bit. I also believe that time away from work clears the head and reveals things that are not always clear in the thick of things. But I have struggled over the years between the choice of turning everything off vs dialing things down. It is hard to get real rest and a clear head that comes with new insights if you don't turn everything off and really disengage. But coming back from time off when you truly disengaged is harder. There are more emails to answer, more people waiting at your door for answers, and so on and so forth. I tend to dial it down when I take time off. I try to stay on top of important emails, memos, decks, presentations, scheduling efforts, and the like. I can usually keep that to an hour a day in the morning and another hour at the end of the day. That makes days like today, when everyone gets back to business, a bit easier for me. It does come at a cost as I don't truly disengage, but I have found it to work better for me over the years. That said, I appreciate it when colleagues and others take the opposite approach and really disengage. There is real value to that approach too.

What To Work On

URL: <https://avc.com/2020/01/what-to-work-on/>

Date: 2020-01-05T10:59:42

Content:

My partner Brad likes to ask about the distinction between doing things right and doing the right thing. His observation, which I totally agree with, is that many people and companies do things right but don't do the right thing. Taking the observation one step further, I have seen that doing the right thing the wrong way can actually result in something important and successful whereas doing the wrong thing the right way rarely does. So that begs the question "what should I work on?" First and foremost, I believe we should all work on projects that interest us, where we have insights that others don't have, and that motivate and inspire us and others. I also think that working on something that meets this first test is necessary but not sufficient. Beyond that test, which is a must, I believe we should be working on something that can have a large impact. Coming from a venture capitalist, I am sure many people will read that as "make a lot of money." But that is not what I mean. Impact can be measured by money. But it can also be measured by the number of people that will use your product or service. It can be measured by how it changes the way people think and how they react to your product or service or innovation. Even if Tesla fails as a company (which I do not think will happen), they have changed the way the automobile industry operates forever. That is an example of impact. And then a third very important thing is how you are going to address the problem, how you are going to market, how you are going to make money (the business model), and how you are going to defend your market position and business. This is often where the magic is. Let's say you have an insight on how to use video to deliver education to young people to significantly improve learning. You could build a business that delivers that technology to the existing school system. Or you could build a business that goes directly to the students and bypasses the existing school system. These are two very different "go to market" strategies, they imply two very different business models, and they will result in very different long term market positions. Your choices on "how" will ultimately define your work more than anything and getting this right is so critical. A lot of entrepreneurs ask me for help in figuring out what to work on. I tell them that I can't tell them what to work on. That has to come from within and nobody can give it to you. But I can give you a framework because choosing what to invest in is a lot like choosing what to work on. One is an investment of money (and time). The other is an investment of time and yourself. The latter is such a larger investment and the risks are much higher. But the framework is similar. You must work on something that inspires you and others, you must work on something with a significant impact, and you must do it in a way that makes getting where you want to go as easy as possible and keeps you there as long as possible.

Funding Friday: Monster Preschool

URL: <https://avc.com/2020/01/funding-friday-monster-preschool/>

Date: 2020-01-03T09:12:05

Content:

I love the cross cultural/language/regional aspect of the Internet. We can find, experience, and support things all across the globe. Ultimately, it should bring us closer to each other. This project, a children's book about sharing , is exactly that and I backed it with a thousand yen just now.

Managing Multiple Twitter Handles

URL: <https://avc.com/2020/01/managing-multiple-twitter-handles/>

Date: 2020-01-02T08:54:32

Content:

Like Mitt Romney and Kevin Durant, I manage multiple Twitter handles. Although neither is a secret handle. I use @fredwilson for my personal tweets and I use @avc for this blog. I have done that since I joined Twitter in the spring of 2007. The idea is to keep AVC blog discussions on @avc and leave @fredwilson for other things. That isn't how it plays out however and on a day with a lot of discussion about AVC posts (like the last two days), I get reactions on both and engage actively on both. Moving back and forth between Twitter handles on the Twitter mobile app is a breeze. You just add a second profile to the mobile app and you can switch back and forth in the profile view. I have not found that to be as easy in a desktop browser and so I run two browsers, one where I am logged in on @fredwilson and the other where I am logged in on @avc. If there is a better way to do this, I would love to know what it is. I know most people manage multiple email addresses, one for personal, another for business, and possibly a few more. I do not do that and use my main email address for everything. So I can't explain why I don't do the same on social media, but I don't. And both approaches seem to work well for me.

What Will Happen In The 2020s

URL: <https://avc.com/2020/01/what-will-happen-in-the-2020s/>

Date: 2020-01-01T10:39:00

Content:

It's 2020. Time to look forward to the decade that is upon us. One of my favorite quotes, attributed to Bill Gates, is that people overestimate what will happen in a year and underestimate what will happen in a decade. This is an important decade for mankind. It is a decade in which we will need to find answers to questions that hang over us like last night's celebrations. I am an optimist and believe in society's ability to find the will to face our challenges and the intelligence to find solutions to them. So, I am starting out 2020 in an optimistic mood and here are some predictions for the decade that we are now in. 1/ The looming climate crisis will be to this century what the two world wars were to the previous one. It will require countries and institutions to re-allocate capital from other endeavors to fight against a warming planet. This is the decade we will begin to see this re-allocation of capital. We will see carbon taxed like the vice that it is in most countries around the world this decade, including in the US. We will see real estate values collapse in some of the most affected regions and we will see real estate values increase in regions that benefit from the warming climate. We will see massive capital investments made in protecting critical regions and infrastructure. We will see nuclear power make a resurgence around the world, particularly smaller reactors that are easier to build and safer to operate. We will see installed solar power worldwide go from ~650GW currently to over 20,000GW by the end of this decade. All of these things and many more will cause the capital markets to focus on and fund the climate issue to the detriment of many other sectors. 2/ Automation will continue to take costs out of operating many of the services and systems that we rely on to live and be productive. The fight for who should have access to this massive consumer surplus will define the politics of the 2020s. We will see capitalism come under increasing scrutiny and experiments to reallocate wealth and income more equitably will produce a new generation of world leaders who ride this wave to popularity. 3/ China will emerge as the world's dominant global superpower leveraging its technical prowess and ability to adapt quickly to changing priorities (see #1). Conversely the US becomes increasingly internally focused and isolationist in its world view. 4/ Countries will create and promote digital/crypto versions of their fiat currencies, led by China who moves first and benefits the most from this move. The US will be hamstrung by regulatory restraints and will be slow to move, allowing other countries and regions to lead the crypto sector. Asian crypto exchanges, unchecked by cumbersome regulatory restraints in Europe and the US and leveraging decentralized finance technologies, will become the dominant capital markets for all types of financial instruments. 5/ A decentralized internet will emerge, led initially by decentralized infrastructure services like storage, bandwidth, compute, etc. The emergence of decentralized consumer applications will be slow to take hold and a killer decentralized consumer app will not emerge until the latter part of the decade. 6/ Plant based diets will dominate the world by the end of the decade. Eating meat will become a delicacy, much like eating caviar is today. Much of the world's food production will move from farms to laboratories. 7/ The exploration and commercialization of space will be dominated by private companies as governments increasingly step back from these investments. The early years of this decade will produce a wave of hype and investment in the space business but returns will be slow to come and we will be in a trough of disillusionment on the space business as the decade comes to an end. 8/ Mass surveillance by governments and corporations will become normal and expected this decade and people will increasingly turn to new products and services to protect themselves from surveillance. The biggest consumer technology successes of this decade will be in the area of privacy. 9/ We will finally move on from the Baby Boomers dominating the conversation in the US and around the world and Millennials and Gen-Z will be running many institutions by the end of the decade. Age and experience will be less valued by shareholders, voters, and other stakeholders and vision and courage will be valued more. 10/ Continued advancements in genetics will produce massive wins this decade as cancer and other terminal illnesses become well understood and treatable. Fertility and reproduction will be profoundly changed. Genetics will also create new diseases and moral/ethical issues that will confound and confuse society. Balancing the gains and losses that come from genetics will be our greatest challenge in this decade. That's ten predictions, enough for now and enough for me. I hope I made you think as much as I made myself think writing this. That's the goal. It is impossible to be right about all of this. But it is important to be thinking about it. I know that comments here at AVC are broken at the moment and so I look forward to the conversation on email and Twitter and elsewhere.

What Happened In The 2010s

URL: <https://avc.com/2019/12/what-happened-in-the-2010s/>

Date: 2019-12-31T09:00:15

Content:

My friend Steve Kane suggested I take a longer view in my pair of year end posts this year: What, no decade end/decade ahead posts? ■ — Steven Kane (@stevenkane) December 26, 2019 And so I will. Here are the big things that happened in tech, startups, business, and more in the decade that is ending today, in no particular order of importance. 1/ The emergence of the big four web/mobile monopolies; Apple, Google, Amazon, and Facebook. A decade ago, Google dominated search, Apple had a mega hit on their hand with the iPhone, Amazon was way ahead of everyone in e-commerce, and Facebook was emerging as the dominant social media platform. Today, these four companies own monopolies or duopolies in their core markets and are using the power of those market positions to extend their reach into tangential markets and beyond. Google continues to own a monopoly position in search in many parts of the world, has a duopoly position in mobile operating systems, and controls a number of other market leading assets (email, video, etc). Apple owns the other duopoly position in mobile operating systems. Amazon has amassed a dominant position in e-commerce in many parts of the world and has used that position to extend its reach into private label products, logistics, and cloud infrastructure. Facebook built and acquired its way into owning four of the most strategic social media properties in the world; Facebook, Instagram, Messenger, and WhatsApp. Most importantly, outside of China, these four companies own more data about what we do online and also control many of the important channels to reach us in the digital world. What society does about this situation stands as the most important issue in tech at the start of the 2020s. 2/ The massive experiment in using capital as a moat to build startups into sustainable businesses has now played out and we can call it a failure for the most part. Uber popularized this strategy and got very far with it, but sitting here at the end of the 2010s, Uber has not yet proven that it can build a profitable business, is struggling as a public company, and will need something more than capital to sustain its business. WeWork was a fast follower with this strategy and failed to get to the public markets and is undergoing a massive restructuring that will determine the fate of that business. Many other experiments with this model have failed or are failing right now. When I look back at the 2010s, I see a decade during which massive capital flowed into startups and much of it was wasted chasing the “capital as a moat” model. 3/ Machine learning finally came of age in the 2010s and is now table stakes for every tech company, large and small. Accumulating a data asset around your product and service and using sophisticated machine learning models to personalize and improve your product is not a nice to have. It is a must have. This ultimately benefits the three large cloud providers (Amazon, Google, Microsoft) who are providing much of the infrastructure to the tech industry to do this work at scale, which is how you must do it if you want to be competitive. 4/ Subscriptions became the second scaled business model for web and mobile businesses, following advertising which emerged at scale in the previous decade. Startups that developed the skills to execute a subscription business model with positive unit economics delivered fantastic returns to investors and capital flowed into this sector as a result. This was a very positive development as subscriptions better align the interests of the users and the developers of mobile and web applications and avoid many of the negative aspects of the free/ad supported business model. However, as we end the decade, a subscription overload backlash is emerging as many consumers have signed up for more subscriptions than they need and in some cases can afford. 5/ Silicon Valley’s position as mecca for tech and startups started to show signs of weakening in the 2010s, largely because of its massive successes this decade. It is incredibly expensive to live and work in the bay area and the quality of life/cost of life equation is not moving in the right direction. The physical infrastructure (transit, housing, etc) has not kept up with the needs of the region and there is no sign that it will change any time soon. This does not mean “Silicon Valley is over” but it does mean that other tech sectors will find an easier time recruiting talent to their regions and away from Silicon Valley. And talent is really the only thing that matters these days. 6/ Cryptography emerged in the 2010s as a powerful technology that can solve some of the web and mobile’s most vexing issues. Cryptography and encryption have been around for a very long time, well before the computer. Modern computer cryptography came of age in the 1970s. But the emergence of the internet, web, and mobile computing largely did not integrate many of the central ideas of cryptography natively into the protocols that these platforms were built on. The emergence of Bitcoin and decentralized money this decade has shown the way and set the stage for cryptography to be built natively into web and mobile applications and deliver control back to users. Credit to Muneeb Ali for framing this issue for me in a way that makes a lot of sense. 7/ Technology inserted itself right in the middle of society this decade. Our President wakes up and fires off dozens of tweets, possibly while still in bed. We are all hostage to our phones and the services that we rely on. Our elections are conducted using machine learning technology to segment and micro-target important voting groups. And bad actors can and do use the same technologies to interfere in our elections and our public discourse. There is no putting the genie back in the bottle in this regard, but the fact that the tech sector has such a powerful role means that it will be highly regulated by society. And there is no putting the genie back in the bottle in that regard either. 8/ The rich got richer this decade. Axios wrote in a recent email that: “The rich in already rich countries plus an increasing

number of superrich in the developing world ... captured an astounding 27% of global growth.” But the very poor also had a great decade as Axios also reported: The rate of extreme poverty around the world was cut in half over the past decade (15.7% in 2010 to 7.7% now), and all but eradicated in China. The losers in the 2010s were lower middle class and middle class people in the developed world whose incomes stagnated or fell. Technology played a role in all of this. Many of the superrich obtained their wealth through technology business interests. Some of the eradication of extreme poverty is the result of technology as well. And the stagnation of earning power in the lower and middle class is absolutely the result of technology automation, a trend that will only accelerate in coming years. 9/ This a post publish addition. A huge miss in my original post is the emergence of China as a tech superpower and a global superpower. There are many areas (digital money for example) where China is light years ahead of the western world in technology and that will likely accelerate in the coming years. Being a tech superpower is a necessary condition to being a global superpower and China is already that and getting more powerful by the day. I will end there. These are the big mega-trends I think about when I think about the 2010s. There is no doubt that I left out many important ones. You can and will add them in the comments (wordpress for now), emails to me, and on Twitter and beyond. And that is what I hope you will do.

Adversarial Interoperability

URL: <https://avc.com/2019/12/adversarial-interoperability/>

Date: 2019-12-30T10:43:12

Content:

As I'm gearing up for two big posts tomorrow and wednesday, I will simply give you a link (courtesy of Nick) to read. Cory Doctorow's EFF post on Adversarial Interoperability explains the move we need to make to fix what's wrong with big tech, monopolies, duopolies, etc, etc. Basically everything that is wrong with the Internet, mobile, and web. If I was able to issue required reading to everyone who is regulating tech or running for offices that are in a position to regulate tech, this would be it.

What's Going On With AVC?

URL: <https://avc.com/2019/12/whats-going-on-with-avc/>

Date: 2019-12-29T09:37:44

Content:

As Jason Wright said in the comments to yesterday's post: This blog is rendering like it's 1998 in Safari and Chrome at the moment. The theme that renders AVC in WordPress got messed up somehow and we are having a hard time getting it back to normal. I am planning on relaunching AVC with a entirely new theme and design in the New Year and so I'm not particularly motivated to address this issue right now. I'm open to feedback on why I should or should not bother, but my feeling is we can live with this bare bones design for the next ten days.

Video Of The Week: The Game Changers

URL: <https://avc.com/2019/12/video-of-the-week-the-game-changers/>

Date: 2019-12-28T08:33:29

Content:

Our daughter suggested that The Gotham Gal and I watch this documentary on Netflix . We did that this week. My New Year's Resolution this time last year was to reduce the number of meals where I ate meat to less than half. It turns out that was not a particularly hard resolution to meet as I quickly realized I was already mostly there. But I did reduce my meat consumption in 2019. After watching this film, I am going to keep on that trajectory. Hard lines don't work well for me so I am not adopting a vegan, vegetarian, or any other diet. But I believe that I can reduce my meat consumption significantly without impacting my quality of life and I am on my way to doing so. There are plenty of good reasons to reduce my consumption of meat but for me the environmental footprint of the meat production industry is the one that really moves to me to make this change.

Funding Friday: Flash Forest

URL: <https://avc.com/2019/12/funding-friday-flash-forest/>

Date: 2019-12-27T08:25:40

Content:

This project seeks to use drones to plant 1bn trees. Reforestation is an important part of climate mitigation and reforestation projects are behind many carbon offset programs. So technology like this could make all of that a lot more efficient.

Annual Year End Predictions

URL: <https://avc.com/2019/12/annual-year-end-predictions/>

Date: 2019-12-26T12:43:47

Content:

As I prepare to write my annual year end posts (what happened and what will happen), I have been reading similar posts by others. This part one of two posts by Alex Danco is good. I am waiting for the second one to drop now. The “what happened” post is easier to write but still very helpful to me. It helps me close the door on the year and understand it at a macro level. The “what will happen” post is harder to write, I get it wrong more than right, and it is embarrassing to look back and see how off I was . So it is tempting to stop doing it. But I think that would be a mistake. It is useful to me to try and look into the crystal ball and see the future. It pushes me to get out of my comfort zone and imagine new and different things. So I keep doing it, largely for myself, and I publish it to keep me honest. Your mileage may vary with it and so take it with a big grain of salt. I am glad that others engage in this practice as well. It helps me engage in my practice. It is one of the many benefits of people powered publishing.

What Christmas Means To Me

URL: <https://avc.com/2019/12/what-christmas-means-to-me/>

Date: 2019-12-25T09:39:59

Content:

I really like Stevie Wonder's song from the late 60s written by Anna Gordy Gaye, George "Horgay" Gordy and Allen Story. The song lays out what Christmas means; candles burning low, mistletoe, snow and ice, carols right outside my door. I grew up celebrating Christmas and it was always a special time for me and my family. Decorating the tree, midnight mass, Christmas dinner, and gifts. I remember it fondly. When the Gotham Gal and I decided to raise our family Jewish, I negotiated for and got Christmas. And for the many years, our family celebrated Christmas mostly the way I celebrated it as a child. In recent years, with adult children and travel and many other things, celebrating Christmas has become optional. Some years we do it. Many years we don't. But Christmas retains a special place in my soul. Christmas means family, it means winter (we got six inches of snow last night), and it means birth. A feeling of hope and optimism going into the new year. As Stevie sings in that wonderful song: I wish you merry Christmas baby Oh and such happiness in the coming year, oh baby That is what I wish for all of you and your families on this wonderful day. Merry Christmas.

Happy Birthday Ollie

URL: <https://avc.com/2019/12/happy-birthday-ollie/>

Date: 2019-12-24T10:45:56

Content:

Our dog Ollie is eleven today. Here is a photo of him on the beach with a tennis ball, pretty much his favorite place to be and thing to do.

Uncut Gems

URL: <https://avc.com/2019/12/uncut-gems/>

Date: 2019-12-23T10:45:31

Content:

As is my tradition, I made a playlist of songs that stayed with me in 2019. This year, I focused on songs that mostly flew below the radar and aren't likely to be heard on everyone else's top tracks playlists. I've named it Uncut Gems and I hope you like it.

Subscription Tracking

URL: <https://avc.com/2019/12/a-subscription-tracker/>

Date: 2019-12-22T10:11:41

Content:

My brother in law Jerry is working on a project to collect all of his family's digital subscriptions; subscriptions to streaming video services, music services, subscriptions to online news and other publications, subscriptions to software services, subscriptions to education services, etc, etc. He is planning a dinner in which he will review all of them with his family and understand which ones they are using and which ones they are not using. Then he can prune the list. I am sure this isn't something only Jerry wants. With the explosion of online subscription services, we all have been collecting a plethora of subscriptions and many of us are wondering how much we are spending on them and if we are using all of them. I asked a few of my partners if they have seen companies working on this problem. What I got back is there are a few financial management packages like Truebill and Trim that offer this feature. And there is a service called Bobby that focused on managing subscriptions. I am curious about a few things about this category of services: Do we want this subscription tracking functionality bundled in our financial management software or do we want it broken out as an independent app that can integrate into our financial management software? I suspect the answer is the latter. Do we want to use different subscription trackers for the various categories or do we want to use one for all of them? I can imagine a video subscription tracker being an app on our AppleTV that allows us to measure usage. It could be that you can improve utility by making trackers by application sector. How do the developers of these subscription trackers make sure they get all of the subscriptions? Some of our family's subscriptions are direct debit, some are on one or more credit cards, some are via Apple, some are via Amazon, etc, etc. As digital services have evolved from free and advertising supported to subscription-supported over the last decade, we are collectively spending billions on digital subscriptions and we need tools to properly manage that spend. The tools that find their way into this space between us and our subscriptions can become quite strategic over time. I am curious to hear if the AVC community has experience with products and services in this category and thoughts about the questions I posed about it.

Video Of The Week: Targeting Tech: Is Antitrust the Answer?

URL: <https://avc.com/2019/12/video-of-the-week-targeting-tech-is-antitrust-the-answer/>

Date: 2019-12-21T12:42:07

Content:

USV's portfolio company Recount Media produces excellent short (5 mins or less) videos about political news and related topics. They also produce the Shift series of events . In November, Recount did a Shift event about Antitrust policy and my partner Brad Burnham was on the panel. This is a Recount style 5min summary of that conversation .

Funding Friday: The Ifs

URL: <https://avc.com/2019/12/funding-friday-the-ifs/>

Date: 2019-12-20T09:10:41

Content:

You all know that I have a huge soft spot for anything that helps kids learn to program computers and other things and this project does exactly that. I backed it today and am sharing it with all of you.

Smart Home Standards

URL: <https://avc.com/2019/12/smart-home-standards/>

Date: 2019-12-19T11:50:12

Content:

Yesterday, Apple, Google, and Amazon announced that they are teaming up with Zigbee and creating a working group called Project Connected Home Over IP . The Verge has a good post on what is going on here and why . And in that post they show this great xkcd comic: I am hopeful that something good and useful will come of this new partnership between Zigbee and the largest tech companies in the world. Over the last two weeks, the Gotham Gal and I have been moving into a new home we built and we have had moments of joy (like when we easily programmed our cars to open and close the garage doors) and pain (when we could not use a Nest thermostat in our office because "that HVAC unit doesn't talk to Nest"). When I sit back and compare this move-in experience to one we had twenty years ago, when smart home technologies were new and we were early adopters, I can see how far we have come. You can make a new home "smart" so much less expensively and easily now. But we are still very far from where things should be and will be. I am hopeful that some new open industry standards can and will help. There is nothing wrong with going from 14 standards to 15 standards if the 15th standard is actually useful. And it may well be that the other 14 are too.

Meet Cute

URL: <https://avc.com/2019/12/meet-cute/>

Date: 2019-12-18T13:56:21

Content:

An interesting project came out of USV this year. My partner Andy had a hunch about short form content, audio entertainment, and romantic comedy and he launched a company to explore these ideas called Meet Cute . Meet Cute produces short (15 minute) romantic comedies that are consumed in five chapters of three minutes each and are available on your favorite audio/podcasting service. You can check them out here: Apple Google Spotify Stitcher SoundCloud iHeart Meet Cute is about delivering a little bit of heart warming entertainment in the middle of our busy lives via a medium we all have in our cars and phones. I listened to the most recent story last night on the LA Metro on my way downtown to a basketball game. The Meet Cute team is very small but they are already producing content at a rapid pace. Three fifteen minute stories will drop this week and that pace will quicken in the new year. The leader of the Meet Cute team is Naomi Shah who worked as an analyst at USV and helped Andy develop this idea and plan. And brand and marketing is led by my daughter Emily Wilson . These two women are very talented as is the Meet Cute entire team. A great way to stay engaged with Meet Cute is to subscribe to the weekly Meet Cute newsletter to stay up-to-date on all things Meet Cute, including new story drops. It never fails to give me a smile when I need it the most.

Bluesky

URL: <https://avc.com/2019/12/bluesky/>

Date: 2019-12-17T08:42:45

Content:

Twitter announced their Bluesky project last week. This is what I had to say about it , on Twitter naturally. I wrote about these feelings 3 1/2 years ago in this post <https://t.co/yC2JOmOFqu> — Fred Wilson (@fredwilson) December 11, 2019 /fin — Fred Wilson (@fredwilson) December 11, 2019

Gateways

URL: <https://avc.com/2019/12/gateways/>

Date: 2019-12-16T11:08:18

Content:

Most big technology changes don't come out of nowhere. There are predecessor technologies that predate and portend what is to come. I like to call these predecessor technologies "gateways." In the case of the web, there were two important gateways. The first was CD ROMs. There was a moment in NYC in the early 90s when we all thought CD ROMs were going to be the future of media. That is when the NY New Media Association was formed and there was a ton of excitement in the air about new digital.media services that would be delivered to our computers via CD ROMs. Around the same time we saw the rise of online services like AOL, CompuServe, and Prodigy. These services allowed users to connect via dialup modem and do things like chat and email. The CD ROM wave taught users to browse and explore rich media on their computers. The online services wave taught users to dialup and chat and email. So by the time the web browser showed up in the mid 90s, users were primed for the combination of the two – dialing up to chat, email, and browse rich media. It was a killer combination of the two and so much more. As we think about crypto, we look for these gateways. One is certainly the financial speculation and trading of crypto assets. That has brought millions to the crypto sector and is the primary reason that people own or have owned crypto assets. Another might be stablecoins that operate on closed or semi-closed networks. These stablecoins may not support the broadest set of applications envisioned by projects like Ethereum and others, but they may get hundreds of millions of people around the world owning and transacting with crypto assets. It is tempting to get caught up in the big vision of what is possible with a powerful technology like crypto and dismiss the gateways. But that would be a mistake as they are often necessary to set the stage for what is to come.

Having Kids

URL: <https://avc.com/2019/12/having-kids/>

Date: 2019-12-15T10:39:35

Content:

Paul Graham wrote a blog post this week about having kids . I read it with interest because I have long noticed that having kids has had a profound and positive effect on Paul. So I was interested in what he had to say on the topic. I am not going to summarize what he said, you can read it here , but suffice it to say that he has found it to be an very positive experience. The Gotham Gal and I had children fairly early in our marriage and we had three children before I started Flatiron Partners in 1996. That was mostly driven by Joanne as she pushed for having kids early and I went along with that plan. When founders and other executives ask the Gotham Gal when is the right time to have kids, she always says “now” and explains that there will never be a good time to have kids so you might as well get on with it. In my experience, that is good advice for a lot of reasons. Having young children is demanding and the younger you are, the easier it is to manage all of those demands. I also believe that having children teaches you things you can't learn any other way and that those lessons are incredibly valuable in other parts of your life, including your work life. In my line of work, I have to work with hard charging willful entrepreneurs who won't take orders from anyone (nor should they). Having children and learning how to work with them when we are not on the same page has helped me a lot with entrepreneurs. Children have taught me to be patient, to care, and be present (something that has been a challenge for me over the years). Those are things that are extremely valuable in all walks of life. But certainly the best thing of all about having kids is the children themselves. I have a lot of relationships in my life, but the relationships I have with my wife and children are the very best ones. Just getting a text from one of my kids is often the highlight of my day. So if you are struggling with the question of when to have kids, I side with the Gotham Gal on this. Do it now. It will be the greatest thing you do and it will change your life. Like it did for Paul.

Funding Friday: Current Events Crossword Puzzles

URL: <https://avc.com/2019/12/funding-friday-current-events-crossword-puzzles/>

Date: 2019-12-13T09:15:51

Content:

I backed this project for the Gotham Gal because she is a crossword fiend.

The Filecoin Testnet Is Live

URL: <https://avc.com/2019/12/the-filecoin-testnet-is-live/>

Date: 2019-12-12T08:05:09

Content:

Our portfolio company Protocol Labs is the creator of the IPFS protocol and the Filecoin protocol . The idea behind both of these open source projects is to decentralize the storage of information on the web. The Filecoin project is very ambitious. The idea is to create a decentralized storage network by allowing anyone to mine Filecoin by hosting files on the Filecoin network. Yesterday the Filecoin project announced that the Filecoin Testnet is live . This means that an “alpha” version of the Filecoin network is up and running and anyone can connect to it and use it. Filecoin has been 2 1/2 years in development since the project was funded in the summer of 2017. The launch of the testnet signals that the research and design phase is over and the protocol is now making its way towards going live next year. This is a story that is playing out all across crypto. Many high profile projects were funded in 2017 and 2018 and have been heads down designing and building their protocols and networks since then. Getting these projects out of development and into the market is a big step for the crypto sector and I believe that will be a big theme for crypto in 2020.

Butter

URL: <https://avc.com/2019/12/butter/>

Date: 2019-12-11T09:43:59

Content:

I once asked a famous celebrity chef how he made his pasta taste so good. He answered “Butter. Lots of it.” When we land in Paris, jet lagged and cranky, we head right to our favorite street cafe and order strong coffee, baguettes and butter. And our systems are restored. Butter is one of my life’s treasures. I love it. Butter is also something we look for in the products and services we invest in at USV. My partner Nick coined the term Butter, at least inside of USV, and he wrote about Butter on his blog recently , explaining what it is and why we look for it. I particularly like this part of his post: On the consumer side, Butter means end-user experiences that are frictionless and joyful. For example, I recently went to China and was blown away by the QR Code experience — straight butter wherever you go, linking the real world to the online world. Duolingo is Butter for Learning. Nurx is Butter for Health. Coinbase is Butter for Crypto. Amazon Prime is Butter for e-Commerce. <https://www.nickgrossman.is/2019/the-butter-thesis/> Nick provides some good guidelines on how you can make your product or service buttery in his post . We look for buttery products and services to invest in because customers look for buttery products and services to use. It is really that simple. So when you design and build your product or service, make it buttery. That will lead to all sorts of good things.

CS Education Week

URL: <https://avc.com/2019/12/cs-education-week/>

Date: 2019-12-10T08:30:31

Content:

This week is CS Education Week . There are CS Education week events all around the world, mostly in schools where students will do an hour of coding. In NYC, where I do most of my CS Education work, there are CS Education week events in many/most of the public school buildings this week. As I could not be in NYC this week, I went onto Twitter this morning to see what is going on and saw this: Hopscotch Coding at PS 306 @techstroinaire #CSForAllNYC , #CSEdWeek , @CSForAllNYC pic.twitter.com/icY0MvNNS6 — Lucy (@Lucy64747316) December 9, 2019 I love Hopscotch Coding. Young students deconstruct the game of Hopscotch into the various moves and then lay out the code next to the Hopscotch game to show how they played it. This teaches students so many important skills at a very young age and doesn't even require a computer. Students from 196WBMS had a great start to Computer Science for all Week! We had the opportunity to code with Spencer Dinwiddie from the Brooklyn Nets! @NYCSchools @DOEChancellor @CSforAllNYC @MicrosoftEDU @BKNorthNYCDOE @SDinwiddie_25 @SuptWinnickiD14 @ExecSuptKWatts pic.twitter.com/qTUTYEeUNd — P.S. 196 K (@196WBMS) December 10, 2019 Spencer Dinwiddie, the point guard from the Brooklyn Nets, went to PS 196 in Williamsburg and did an Hour Of Code with the students. We started off our CS Week with a bang ■ Our computer scientists collaborated together in plugged and unplugged stations integrating ELA, Math, and Science. #csforallnyc #HourOfCode #csedweek @CSforAllNYC @PS94DavidPorter pic.twitter.com/H1Os8kDhd7 — Elizabeth Kyrrou (@KyrrouMrs) December 9, 2019 Students at this school in Little Neck Queens did coding exercises in English, Math, and Science. One of the great things about CS is that it integrates so well into many different disciplines. Celebrating CS Education Week in your school or your child's school is a great thing to do and I encourage everyone to celebrate CS Education week by doing that this week.

Algolia

URL: <https://avc.com/2019/12/algolia/>

Date: 2019-12-09T09:57:51

Content:

One of the things I am most focused on with the new AVC.com, which is coming soon, is a better search experience. I have been impressed by how much we were able to improve the search on the new USV.com and the way we did that was by using a site search service called Algolia . So I am going to use Algolia here at AVC as well. Algolia allows me to customize the search results to improve them. That means I can work on improving the search results here at AVC over time. There are 8,470 posts here at AVC as of today. That's a ton of content. And finding the post you remember reading and want to read again, or send to someone, has never been easy. I hope and expect to fix that soon.

Getting Tech Into The Boroughs

URL: <https://avc.com/2019/12/getting-tech-into-the-boroughs/>

Date: 2019-12-08T09:52:48

Content:

A number of elected officials tweeted “I told you so” when the news came out at the end of last week that Amazon had taken space in Hudson Yards and will move 1500 jobs there soon. While the question of what kind of public funded incentives should be used to incentivize the behavior of the wealthiest corporations in the world is a conversation that we must have, the truth is we all lost something when Amazon decided not to build their second headquarters in Long Island City and bring 25,000 good paying jobs to Queens. Where companies locate does matter. Sure you can take a subway from Jamaica Queens to Hudson Yards and some people will. But NYC’s large and rapidly growing tech sector remains largely white and asian and centered in lower and midtown Manhattan. I dream of a day when communities like the South Bronx, Jamaica Queens, Brownsville Brooklyn, and St George in Staten Island can have tech companies as residents and tech jobs will be readily available to the residents of those communities. A good start is NYC’s groundbreaking CS4All program in which computer science teachers and classes are being made available in every public school building in NYC. Another good start is CUNY’s emphasis on making high quality computer science majors available at many of its twenty five campuses around NYC. We are well on our way to training the tech workforce of tomorrow which can and should be as black and brown and female in the future as it is white and asian and male today. But we also must connect the tech sector to the vast part of NYC that exists outside of lower and midtown Manhattan. And the best way to do that is to create incentives of some sort for large and small tech companies to spread out into the outer boroughs. There is a fantastic building in the Brooklyn Navy Yard called Dock 72 . I have suggested to many of the tech companies that I work with that they move there. Some have taken a subway over there to take a look. But many have told me “I’m happy here in Manhattan.” Locating in Manhattan is easy. You can recruit employees from New Jersey, Westchester and Connecticut. Moving to the boroughs is a harder decision. So we need to encourage that behavior. If not tax incentives, then let’s try something else. But if we leave this to the market to sort out, we will see the next 250,000 jobs created by the tech sector located in places like Hudson Yards and not Industry City. And that will be a loss of all of us.

Funding Friday: Truth Or Consequences

URL: <https://avc.com/2019/12/funding-friday-truth-or-consequences/>

Date: 2019-12-06T10:30:48

Content:

I backed this film project this morning and am sharing it with all of you.

Bigger Isn't Necessarily Better

URL: <https://avc.com/2019/12/bigger-isnt-necessarily-better/>

Date: 2019-12-05T08:38:24

Content:

Crunchbase has a story up today explaining that Series A and Series B rounds make up between 25% and 35% of all \$100mm+ “supergiant” rounds every year . That’s interesting but what would be more interesting is to compare the cohort of companies raising Series A and Series B supergiant rounds to the rest of the companies in a given year that raised Series A and Series B rounds. What would interest me are success rates between the two cohorts. One could measure how many of each cohort are alive five years later. Or one could compare the stock price appreciation over the five year period between the two cohorts. I have found, and written here , that performance of VC backed companies is inversely correlated to how much money they raise. There are all sorts of reasons for that, but mostly it is that money is a burden, and anchor, it weighs you down and slows you down. So I'd like to see the data on these supergiant A and B rounds. I suspect it will be pretty poor.

AIVC

URL: <https://avc.com/2019/12/aivc/>

Date: 2019-12-04T08:19:53

Content:

My friend Fraser took a large number of AVC blog posts over the years and trained an AI model on them. The result is a blog written by a machine. You can see it [here](#) . One one hand, it is kind of amazing that you can train a machine to write like someone. On the other hand, I don't think I will be out of a job anytime soon.

Digital Money

URL: <https://avc.com/2019/12/digital-money/>

Date: 2019-12-03T09:22:17

Content:

I was listening to this podcast on the treadmill this morning. It is a conversation between Peter McCormack and Andreas Antonopoulos about Bitcoin, Privacy, Freedom, and a lot more. At one point Andreas says that we have digital money already, but it is largely debits and credits on ledgers in banks and other financial services companies. He also says that cash is currently only about 8% of global money and that number has been going down steadily over the last fifty years as digital money has taken over. His point, and it is a good one, is that cash is decentralized money. But money that is registered on a ledger maintained by a corporation that is highly regulated by the government is an entirely different thing. After listening to the podcast, I bought some more Bitcoin this morning.

Practicing Patience

URL: <https://avc.com/2019/12/practicing-patience/>

Date: 2019-12-02T06:44:34

Content:

We went to the Knicks Celtics game last night. For three and a half quarters the Knicks and Celtics played a tight game and the game was tied at 95 with six minutes left when Coach Fizdale called a time out. The Knicks came out of that time out befuddled and turned the ball over on three straight possessions which ultimately led to 12-0 run by the Celtics and the game was over. As we walked out of MSG, I was depressed. More losing. But my son Josh had a different take. Dennis Smith Jr is finally coming out of his early-season slump. Kevin Knox had a good game after taking a beating in the press recently. Losing is hard. The Knicks are 4-16 so far this season. There is not much joy in the Garden right now. But I appreciate Josh's optimism. By the time we had gotten to dinner, some of it had rubbed off on me. Patience is hard. Being a Knick fan is great practice.

Grinding

URL: <https://avc.com/2019/12/grinding/>

Date: 2019-12-01T06:07:39

Content:

It is tempting to search for the one magic move that will make everything better. A new VP of Sales. A new database layer in your tech stack. A new brand for your company. Moving everything to the cloud. More capital in the business. But it is rarely one thing that a business needs to succeed. It is often a little bit of everything. Back in the early days of Twitter, we could not keep the website and API up. We would hire advisors and they would recommend something new and we would try it and we would still go down. It was terribly frustrating and threatened the business. During this period of instability, Twitter purchased a search engine called Summize. Summize was a small team of engineers, most of whom had come out of AOL. After we cut the deal to acquire Summize, I asked Jack Dorsey, who was running Twitter at the time, how we planned to integrate the Summize team. He looked at me and said "we are not going to integrate them, they are going to integrate us." And Jack made Greg Pass, Summize's engineering leader, Twitter's engineering leader. It was interesting to watch Greg and the Summize team tackle the "fail whale." Instead of searching for a magic solution, they instrumented the entire system and just started rebuilding every part that was about to break. It was a slow and steady approach. It took time. But within six months (or thereabouts), we had a much more stable system. And after about a year of this approach, we had mostly said goodbye to the fail whale. Grinding isn't very satisfying. It is hard to stand up in front of everyone and say "we are going to fix things around here bit by bit with a lot of hard work." Big flashy moves are an easier sell most of the time. But they don't work nearly as well and are prone to complete and abject failure. If given a choice between a flashy operator or a grinder, I will take a grinder every time. It is a much higher percentage bet. It requires faith and patience and the results are sometimes hard to see. But if you look at the results from grinding it out over a long enough time frame, you can see the power of that approach.

Video Of The Week: Crypto Singularity

URL: <https://avc.com/2019/11/video-of-the-week-crypto-singularity/>

Date: 2019-11-30T08:53:58

Content:

This is a talk that Muneeb Ali , co-founder and CEO of our portfolio company Blockstack , gave at their "Can't Be Evil" summit last month in the bay area.

Funding Friday: ENEMY Magazine

URL: <https://avc.com/2019/11/funding-friday-enemy-magazine/>

Date: 2019-11-29T07:45:40

Content:

A regular reader sent me this project last week and I backed it today and am sharing it with all of you.

Thankfully,

URL: <https://avc.com/2019/11/thankfully-2/>

Date: 2019-11-28T09:11:55

Content:

there is this thing called the Internet which allows anyone like me to connect a server to it and host content like this blog post. Thankfully there is open source software like WordPress that allows me to do all of this without using a proprietary service. Thankfully there is a range of operating systems (some open source) that we can choose from and a range of browsers (many open source) that we can choose from to access this content. It is this permissionless environment, designed fifty years ago , and developed over the next thirty years, that has done so much for society. Of course, there are many things about this permissionless environment that are problematic and we are faced now with the need to address them intelligently without undoing all that is good about it. I am thankful that my lifetime has roughly lined up against this incredible invention and development and that I have been able to play a small role in it and that I can also play a small role in addressing the challenges we now face. I am also very thankful for my family, friends, colleagues, supporters, and readers. Happy Thanksgiving Everyone.

Cash Management In Startups

URL: <https://avc.com/2019/11/cash-management-in-startups/>

Date: 2019-11-27T08:05:28

Content:

When I was in my mid-20s and had just gotten a job in venture capital, I read a piece on Alan Shugart, the larger than life founder of Seagate, one of the most successful disk drive companies. Alan was quoted as saying that “cash is more important than your mother.” That got my attention because mothers are really important. Over the years, I have learned what Alan meant. Cash is everything in a startup. It is the fuel that keeps the car running. And startups fail largely because they run out of cash. I was working with one of our portfolio companies yesterday on a cash forecasting model, a practice that I strongly recommend and appreciate greatly. Forecasting cash is more art than science, particularly in a growing company where there are all sorts of unpredictable things (revenue, infrastructure costs, hiring pace, receivables, etc). But like all practices, it is about the practice. You have to engage in cash forecasting, you have to engage in it regularly, you have to adapt to changing conditions on the ground, and you have to internalize the puts and takes and their impact on operations. When a company gets mature in their business operations, has repeatable revenues, and has a strong balance sheet, you can run the business based on an annual plan or a semi-annual plan. But early on in a company’s life, you are going to have to operate on an ever changing plan. If the revenues are coming in more slowly, you hire more slowly. If you want to wait another six months to raise more capital, you have to buy that time with changes to the operating model. That is the back and forth between cash management/forecasting and operating. They go hand in hand. It all starts with a cash forecasting model. It looks like a forward-looking profit and loss statement. But you do it on a cash basis. And you include balance sheet items like security deposits, equipment purchases, etc in it. Think of it as forecasting your checking account over the next year. Once you have that, you need to engage in updating the model regularly and it is ideal to do that as a team, or at least with parts of the team, in the room. That makes it abundantly clear to everyone how operational decisions impact cash and runway. I like a weekly cadence to this process and I like it to happen with the key senior leaders in the room. That may feel like wasting people’s time. But cash is more important than your mother in a startup, so managing it is never a waste of time.

USV Two Year Analyst Program

URL: <https://avc.com/2019/11/usv-two-year-analyst-program/>

Date: 2019-11-26T06:06:56

Content:

At USV, we have had a two-year analyst program since the very early days. The alumni of our analyst program are an impressive group of people. Some have their own venture capital firms, some are founders of companies that are doing great, some are working in large companies. We are starting the process of hiring a new group of analysts and, as always, we kicked off the process with a blog post on USV.com. If you are interested or know someone who might be, check out this post .

The AVC Helium Hotspot Discount Code

URL: <https://avc.com/2019/11/the-avc-helium-hotspot-discount-code/>

Date: 2019-11-25T05:36:22

Content:

Last Thursday I wrote about the Helium launch in NYC and suggested that readers might want to purchase a Helium hotspot. Well, I have good news. AVC readers can buy a Helium hotspot with a discount. Here is how you do it. 1/ Go to the Helium Store and hit the Order Now button 2/ Put AVC100 into the field called "Referral or Promo Code" 3/ Complete your order I enjoy earning Helium tokens every day with my hotspot. I hope they will turn into something someday.

History Doesn't Repeat Itself, But It Does Rhyme

URL: <https://avc.com/2019/11/history-doesnt-repeat-itself-but-it-does-rhyme/>

Date: 2019-11-24T09:26:29

Content:

So goes the famous Mark Twain quote. I thought of this in reading a few blockchain sector reports this morning. David Kelnar's "blockchain primer" is a very good summary of what is promising about the crypto sector and what is challenging. In his summary at the end, he writes: Tim Berners-Lee developed the protocol for the web in 1989. 10 years later, in 1999, its potential was glimpsed — but technological, commercial and economic challenges brought expectations back to earth with a crash. 15 years later, Tim's vision for globalised information, e-commerce, and communication was realised. The Bitcoin white paper was published in 2008. 10 years later its potential was glimpsed — but technological, commercial and economic limitations brought expectations down to earth with a crash. <https://medium.com/@dkelnar/fa610002b999> I take that as a suggestion that the crypto sector is following essentially the same timeline as the web sector. Facebook launched in Feb 2004, four years after the start of the internet crash. So using David's timeline, the killer app for crypto might launch at the end of 2021 or early 2022. But then there is this chart from Morgan Stanley's recent report on BTC and Libra : As you can see in that chart, Morgan Stanley's timeline for Bitcoin is much faster than for the Nasdaq. It seems that their implicit argument is that the crypto sector will move much more quickly through its ups and downs than the web did back in the 90s and 00s. I am more in David's camp than Morgan Stanley's camp. I think the crypto sector is progressing, but slower than I would like. I remain long term bullish but short term frustrated with the crypto sector. As I have been for quite a while now.

Video Of The Week: The Recount Recap

URL: <https://avc.com/2019/11/video-of-the-week-the-recount-recap/>

Date: 2019-11-23T08:30:32

Content:

I wrote a bit about our investment in Recount Media last month . I have found their daily videos that give me what I need to know in five minutes or less a godsend. This past week was a blur for me as I was on the go all week and could not catch up on anything. So to be able to get a sense of Wednesday night's debate on my phone on the subway between meetings was so great. Here is that video: If you want to get more videos like this, you can download the Recount iOS app and/or sign up for their videos delivered via a daily email. You can also follow the Recount on Twitter , Instagram , and YouTube .

Funding Friday: El Reino de Los Muertos

URL: <https://avc.com/2019/11/funding-friday-el-reino-de-los-muertos/>

Date: 2019-11-22T06:09:12

Content:

I almost never take a reward when I back a Kickstarter project but I did that this morning with these playing cards . I can't wait to get them.

The NYC Helium Network

URL: <https://avc.com/2019/11/the-nyc-helium-network/>

Date: 2019-11-21T07:26:58

Content:

On Tuesday night, our portfolio company Helium launched the Helium Network in NYC. As many of you know, Helium is a peer to peer low bandwidth wireless network that anyone can run a hotspot for . I wrote about our hotspot in our apartment in NYC a few months ago. When you operate a Helium hotspot, you earn Helium tokens. We earned about 7 Helium tokens yesterday with our hotspot. The Helium network in NYC is already 133 hotspots strong and the map of lower Manhattan looks like this: If you would like to buy a Helium hotspot and start earning Helium tokens you can do that here . The cost of Helium hotspots are \$495 right now but early adopters earn Helium tokens at a higher rate. As the cost of Helium hotspots come down to what you are accustomed to with wireless networking equipment, the competition for earning tokens will go up and the rate at which you earn tokens will come down too. This is token incentive economics at work in building out wireless infrastructure and I am excited to watch this happen.

Preventative Medicine

URL: <https://avc.com/2019/11/preventative-medicine/>

Date: 2019-11-19T07:58:19

Content:

When I was a young associate in a VC firm in my mid 20s, one of the partners told me I should get an annual physical every year and if I did it in the fall, I should get a flu shot while I was having my physical. I have done that every year since and this afternoon I will spend an hour with my doctor getting poked and prodded and a needle in my upper arm with whatever mixture of flu vaccine they are giving out this year. Around the same time, my mother advised me that since I have her fair skin I should find a good dermatologist and have a full body scan twice a year. I have been doing that too ever since. I have seen the statistics on the relative spending between preventative care and critical care but I don't remember exactly what they are. I do recall that the vast majority of medical spending in the US is on critical care and a small amount is on preventative care. That seems wrong to me. We should do more to make sure that we all make the effort and take the time to have regular check-ups, do the required scans (mammograms, prostate exams, etc), and get things that will prevent disease like vaccines. I suspect that beyond good practice, there are startup and investment opportunities in preventative medicine. It is the kind of thing that personal mobile computing can make a big difference in.

The Education Transformation

URL: <https://avc.com/2019/11/the-education-transformation/>

Date: 2019-11-18T09:03:22

Content:

Back in March 2009, USV hosted an event called Hacking Education. It was the beginning of our effort to invest in the transformation of the education sector. A few weeks ago, USV held its annual meeting, roughly 15 years after we closed our first fund. And our partner Rebecca gave a presentation on our education portfolio, which is now one of the strongest parts of our entire portfolio. As Rebecca was developing her presentation, I wrote an email to her that said: when did we do Hacking Education? Was that ten years ago now? That may also be a useful reference, maybe at the start of the presentation. And so she went and pulled some photos of that event to start her presentation. Today she wrote a blog post on USV.com featuring the big themes of her annual meeting presentation. And she posted a few of those photos, in which we are all looking quite a bit younger. Rebecca concludes her post with these optimistic words: Our education portfolio has become a core value driver in our funds. In part, we think this is because we have hit the tipping point in consumers' interest in self-driven, direct-to-learner education because technology has enabled higher quality education to be delivered at a lower price point, a counter-balance to the inflationary trends we've seen to date. Appetite for products and services that reframe what it means to learn – and how to learn – is high, and quickly accelerating. As Bill Gates famously observed, we overestimate what can be done in a year and underestimate what can be done in a decade. A decade after hacking education, we are working with a bunch of high growth companies that are helping to transform what it means to learn and be educated and we are very proud of that.

Airpods vs AirPods Pro

URL: <https://avc.com/2019/11/airpods-vs-airpods-pro/>

Date: 2019-11-17T11:39:47

Content:

Although I am an avid Android fan/user, I am equally fond of Apple's AirPods. I have used the original and V2 AirPods with great success over the last few years and can't imagine using anything else to pair with my phone for audio. I purchased the AirPod Pro a few weeks ago and have been using them exclusively and I am not quite sure if I want to stay with them or go back to the V2 AirPods. I have never liked headphones with silicone tips. They create an odd feeling of pressure in the inner ear that feels strange to me. And I also don't love noise cancellation when I am out and about, which is where I use the AirPods. On planes and in the office, where noise cancellation is something I quite like, I use over-ear Bose headphones with noise cancellation instead of the AirPods. I also don't love the larger charging case, which I typically have on me while I am out and about. And, I don't think the Bluetooth pairing (which is how they connect to Android phones) works as reliably as the Bluetooth pairing on the V2 AirPods. I am going to give the AirPods Pro a few more weeks before I make a final call, but I am leaning towards going back to the V2 AirPods right now. I am curious to hear what others think about these two Airpod products. I wonder if I'm in the minority or the majority on this.

Video Of The Week: Duolingo On SNL

URL: <https://avc.com/2019/11/video-of-the-week-duolingo-on-snl/>

Date: 2019-11-16T11:14:50

Content:

Our portfolio company Duolingo was the subject of a funny skit on SNL a few weeks ago.

Funding Friday: The Home Roasting Kit

URL: <https://avc.com/2019/11/funding-friday-the-home-roasting-kit/>

Date: 2019-11-15T06:20:17

Content:

Here's a Kickstarter for all of you coffee lovers:

Shadowstalker

URL: <https://avc.com/2019/11/shadowstalker/>

Date: 2019-11-14T08:39:45

Content:

Often art can expose issues more clearly than other mediums. A show opened at The Shed this week called Manual Override . It is about the increasing power of technology in our lives and our inability to control it. There is a piece in the show by the artist Lynn Hershman Leeson (whose Electronic Diaries form the spine of the show) called Shadowstalker . In Shadowstalker, you enter your email address And the work showcases your “digital shadow”: Here is what my digital shadow contains: Of course, none of this will surprise most people. We all know the Internet knows an awful lot about us. But Lynn has managed to express it vividly in art and that has a powerful effect. If you are in NYC, stop by The Shed and see Manual Override. The entire show is great. And try to see the Agnes Denes show too. It is also terrific.

Philanthropy

URL: <https://avc.com/2019/11/philanthropy/>

Date: 2019-11-13T06:27:50

Content:

This is a week full of philanthropy for The Gotham Gal and me. We are attending two fundraisers for organizations we support and throwing one for an organization we started. I woke up thinking about giving back and how important it has become to us. Neither of us grew up in environments that were deep in philanthropy but somehow we were drawn to it in our thirties. The Gotham Gal got involved in MOUSE when it was formed and became the Board Chair a few years later. That was where we learned that we could bring others into things that mattered to us and help make a difference on those things. We also learned that we could create our own family foundation and contribute stock to it. We have been doing that for almost twenty years now. That foundation has allowed us to support causes that speak to us and to start philanthropic organizations where we thought there was a need and nobody was filling it. A big part of doing philanthropy is engaging others in it. Philanthropic organizations need financial support and that need is never-ending. And no matter how generous one can be, it is never enough. So finding ways to introduce causes you care about to others and then convincing them to support them becomes the thing. At first, I didn't like making the ask. Then I tolerated it. Only recently have I learned to enjoy it. I ask readers to support things on AVC all the time. If there is a business model for AVC, that is it. And I appreciate all the generosity that this community has shown over the years. I hope all of you appreciate and enjoy giving back as much as we do. It is an amazing thing to be able to help others.

No Shenanigans

URL: <https://avc.com/2019/11/no-shenanigans/>

Date: 2019-11-12T13:49:51

Content:

I was talking to a friend today about company values and how important they are but also how lame so many of them are. I told him that some of my favorite company values come from our former portfolio company Twilio (which in the spirit of full disclosure I am still a large shareholder of). Twilio's founder and CEO Jeff Lawson gave a great talk on company values at USV a few years ago and explained how he approached them. This blog post (and audio post) is about a similar talk he gave at First Round. Twilio's company values are shown below: My favorite of them is "No Shenanigans" which translates to "Be thoughtful. Always deal in an honest, direct, and transparent way." It is such a great value. It is memorable. It is broadly applicable. It is interpretable. And I can imagine team members running their decisions against it and getting a helpful result that guides them. That is what company values are all about at the end of the day – helping people make decisions that everyone in the company will be proud of and supportive of. Like most things that are incredibly valuable, values are not easy to get right, but they are worth investing a lot of time and energy in.

Pixel 4XL

URL: <https://avc.com/2019/11/pixel-4xl/>

Date: 2019-11-11T06:04:45

Content:

I got a new Pixel 4XL phone a week ago and it took me most of the week (it was a busy one) to migrate over to it. I wrote a bit about how I'm careful about the migration last week. I like to upgrade to the new Pixel flagship phone every fall when Google tends to ship them. It generally means longer battery life, better camera, and some other nice things. Last year, we got fingerprint biometrics. This year, we got face recognition, something iOS users have had for at least a year now. Face recognition is super nice. I already love it. This new Pixel 4XL also has something called MotionSense which allows a user to control the phone without actually touching the screen. You wave across the phone with your hands. For now, MotionSense only silences interruptions and skips songs on many popular music apps. Hopefully, MotionSense can be incorporated by third-party apps. If that is the case, I can see this becoming a really useful thing. The Android UI has changed a bit on the Pixel 4XL and it has taken me a few days to get used to the new ways to get around the phone but I am quickly getting there. I'm glad I made the upgrade even though the migration was a real effort. Many readers suggested better ways to do 2FA with easier migration. I got the message and that is on my to-do list now. Thanks.

Priorities

URL: <https://avc.com/2019/11/priorities/>

Date: 2019-11-10T08:06:14

Content:

It is planning season when management teams work to develop the roadmap for the coming year. The truth is that it is hard to do more than two or three big things at a time, no matter how large you are. So it is important to put all of the things that the business needs or wants to do on the table and have a vigorous debate about them and then pick a few priorities to focus on. Saying no to things that you really want to do is the telltale sign of a good planning process. Saying yes to too many things is the telltale sign of a poor planning process. What makes this process particularly hard is that there are often a few things that the business has to do and there is no way to delay them. These must do efforts can often crowd out the should do projects and that leads to a lack of forward progress. The lens through which I evaluate plans is as follows. First there should be a few well defined priorities. I like two or three but four can work. Five starts to be a problem. At least one and possibly two should be must do things the existing business requires and cannot be put off. And there should be at least one big new effort that will move the business forward. Planning is so important. When you get the plan right, execution becomes so much easier. I have found that poor execution is most often a function of poor planning and trying to do too much without clear priorities. Even the strongest operators struggle in a situation like that.

Video Of The Week: Mike Bloomberg Talks Climate Crisis At MIT

URL: <https://avc.com/2019/11/video-of-the-week-mike-bloomberg-talks-climate-crisis-at-mit/>

Date: 2019-11-09T09:12:08

Content:

This spring, Mike Bloomberg gave the commencement speech at my alma mater MIT. He talks about moonshots, engineers, and the looming climate crisis. It is a great talk and one that shows what kind of leader I would like to see in this country. I start the video below at 3:24 in so you don't have to watch the traditional commencement platitudes. If you want to watch the entire thing you can do that here . The video below is about 18mins in total and I strongly recommend everyone find the time to watch it this weekend.

Funding Friday: Mochi Robot

URL: <https://avc.com/2019/11/funding-friday-mochi-robot/>

Date: 2019-11-08T06:15:33

Content:

I'm a huge fan of toys and other things that can get young kids engaging in instructing machines what to do. I think that in the world these children are going to grow up into, that is going to be super important to them as adults. And so toys like Mochi Robot are great for parents, teachers, and caregivers who want to provide that to their children.

How To Beat A Patent Troll

URL: <https://avc.com/2019/11/how-to-beat-a-patent-troll/>

Date: 2019-11-07T07:03:33

Content:

Our portfolio company Cloudflare posted yesterday about the two and a half year war it waged against a patent troll called Blackbird . This was the battle plan that Cloudflare came up with: After we were sued by Blackbird, we decided that we wouldn't roll over. We decided we would do our best to turn the incentive structure on its head and make patent trolls think twice before attempting to take advantage of the system. We created Project Jengo in an effort to remove this economic asymmetry from the litigation. In our initial blog post we suggested we could level the playing field by: (i) defending ourselves vigorously against the patent lawsuit instead of rolling over and paying a licensing fee or settling, (ii) funding awards for crowdsourced prior art that could be used to invalidate any of Blackbird's patents, not just the one asserted against Cloudflare, and (iii) asking the relevant bar associations to investigate what we considered to be Blackbird's violations of the rules of professional conduct for attorneys. I will give away the story in case you don't want to go read the post. Cloudflare's plan worked in all three ways. It is tempting to settle with patent trolls if you can settle for less than litigation costs. Our portfolio companies do it all the time and it is rational behavior. But patent trolls are a tax on innovation and I love it when some of our portfolio companies decide to stand up to them and fight them. Like Cloudflare did.

A Decentralized Archive

URL: <https://avc.com/2019/11/a-decentralized-archive/>

Date: 2019-11-06T06:03:42

Content:

The Internet Archive and Wayback Machine are awesome. You can see that in 1998, AVC.com was pointing to something called Fishnet that looked like this . And you can see what AVC looked like in September 2008 . There are many archives, some of them quite specialized, in the physical and digital world. But they all suffer from the same problem, which my colleague Dani explained yesterday: Archives are extremely important: the survival and ongoing availability of knowledge helps with the continuation of human progress. While there are existing digital archival projects out there, they are mostly donation-based and face the risk that their funding could run out, their hosting provider could one day go out of business or a government could force them to remove files. Dani wrote that yesterday in our blog post welcoming Arweave to the USV portfolio . Arweave is a decentralized protocol that enables archiving and the funding to support it at web scale. The key innovation is a sustainable funding model for archives which Dani explained in her post: Arweave had to invent a new method of paying for storage, one where you can pay once, and store forever. While that sounds almost too good to be true and took us a long time to wrap our heads around, it will be true provided the cost of storage continues to decline at a predictable rate. Machines that provide storage to the network get paid out in small increments over time as they continue to prove that they have held onto archived files. Decentralized infrastructure is one of our favorite investment themes in crypto (Filecoin, Helium, Arweave, and at least one unannounced investment) because of the resiliency and sustainability of decentralized infrastructure (just look at bitcoin mining for an example of that). We think infrastructure will tend to move to decentralized models over time and archives are a great example of that.

The DuckDuckGo Browser

URL: <https://avc.com/2019/11/the-duck-duck-go-browser/>

Date: 2019-11-05T15:08:05

Content:

I just started using our portfolio company DuckDuckGo's mobile browser. Honestly I didn't even realize they had one until last week. It looks like this on my phone: And AVC looks like this in it: I guess AVC is only a B+ when it comes to privacy. I hope to fix that and get to an A when I push the new design, hopefully next month. If you want to start using the Duck Duck Go mobile browser, you can get it here .

Calling All Founders

URL: <https://avc.com/2019/11/calling-all-founders/>

Date: 2019-11-04T05:48:01

Content:

NYC's Partnership runs some outstanding accelerator programs. There is the flagship Fintech Accelerator which is celebrating its 10th anniversary this year. In this program, founders are connected to the CIOs of the top banks, brokerages, and insurance companies in NYC as they work on their products and pitches. Over the past decade, 69 graduates of the Fintech Accelerator have raised over \$1bn. I have written about this program frequently. It is an example of something that you could not do anywhere other than NYC. And then there is the newest one, the Transit Tech Accelerator, where founders who are building transit companies are connected to the leading transit systems in the NY Metro area while they work on their products and pitches. The MTA is piloting four technologies they found in last year's program and there are six more transit systems involved this year. If you want to apply to the Fintech Accelerator, do so [here](#). If you want to apply to the Transit Tech Accelerator, do so [here](#).

Upgrading To A New Phone

URL: <https://avc.com/2019/11/upgrading-to-a-new-phone/>

Date: 2019-11-03T10:22:29

Content:

I got the new Pixel 4 XL and am in the process of copying over all of my data and apps and other stuff. Apple and Google make it so easy these days to sync a new phone with an old phone that it is easy to think you are done once the sync is over. But that is unfortunately not the case. The biggest “gotcha” that I worry about is moving all of my two-factor codes over from my old phone to my new phone. For that reason, I keep my old phone around for a few weeks just to make sure I’ve got it all moved over to my new phone. And then there is the hassle of logging into all of my apps and signing into them all over again. I have and use a lot of apps on my phone so that takes me several hours over the course of a few days to do that. And that is another reason to keep my old phone around for a while to make sure I’ve got everything. Increasingly Apple and Google and other providers want you to trade in your older phone for a discount on a new one. While that is an attractive offer, it encourages wiping and sending the old phone back. And I don’t think that’s a smart thing to do until you are sure you’ve got everything you need off of your older phone.

Video Of The Week: Filecoin and Web3

URL: <https://avc.com/2019/11/video-of-the-week-filecoin-and-web3/>

Date: 2019-11-02T10:08:45

Content:

In this video, Juan Benet, founder of our portfolio company Protocol Labs, talks about how Web3 is coming together and what Filecoin and IPFS's role in it will be.

Funding Friday: The Electronic Frontier Foundation

URL: <https://avc.com/2019/11/funding-friday-the-electronic-frontier-foundation/>

Date: 2019-11-01T05:16:28

Content:

The Electronic Frontier Foundation (EFF.org) has been fighting for and helping to protect our online rights for twenty-eight years. Their primary focus areas are online privacy and free speech. They spend about \$12mm a year on legal interventions and policy work. Most of their funding comes from small donations from people like us who value the work they do on our behalf. I signed up for an annual membership this morning and will be contributing \$2500 a year to this amazing organization. I also got this awesome EFF ski hat. I would like to encourage all of you get to read what I think free of censorship to support their work as well. You can make a one-time payment of as little as \$25 or as much as I did and you can also make that a recurring payment, as I did. You can do all of that here .

The World Is Messy And There Are Ambiguities

URL: <https://avc.com/2019/10/the-world-is-messy-and-there-are-ambiguities/>

Date: 2019-10-31T05:56:59

Content:

I've been wanting to say something like this here at AVC for several years and have held back for a host of reasons, mostly because it's a sensitive topic and it would be misunderstood. But after watching Obama say this, I had to repost it. I could not agree more.

Pacing

URL: <https://avc.com/2019/10/pacing/>

Date: 2019-10-30T06:20:39

Content:

Pacing in a VC fund context is how much capital the firm is investing in a given period and tracking that over time. I don't think a VC firm should manage to a pacing number. It should manage to the opportunity set that it sees. But I think pacing is a great thing to track in the rearview mirror. I like to look at investment pace by quarter and year. And by dollars and deals. And by new names and follow-ons. If you keep track of that, chart it, and review it, you will be mindful of whether the firm is getting too far out over its skis or heels. And that is a super useful thing to be aware of.

Recount Media

URL: <https://avc.com/2019/10/recount-media/>

Date: 2019-10-29T06:02:35

Content:

This post is also live on USV.com as we announce all of our investments there with a blog post. Eighteen months ago, I had breakfast with John Heilemann and he told me that his world, political media, was challenged in the shift from linear television (ie cable news) to real-time mobile (ie Twitter). He saw an opportunity to address that by filling the void in between them with news content that was made for real-time mobile consumption but had the journalistic integrity and production values of linear television. I said to him “you should start a company to fill that void and you should get John Battelle to join you in starting that business.” John did exactly that and six months later USV provided the seed capital along with True Ventures and a fantastic group of angel investors. Their company is called Recount Media and it has stayed largely under the radar for the last ten months as they built the team and started producing news content that promises “no bullshit, no bad faith, in five minutes or less.” Having provided the initial funding for Twitter twelve years ago, we at USV are acutely aware that the disruption in media that it caused has been both positive and negative and that there is more work to do to make sure our society is well served by both the Fourth and Fifth estates. We think that the work John, John and the dream team of journalists, producers, technologists, and business people are doing will make a material impact on filling the void and we are proud to be supportive investors in Recount Media. If you want to see what Recount is all about you can download the Recount iOS app and/or sign up for their videos delivered via a daily email. You can also follow the Recount on Twitter, Instagram, and YouTube.

What You Do Is Who You Are

URL: <https://avc.com/2019/10/what-you-do-is-who-you-are/>

Date: 2019-10-28T04:56:48

Content:

This past summer I read a proof of Ben Horowitz's new book, *What You Do Is Who You Are*, and I even blogged about it here without naming the book. *What You Do* is about culture, how you make it, how you keep it, and how the big decisions you make and how you explain them set the culture in your organization. To explain this Ben tells the story of four different cultures that were set by strong leaders: – the leader of the only successful slave revolt, Haiti's Toussaint Louverture – the Samurai, who ruled Japan for seven hundred years and shaped modern Japanese culture – Genghis Khan, who built the world's largest empire – Shaka Senghor, a man convicted of murder who ran the most formidable prison gang in the yard and ultimately transformed prison culture.

<https://www.amazon.com/What-You-Do-Who-Are/dp/0062871331/> These stories really make it clear how you set and keep your culture. You will come away from this book with a clear understanding of how your actions will set the culture in your company. I read Ben's interview with Connie Loizos and I like what he said here about why he wrote the book: First, it was the thing that I had the most difficult time with as a CEO. People would say, 'Ben, pay attention to culture, it really is the key.' But when you were like, 'Okay, great, how do i do that?' it was like, 'Um, maybe you should have a meeting about it.' Nobody could convey: what it was, how you dealt with it, how you designed it. So I felt like I was missing a piece of my own education. Also, when I look at the work I do now, it's the most important thing. What I say to people at the firm is that nobody 10 or 20 or 30 years from now is going to remember what deals we've won or lost or what the returns were on this or that. You're going to remember what it felt like to work here and to do business with us and what kind of imprint we put on the world. And that's our culture. That's our behavior. We can't have any drift from that. And I think that's true for every company. So if you leading your company and you are thinking "ok, great, how do I do that?", then go get this book and read it. I think you will come away with a much better understanding of what culture is all about.

Bringing It All Back Together

URL: <https://avc.com/2019/10/bringing-it-all-back-together/>

Date: 2019-10-27T08:08:58

Content:

Early-stage companies are exercises in experimentation, iteration, and figuring things out. You try one thing, it sort of works, but you see a tangential opportunity and go after that. Sometimes that leads to a full-on pivot, other times it leads to an evolution of the opportunity. This process can create multiple products, services, projects, and it can look messy. I love it when founders bring it all back together into one cohesive package. That doesn't always happen, but when it does, it is a thing of beauty. That happened this week with our portfolio company Numerai. I saw this tweet by Numerai founder Richard Craib: Big: as of today the @numerai tournament is now running on Erasure. — Richard Craib ■ (@richardcraib) October 26, 2019 If you have not been following Numerai, let me explain. The initial idea behind Numerai was to build a quant hedge fund using “the crowd” to surface the machine learning models. They do that by running the Numerai Tournament and taking the best models and operating a hedge fund with them. That is what Numerai does and that business is working well. Along the way, Numerai observed that incenting the players in the tournament with a crypto-asset they could stake on their models was a better way to crowdsource the best models. So they made a crypto-asset called Numeraire . Numeraire is a crypto-asset that you can trade, own, and, if you are playing in the tournament, stake. So then Numerai was in several businesses, the hedge fund business and the crypto business. And then the team observed that there was a generalization of the thing they had built that had much broader applications – a decentralized marketplace for predictions. So they created a protocol called Erasure that allows anyone to build markets for predictions. It started becoming a fairly messy story. But last week it all started coming back together when team successfully ported the Numerai Tournament to operate on the Erasure protocol. This accomplishes several things. First, it starts to tie all these loose threads together and the story becomes easier to understand. And also, you have a very successful application, the Numerai Tournament, running on Erasure. So developers can see what Erasure is good for and can start building other things on it. I am excited for the Numerai team. And I quite like this example of how things get messy as you expand the opportunity but you can clean things up by bringing it all back together and would encourage founders and teams to look for opportunities to do that whenever possible.

Audio Of The Week: A Conversation With Andrew McAfee

URL: <https://avc.com/2019/10/audio-of-the-week-a-conversation-with-andrew-mcafee/>

Date: 2019-10-26T11:12:33

Content:

This is a good interview . I learned a lot.

Funding Friday: Shapeshift

URL: <https://avc.com/2019/10/funding-friday-shapeshift/>

Date: 2019-10-25T04:50:11

Content:

Our portfolio company Kickstarter is running a cool crowdfunding event called Shapeshift that is focused on “bold new products made from recycled materials.” You can see them here and back the ones that are interesting to you. I did that this morning. Here is one of the Shapeshift projects I backed:

Carbon Offsets

URL: <https://avc.com/2019/10/carbon-offsets/>

Date: 2019-10-24T16:22:11

Content:

Business and personal travel, which we've been doing a lot of the last two weeks, is a big producer of carbon in the atmosphere. I'm actually writing this on a cross Atlantic flight. But you can offset those carbon emissions fairly inexpensively. There are a number of services on the Internet that will help you do it. Over the last four years the Gotham Gal and I have racked up about 570 tons of carbon via air travel. Depending on how much we spend per ton to offset it, the cost could be as low as \$10,000 or as high as \$60,000. At \$10,000, that is about a 3% increase to our air travel costs. At \$60,000, that is about a 20% increase to our air travel costs. There are a lot of debates about how much it should cost to offset a ton of carbon. Right now it is inexpensive because the supply of offset projects is higher than the demand for them. But at market equilibrium, the price should be a lot higher and many people offset at the theoretical market equilibrium price not the current market price. I don't think there is a right or wrong answer to this question about how much per ton you should pay for offsets. It depends on how you think about it. Our flight today could cost as little as \$100 to offset for both of us. Or as much as \$600. Either way, we are paying to reduce our carbon footprint and that is a good thing in our view. If everyone started doing this, it would transform the carbon offset markets and lead to a lot of great projects, like reforestation and other approaches that would have a meaningful contribution to reducing the amount of carbon in the atmosphere.

The Access Act

URL: <https://avc.com/2019/10/the-access-act/>

Date: 2019-10-23T01:58:24

Content:

Yesterday three Senators, Democrats Mark Warner (VA) and Richard Blumenthal (CT) and Republican Sen. Josh Hawley (MO), put forward new legislation aimed at opening up the markets in web services. Their proposed legislation is called The Access Act and you can read it in its entirety here . First let me say that this is exactly the kind of regulation we need to deal with the growing monopoly powers of companies like Apple, Google, Facebook, Amazon, etc, etc. When Liz Warren came out with her idea to breakup these large monopolies, I wrote here that I thought that would turn out to be bad policy and ineffective. I came back to this issue when Liz starting breaking out of the pack and leading the race to run against the President next year. As I said in both of those blog posts, it is my view that the monopoly powers that Google, Facebook, Apple, Amazon, etc have do not stem from their size and market reach, they stem from the data monopolies they own about us and our online activities. Breaking these companies up into smaller parts does not solve that problem. As my partner Albert observed in a blog post last week , spinning Instagram out of Facebook will do nothing to reduce Instagram's market power, which is massive in its own right. What we need to do is to allow any company, large or small, to compete on a level playing field with these large monopolies and they way to do that is to force them to open up their platforms and data so that competitors can provide similar services. Senator Mark Warner put out a long tweetstorm yesterday laying out the ideas behind this bill and I would like to highlight a few of them here. Back in 2001, the FCC recognized that interoperability was key to competition and required then-dominant AOL to make its instant messaging service compatible with its competitors. <https://t.co/vYMj5ShW63> — Mark Warner (@MarkWarner) October 22, 2019 And The ACCESS Act has three main components that would apply to the largest tech platforms: 1. Portability 2. Interoperability 3. Delegatability Here's what that means in plain English: — Mark Warner (@MarkWarner) October 22, 2019 First, consumers ought to have the ability to switch social media platforms and other online services without having to start from scratch. This idea of data portability would allow you to take all your data ~ including your cat videos ~ and move it to a different service. — Mark Warner (@MarkWarner) October 22, 2019 Second, for data portability to really make a difference, we need to break down the anti-competitive barriers that companies put up to limit their competitors from interacting with their platforms. This is the idea behind interoperability, the open exchange of information. — Mark Warner (@MarkWarner) October 22, 2019 Third, we need to preserve delegatability — the idea that consumers should be able to allow a third-party service to manage their privacy settings across multiple platforms. — Mark Warner (@MarkWarner) October 22, 2019 I am excited about all three of these ideas and they work together. You can't do just one of them. But I am most excited about the third, delegation. My partner Albert calls this "the right to be represented by a bot" and it is critical to making all of this work. Just when you thought government was lost and useless, someone inside the walls of power in Washington steps up and puts forward a set of ideas like this and you think "well someone actually gets it." I am deeply grateful to Senators Warner, Blumenthal, and Hawley (and their staffs where so much of this work gets done) for their leadership here. Finally, one complaint. The bill defines a term "large communications platform" and that is the entity it seeks to regulate. As currently defined in the bill, a service would have to have 100mm monthly active users to be considered a large communications platform. That number is way to high in my view. We ought to regulate companies in this way at much smaller sizes. 10mm MAUs is where I would start requiring this sort of thing and maybe ratchet up the requirements as they scale to 50mm, 100mm, and beyond. But all of that can get sorted out as this bill is discussed, debated, and hopefully eventually made into law. I hope Liz and the other candidates out there who want to use old techniques on new markets will read their colleagues' bill, understand its importance, and start changing their tune on this issue. It is too important to get wrong.

Franz Liszt

URL: <https://avc.com/2019/10/franz-liszt/>

Date: 2019-10-22T04:29:00

Content:

We went to a piano recital last night in Budapest. Gabor Farkas played a number of compositions by Chopin and Liszt. I was particularly taken with the Liszt compositions. The one called "Les Jeux d'eaux de la Villa d'Este" was particularly lovely. I shared another pianist's rendition of it with some friends on Twitter this morning. After the recital, we went to dinner and we spent much of dinner talking about Liszt and reading about his life and work. It's nice when a phone connected to the Internet can be a catalyst for a conversation at dinner instead of a hindrance. As many of you likely know, Liszt was a "rock star" in the world of classical music in the mid 19th Century. He fell in and out of love with Countesses and Princesses and held court in some of the most important cities of the era, including Vienna and Weimar. But possibly most interesting was the level of hysteria that he generated in his fans with his piano playing, a phenomena known as Lisztomania. The kind of hysteria that the Beatles and other rock bands produced in their fan bases was not a new thing. It had gone on a century before in the concert halls of Europe at the height of the Classical Music era. Which leads me to speculate that Lisztomania itself was not a new phenomena and that great performers at the height of their powers have had the capacity to cause people to lose their composure for as long as humans have had the power to perform. In any case, Franz Liszt is an interesting case in the study of celebrity. And his music is also wonderful. He has found two new fans, a century and a half after his departure from Planet Earth. Which is the amazing thing about arts and culture. It survives and can be appreciated by generations to come leading us to become fanatical about someone who has not been alive for a very long time. And yes, if you were wondering, I have Ken Russell's Lisztomania downloaded into my Google Pixel Slate to watch on our flight back to the US later this week.

Being There

URL: <https://avc.com/2019/10/being-there/>

Date: 2019-10-21T10:44:25

Content:

We get feedback from the leaders of our portfolio companies on an annual basis. It helps me get better at what I do and I love it. One area that I am constantly challenged to improve on is accessibility. The common refrain is "I know you are busy and I hate to bother you." To which I reply "It is your job to bother me and my job to be responsive when you do." But even so, getting portfolio company leaders to feel that they can reach out, even on small things, is a challenge. An approach that I have taken and many other VCs also take is to schedule weekly or bi-weekly catch ups with the portfolio leaders. That works but sometimes what is needed can't wait for that or is a "in the moment thing" like "today sucked." And sometimes helping someone deal with "today sucked" gets you to a level of comfort with a leader that allows you to help on many other things too. My point is simple. Being there for portfolio leaders is job number one for venture capitalists. If we can't do that, what can we do? So working on that is a big part of my personal development and I work on it every day.

The Fifth Estate

URL: <https://avc.com/2019/10/the-fifth-estate/>

Date: 2019-10-20T02:18:53

Content:

Mark Zuckerberg, in his speech last week at Georgetown University, called social media “the Fifth Estate.” The first three “estates” of society, classically, are the clergy, the nobility, and everyone else. When the printing press arrived during the Renaissance/Enlightenment period and a mainstream press emerged, a fourth voice, The Fourth Estate, arrived on the scene and the mainstream press has had a long, strong, and lasting effect on society. As far back as the counterculture years of the 60s, the term Fifth Estate emerged to describe underground newspapers. But it was the web, first with online communities, then blogging, and finally social media, that gave a voice to everyone. And that is why Zuckerberg called social media “the Fifth Estate.” As someone who has been blogging for most of the last two decades and who has enjoyed a voice that has been amplified by technology, I very much believe in the power of this Fifth Estate. I think it will have as strong and lasting effect on society as the Fourth Estate has had and will continue to have. I also understand that the platforms that currently host the Fifth Estate have a tremendous amount of power to shape it, regulate it, and constrain it. The reason this blog runs on open source software (WordPress) and is hosted on a server that I control is that I don't want my voice hostage to one of these tech platforms. I do use Twitter regularly and in doing so, I participate in a constrained platform. I don't use Facebook regularly, partially because I don't want to be exposed to or constrained by that platform. But this post is not about Facebook vs Twitter. They are more similar than they are different. They are large and powerful tech platforms where the Fifth Estate materializes in our society. They are not the only platforms that host the Fifth Estate. There are so many that matter. There is Reddit and the many other message boards like it. There are blogging platforms like Medium. And there are communities that exist to serve particular interests, including ones that cater to hateful and awful people. The question that Zuckerberg posed for society last week is what power do we want to convey in these tech platforms to shape and constrain the Fifth Estate. My vote is very little, if any. I believe that the power that Facebook and Twitter and other platforms wield on society by virtue of their dominance is a fleeting power and that in time they will be replaced by something else that is better for society. For now they have a lot of power and that is causing a lot of hand wringing in the halls of Washington and elsewhere. But we should be careful not to hand them more power. Or worse require them to censor some voices and not others. This tweetstorm by my friend Balaji says it very well. Particularly this one: If a plebiscite was held, few people would want to give up their own right to voice on social media. They may want to silence someone else, but they would not want to give up their own right. Nor should it be taken away without good reason and due process. — Balaji S. Srinivasan (@balajis) October 19, 2019

Video Of The Week: The Crypto Custody Business

URL: <https://avc.com/2019/10/video-of-the-week-4/>

Date: 2019-10-19T11:20:47

Content:

A few weeks ago my partner Nick and Sam McIngvale, who runs our portfolio company Coinbase's custody business, did a talk at the CoinAlts conference. In it they talk about the evolving role of custody in the crypto markets, and what they are excited about in crypto in the next few years.

Sensible Regulations Versus No Regulations

URL: <https://avc.com/2019/10/sensible-regulations-versus-no-regulations/>

Date: 2019-10-17T05:56:14

Content:

I remember back in the early 2000s, the direct marketing industry and the tech sector worked with Congress to craft sensible regulations for email marketing. The result was called CAN-SPAM and it was passed into law in 2003. The law has been modified to clarify certain terms and rules. While it certainly was not perfect (what is perfect?), it paved the way for a lot of progress in making email a workable medium for consumers and businesses. There are no such rules in the location data business. Any mobile app can collect data on where you are and do what they want with it. That is not good for anyone, including the companies who are collecting that data. Today, the CEO of our portfolio company Foursquare, which is in the location data business, wrote an op-ed asking Congress to regulate the location data industry. In the op-ed, Jeff (Foursquare's CEO) outlines what he thinks would be reasonable regulation. Here are the highlights: apps should not collect location data unless they are using it to provide value to the user there should be transparency to the user around what they are signing up for and how the data will be used there should be a "do no harm" requirement location data should be protected with the appropriate security The entire op-ed is a good read and Jeff goes into a lot more detail than I did on each of these points. I hope this leads to action in Congress and we get the right legislation as a result.

Bearing Witness

URL: <https://avc.com/2019/10/bearing-witness-2/>

Date: 2019-10-16T12:46:57

Content:

Normally when we travel, The Gotham Gal posts about the things we do. She is a way better travel blogger than I am. But today we did something that I want to talk a bit about. We visited the Auschwitz concentration camps in southern Poland. This is the first time I have visited one of these camps. I have been to the various Holocaust memorials and have seen the photographs and heard and read the stories. But being there in person is something else. Staring into the rubble of a gas chamber (one of four at Birkenau) where hundreds of thousands were murdered because of their ethnicity and faith takes your breath away and fills your heart with dread. It is not a pleasurable experience in the least. But it is a very moving one. One of the things I have come to understand about life is that bearing witness is something we must all do. We cannot avoid the pain of humanity. We must stare it in the face and feel it. We did that today and I am glad we did.

The Libra Association

URL: <https://avc.com/2019/10/the-libra-association/>

Date: 2019-10-15T02:26:16

Content:

I am sitting in the airport lounge in Geneva waiting to board an airplane. I am here because yesterday was the inaugural Libra Association member council meeting. The Libra Association is a Swiss organization which will operate the Libra blockchain network and the Libra reserve. Yesterday was an important milestone for the Libra project. We adopted the initial charter for the Libra Association, we elected the initial five board members, and we set in motion a number of important initiatives. "We" are the twenty-one founding members of the Libra Association. It is fashionable to be negative about the Libra project right now. And it is equally fashionable to call it "Facebook's crypto-currency project." Both are understandable under the circumstances. But yesterday was the beginning of an independent effort, one that Facebook does not control, one where Facebook is one founding member among many, and one where Facebook has one board seat out of five. But even more important is Libra's mission to create a stable cryptocurrency that can operate at sufficient scale such that Facebook and others can use it as a means of exchange/payment system in their applications. The most meaningful conversations I had yesterday were with the members from Kiva and Women's World Banking who joined the Libra Association because the people they serve are under-banked and under-served by the legacy financial system. Like them, I believe a stable cryptocurrency that is broadly adopted around the world will bring new services to people who don't have access to the financial system that many of us who read this blog do. One of the powerful things about being in the venture capital business is that we can support projects that are necessary but unproven, unpopular, and/or misunderstood. Not everyone can do that and so it is even more important that we do.

The USB Standard

URL: <https://avc.com/2019/10/the-usb-standard/>

Date: 2019-10-14T01:34:43

Content:

We are sitting in the gate at London City Airport waiting for an early morning flight. Next to every seat in the waiting area is a bank of power outlets that look like this: You will notice that there is one UK standard outlet and four USB outlets. And, no matter where in the world you are from, it is likely that you have a USB cable for your phone. I am charging my phone while I write this and I don't have a UK power adapter on me. That's the power of a standard like USB which is only getting better and better over time. I wonder if someday we won't even have to deal with all of this:

The USV Blog Search Engine

URL: <https://avc.com/2019/10/the-usv-blog-search-engine/>

Date: 2019-10-13T05:56:54

Content:

It has always been possible to search AVC. You click on the search icon in a desktop browser or you click on the menu button in a mobile browser. But there is another way to search my blog posts, both here at AVC, and also the ones I have written on USV.com. With our recently launched refresh of USV.com , there is now a tab at the top called “ Writing .” It looks like this on a mobile phone: You can search by type (USV blog only, team member blogs only, or all), topic, author, and date. This search engine includes writing by many USV alums on the USV blog and all of the current USV team members who blog regularly. It is quite a library of content, mostly on tech, venture capital, startups, and that sort of thing. But naturally it veers into many other topics from time to time. If you want to read what USV team members (current and past) have to say about something, there is now a resource to do that. And we hope to make it even better over time by improving the metadata and search functionality around this large library of content.

Video Of The Week: The Dangers Of A Centralized Internet

URL: <https://avc.com/2019/10/video-of-the-week-the-dangers-of-a-centralized-internet/>

Date: 2019-10-12T03:34:07

Content:

Amir Haleem, founder and CEO of USV portfolio company Helium , gave this talk last year and it explains why he started Helium.

Funding Friday: Of Sight And Sound

URL: <https://avc.com/2019/10/funding-friday-of-sight-and-sound/>

Date: 2019-10-11T08:01:58

Content:

I backed this project this morning. I am a big fan of artistic collaboration and the amazing things that come from it

Heading East

URL: <https://avc.com/2019/10/heading-east/>

Date: 2019-10-10T07:04:28

Content:

The Gotham Gal and I are heading to Europe for a couple of weeks of vacation. I will not be working the next two weeks but do plan to blog about whatever is on my mind. The Gotham Gal , as is her custom, will blog about the various fun things we are going to do on this trip. I am looking forward to some down time, some good books, and seeing the sights and sounds of different places. I am a big believer in vacations. We all work hard, get ground down, and taking some time with friends and family to unwind, clear the head, and refresh is always a wonderful thing. I am excited to do that myself.

Principles Over Profit

URL: <https://avc.com/2019/10/principles-over-profit/>

Date: 2019-10-09T14:03:45

Content:

I was pleased to see NBA Commissioner Adam Silver say this with respect to the controversy over Houston Rockets' General Manager Daryl Morey's tweet in support of the protest movement in Hong Kong: The NBA will not put itself in a position of regulating what players, employees and team owners say or will not say. We simply could not operate that way. The NBA faces the potential of a backlash in China that could impact the league's business interests there. That could reduce the profits of the league and players and owners. But the NBA is putting principles over profits here and that is a good thing. We have faced this issue a number of times over the years at USV and we have tried to do the same. We have also been on boards of companies that have faced this issue over the years and we have advocated for this approach. It is not an easy choice. Companies have employees to pay, families to feed, and customers to serve. And principles are not always shared by everyone and the lines are not always clear But one thing is for sure. The search for profits can lead a founder, a CEO, a team, a Board, and a Company to forget their principles and that is never a good thing.

Cards

URL: <https://avc.com/2019/10/cards/>

Date: 2019-10-08T18:41:19

Content:

I played cards all through college and on and off since then. I don't have a regular card game right now and I miss playing cards. I was talking to a friend of mine recently and she complained that her son was more interested in playing poker than going to college. I told her that I thought he could learn more from poker than some schools and many majors. I don't think playing cards is a replacement for reading the great novels and I don't think cards can replace the fundamentals of writing, math, and science. But I do think that cards are a great compliment to all of that and I think there are things you can learn from playing cards that are hard to learn elsewhere. Here are a few of the things I have learned from playing cards: How to evaluate risk and return quickly How to trust your instincts and comfortably act on them How to read a room and size people up How to bluff (a better word than lie which I used in a recent post) How to keep large sets of numbers in your mind and available to you The joys of a group of friends getting together frequently and regularly There are many more but those are some of the ones that come to mind at this moment. I think playing cards is a great way to learn many important life skills and I have found it to be very helpful in the venture capital business. So if your child seems obsessed with cards, I wouldn't lose a lot of sleep over it. It might be a great learning experience for them.

Cross Laminated Timber

URL: <https://avc.com/2019/10/cross-laminated-timber/>

Date: 2019-10-07T08:19:12

Content:

Cross Laminated Timber (or CLT for short) is a structural building material that can replace concrete and steel in new building construction. I wrote about CLT back in April and mentioned that the Gotham Gal and I are in the process of making two CLT buildings right now. The paper version of the New York Times has an excellent op-ed today that explains why making buildings out of wood is much better for our climate than making them out of concrete and steel. What CLT does is make it possible to make tall and strong buildings out of wood. This explanation from that NYT op-ed is particularly good: Trees remove carbon dioxide from the atmosphere and store it in their wood. ... This will allow us to pump carbon from the atmosphere and store it both in forests and in cities. There are challenges to making buildings out of CLT. For example, CLT is not yet an approved building material in the five boroughs of NYC. That is changing however. It looks like the city will add CLT to the NYC building code soon. I strongly encourage the NYC City Council to act quickly and approve the addition of CLT to the NYC building code.

Unclogging Manhattan

URL: <https://avc.com/2019/10/unclogging-manhattan/>

Date: 2019-10-06T11:45:22

Content:

A big thing happened this past week in my part of lower Manhattan where I live and work. Fourteenth Street was closed to cars between 6am and 10pm except for "local traffic." Basically if you are in a car during those hours, you can go for up to a block, but no more than that. It is remarkable to see the transformation of Fourteenth Street, a street I walk down multiple times a day going to and from work. I took that photo around 11am today. The street is empty. The only thing you notice is the buses going from the East River to the Hudson in something like ten minutes, a trip that used to take more than thirty minutes. This only happened because the L train subway line, which goes under Fourteenth Street, was supposed to close for 18 months for tunnel repairs. They figured out how to keep the L train running but on a reduced schedule. But they went ahead with the Fourteenth Street closure anyway. It is my hope that this will turn out to be a massive success and will lead to closure of other cross streets like 23rd, 34th, 42nd, 57th, 79th, 86th, and 96th. It could be transformative for the cross town buses and a lot more too. We need to find ways of getting around our city that don't require cars. The closure of Fourteenth Street is a big step in that direction.

Audio Of The Week: Crypto In China

URL: <https://avc.com/2019/10/audio-of-the-week-crypto-in-china/>

Date: 2019-10-05T09:48:50

Content:

A bunch of friends and colleagues were in China a few weeks ago for a big crypto conference and since then, I've had a number of fascinating conversations about the crypto sector in China. Over the last few years, it has become apparent to me and others that China is innovating in the crypto sector in ways that the US and other western countries are not. This is happening for many reasons, including stronger user value propositions for crypto in China, a different regulatory environment, and a vibrant crypto trading sector. This podcast explores many of these issues and is a good listen if you want to understand what is going on in the Chinese crypto sector better.

Funding Friday: Thirdwing

URL: <https://avc.com/2019/10/funding-friday-thirdwing/>

Date: 2019-10-04T06:32:45

Content:

We went to the theater last night. I think there is nothing like live performances. But theater is expensive and requires work to plan an evening in advance. So many of us just end up staying at home and streaming something on our TVs. Thirdwing is the merger of the two and I backed it this morning and am sharing it with all of you.

Smart Home Data Aggregator?

URL: <https://avc.com/2019/10/smart-home-data-aggregator/>

Date: 2019-10-03T07:50:06

Content:

The devices in our homes are getting smart. That is awesome. We can manage our energy consumption and much more with a lot more precision and intelligence now. But I find myself logging into one app to get data on my thermostats, another to get data on my security system, another to get data on my solar panels, and another to get data on my electric vehicles. And then there is all of the billing data from the various utilities and other providers we have. It's a bit of a production each month when I want to see how we are doing. And I use a spreadsheet to collect and analyze all of this data. It makes me wonder if there is a Yodlee or Plaid for smart home data and if there is a Mint-like application that pulls it all together for you. Of course I could go do the homework to figure that on my own, but I assume I'm not the only person in the AVC community who has this need. So it's better for me to blog this question here and we can all find the answer in the comments. And if there is no good answer, well then that is a good startup opportunity.

Our Helium Hotspot

URL: <https://avc.com/2019/10/our-helium-hotspot/>

Date: 2019-10-02T06:50:56

Content:

Back in June I wrote about a company we recently invested in called Helium. Helium is creating a decentralized low power and low bandwidth wireless network for the exploding number of smart devices out in the world. We got our hotspot yesterday and I connected it this morning and we are now providing bandwidth in Manhattan and earning Helium tokens as a result.

That's Not Fair

URL: <https://avc.com/2019/10/thats-not-fair/>

Date: 2019-10-01T08:15:21

Content:

I saw some news this morning and immediately thought “that is not fair.” And then I reminded myself that life is not fair. Of course we all wish that life would be fair. It should be fair. But it just isn't and if you go through life wanting it to be fair, you are just setting yourself up for a lot of disappointment. All of that said, I have found life to be more fair over the long run. Things tend to even out over longer time frames. But in the short run, we have to be prepared to get the short end of the stick and then figure out how to make that a winning hand anyway.

Reckoning Reflections

URL: <https://avc.com/2019/09/reckoning-reflections/>

Date: 2019-09-30T09:08:34

Content:

The post I wrote yesterday generated a lot of discussion. I followed it on Twitter and engaged with much of it there. One of the best things about writing is all of the feedback you get. It helps to sharpen your arguments and also makes you rethink them too. Here are some of the takeaways: Some readers interpreted the post as arguing for only investing in high gross margin businesses. I don't believe that is the right takeaway. The better takeaway is that high margin businesses are often less dependent on capital markets because they can internally generate cash more easily. That is not the case with low margin businesses. So how you value and how you finance low margin businesses becomes very important. They can't be valued too highly or you risk a financing crisis. Bill Gurley tweeted his blog post from 2011 that "all revenue is not created equal." That is a great way of saying what I was trying to say. Apple and Amazon were put forth as great lower margin businesses. Amazon is a roughly 25% gross margin business and trades at a little over 3x revenues. Apple is a roughly 40% gross margin business and trades closer to 4x revenues. I think that emphasizes the point that revenue multiples ought to reflect gross margins. Many people argued that operating margins and growth rates should be the two numbers that matter most in valuing a business. I totally agree. But it is hard to have 40% operating margins if you have 40% gross margins. The truth is that operating margins will be highly dependent on gross margins. But there will be edge cases where that is less true. I got a lot of people saying "isn't this totally obvious?". To which I say "it should be but clearly it is not." The most important takeaway for me is that the public markets are showing us in tech/startup/VC land that the economic fundamentals of a business, even those that are driving massive disruption in their markets, really does matter and that we need to pay attention to them when we finance these companies.

The Great Public Market Reckoning

URL: <https://avc.com/2019/09/the-great-public-market-reckoning/>

Date: 2019-09-29T12:29:15

Content:

Dan Primack wrote in his Friday newsletter: Public market investors have become less willing to leave their comfort zones, and it's manifesting most obviously in the IPO market. Novel disruption has fallen out of favor, with many preferring more time-tested models like enterprise SaaS and biotech. Peloton yesterday raised over \$1.1 billion in its IPO, pricing at the top of its \$26-\$29 range, but its shares then got crushed (although still valued well above the last private mark). Its CEO talked to Axios yesterday about the falling stock price. Endeavor, the live events and artist representation firm led by Ari Emanuel, last night canceled an IPO that originally was to raise over \$600 million, before it was later downsized. WeWork ... well, you know the story there. Yes, all three companies have dual-class shares. Yes, all three were highly valued by venture capital or private equity investors. Yes, all three were unprofitable for the first half of 2019. Those characteristics are also true of Datadog and Ping Identity, both of which had successful IPOs this month and continue to trade above offering. The trio's real similarity was that each had a very complicated story. Peloton is a high-end hardware and SaaS business that produces original media content, sells apparel, and runs its own delivery logistics. Endeavor began life representing movie stars and Donald Trump, but later expanded into a massive live events business that includes the UFC and Professional Bull Riders. Plus, it's got a streaming platform. WeWork... again, it's different. All of this comes against the backdrop of Uber, which also had a very complicated story and an IPO that emboldened short-sellers. Up next: A lot of biotech startup IPOs, but no high-growth, complicated tech unicorns. "We're about to get a bit of a break from those sorts of deals, which I think is good for everyone," a top Wall Street banker told me this morning. Private markets follow public markets, so don't be surprised to see some valuation and/or deal size pullback for these "hard to comp" companies. Particularly if SoftBank fails to raise Vision Fund 2. Goodbye to egregious governance terms. Dual-class will survive, but WeWork laid a third rail for others to avoid. U.S. IPOs have still outperformed the S&P 500 in 2019, although the gap has shrunk significantly this month. Or, put another way: The sky isn't falling, but it's gotten a lot darker. And, for some, downright stormy. While all of this is true, I think it is a lot simpler than that. The public markets are a lot different than the private markets. Financial transactions in the private markets are controlled by the issuers, happen when the issuers want them to happen, and are generally auctions, particularly in the late stage markets. Public market investors can buy and sell stocks every day based on what is attractive to them and what is not. If they feel like they missed out on something, they can get into it immediately. For this reason, valuations in the private markets, particularly the late-stage private markets, can sometimes be irrational. Public market valuations, certainly after a stock has traded for a material amount of time and lockups have come off, are much more rational. For the last five or six years, I have been writing here that I very much want to see the wave of highly valued and highly heralded companies that were started in the last decade come public. I have wanted to see how these companies trade because it will help us in the private markets better understand how to finance and value businesses. And now we are seeing that. And what we are seeing, for the most part, is that margins matter. Both gross margins and operating margins. If you look at the class of companies that have come public in the last twelve months, many of the stocks that have performed the best are software companies with software margins. One notable exception to that is Beyond Meat. Zoom – 81% gross margin Cloudflare (a USV portfolio company) – 77% gross margin Datadog – 75% gross margin If you look at the same list, many of the stocks that have struggled are companies that have low gross margins. Uber – 46% gross margin Lyft – 39% gross margin Peloton – 42% gross margin Some other notable numbers: WeWork gross margins – 20% Spotify (down almost 30% in the last two months) gross margins – 26% I believe that we have seen a narrative in the late stage private markets that as software is eating the world (real estate, music, exercise, transportation), every company should be valued as a software company at 10x revenues or more. And that narrative is now falling apart. If the product is software and thus can produce software gross margins (75% or greater), then it should be valued as a software company. If the product is something else and cannot produce software gross margins then it needs to be valued like other similar businesses with similar margins, but maybe at some premium to recognize the leverage it can get through software. But we have not been doing it that way in the late-stage private markets for the last five years. I think we may start now that the public markets are showing us how.

Audio Of The Week: Nick Grossman on Venture Unplugged

URL: <https://avc.com/2019/09/audio-of-the-week-nick-grossman-on-venture-unplugged/>

Date: 2019-09-28T06:21:04

Content:

My partner Nick did this podcast recently. In it he talks about how we think about and make investments at USV, our thesis on crypto, and a number of our crypto investments. If you want to bypass all of the intros and sponsor messages, fast forward to 3mins.

Funding Friday: Deep Green

URL: <https://avc.com/2019/09/funding-friday-deep-green/>

Date: 2019-09-27T06:19:21

Content:

This project is art meets climate activism. I backed it this morning and now am sharing it with you.

Founder Control

URL: <https://avc.com/2019/09/founder-control-2/>

Date: 2019-09-26T06:23:10

Content:

I have not written a lot about this issue. As I said in this post , I am generally a “one share one vote proponent”, but I have supported founder control provisions in a few companies where I was or am on the board. These provisions make me uncomfortable but there are solid arguments for them, particularly when you are taking a company public and want to be able to keep it independent. But the truth about founder control, as I stated in this post from back in 2012 , is: If you want to maintain control of your company, focus on running it well or find a team to run it well, and make sure you have plenty of cash to operate your business and that you never find yourself in a position where you are running out of cash and have nowhere to go but your existing investors. Do those two things well and you will be in control for as long as you want to be in control. We saw that play out with WeWork this week. The founder had a 10:1 supervoting provision and controlled a majority of the board seats. Until he didn't. I don't know anything about how that all went down. But I can only imagine that WeWork was running out of cash and needed funds from its existing investors and the founder had to cede all of that to keep the company afloat. Or some version of that story. So all the agreements and such are only as solid as the performance of the business. They can all get torn up in a nanosecond if things don't go well.

Staying Focused

URL: <https://avc.com/2019/09/staying-focused/>

Date: 2019-09-25T07:02:51

Content:

With all the crazy stuff going on all around us all day long it can be tough to stay focused. But I would argue that is exactly why we must stay focused. Some people do this by getting off social media apps like Instagram, Facebook, and Twitter. Some people do this by using features like Screen Time to manage phone addiction. Some people do this by adding meditation and other mindfulness practices to their daily routines. All of these are good things and helpful. For me, it is important to keep the things that really matter to me (family, friends, USV and our portfolio, my causes) front and center in my mind and tune everything else out. I know what happened yesterday. But I don't let it take up too much space in my brain. It is not that I don't care about all of it. I really do. But I can't do that much about it and I can do a lot about the things that I am focused on. So I focus on them and let the craziness pass me by.

Hard Decisions

URL: <https://avc.com/2019/09/hard-decisions/>

Date: 2019-09-24T07:58:50

Content:

Every startup journey involves making some really hard decisions. Yesterday our portfolio company Kik announced they are shutting down the Kik messenger and parting ways with all but nineteen of their team. The Kik team has spent almost a decade working on the Kik messenger. Although Kik's popularity has waned in the face of iMessage, WhatsApp, Facebook Messenger, etc, etc, it still has 10mm monthly users and almost 5mm daily users. But it has never been a profitable business in a market full of free competitors. The decision to shut Kik and scale back to a small core developer team is all about continuing to support the Kin cryptocurrency which has over 2mm monthly people earning Kin and over 600k spending Kin across a large network of mobile apps that run the Kin SDK. But even so, shutting down something you have worked on for almost a decade and parting ways with 90% of your team is hard. Another thing about hard decisions is the sooner you make them the sooner you realize the benefits of making them. Postponing them is the worst thing you can do. Kik is not the only company in our portfolio and is certainly not the only company out there in startup land facing very hard decisions right now. I see a lot of this thing in my business and it doesn't get easier. What we must do is support the teams making these decisions and getting to the other side of them. I will end this with a quote that the founder of one of our portfolio companies sent me this week. I think it sums it up nicely. My centre is giving way, my right is in retreat; situation excellent. I am attacking. Field Marshall Foch in the Battle of the Marne

You Can't Please Everyone

URL: <https://avc.com/2019/09/you-cant-please-everyone/>

Date: 2019-09-23T06:15:05

Content:

I get a lot of feedback on this blog. I appreciate all of it. Even the harsh stuff (you are an idiot, etc). One of the things I have learned from writing here is that the same words will generate very different reactions from people. Last week I wrote about the value of bluffing . It triggered a ton of inbound email. I received two emails within seconds of each other. One said "that is the best advice you have ever shared" The other said "people will go to jail because of you" I just shook my head and smiled. That's how it goes when you put your thoughts and ideas out there. But there is also a lesson for leaders in here. You will not be able to please everyone in your company and you can't try to do that. You must be true to yourself, you must be authentic. You can't pander. It is useful to get the feedback, to listen to it, to try to understand it. But you can't let it jerk you around. You have to have the courage of your convictions and you need to be consistent with them.

Breaking Up Big Tech

URL: <https://avc.com/2019/09/breaking-up-big-tech/>

Date: 2019-09-22T08:07:04

Content:

With the news that two-thirds of Americans favor breaking up big tech combined with the news that Liz Warren (the biggest advocate of the idea) has broken out of the pack in Iowa, I thought I would return to this topic. I wrote about this back when Liz first put the idea forward. I am in favor of reigning in the monopoly/duopoly/oligopoly power of the large American tech companies. I am also in favor of reigning in the power of large tech companies that are not resident in the US. Doing one without the other is bad policy and could give large tech companies outside of the US (particularly in Asia) a competitive advantage. A better approach, as I advocated for in my earlier post on this topic, are policies, like the European's GDPR, that would impact all companies doing business in the US equally. I do not love GDPR. It is overly bureaucratic and for the most part has resulted in all of us robotically opting into being cookie'd everywhere. But users do have a right to online privacy. We also have a right to self sovereign identity and ownership of our data. Apple is offering Sign In With Apple in iOS13 to help us reduce our reliance on signing in with Facebook and Google. That's great but it just replaces one boogymon with another. What we need is an open sign-in protocol in which users control their sign-in keys and also all of the data we create and have created over the years once we are signed in. Government can force industry into a regime like that with regulations that dictate that tech companies of all sizes adopt such approaches. That is what we should be doing to reduce the market power of big tech instead of breaking them up. That is because their market power comes from this single sign-on oligopoly and the data that comes with it. Government should not dictate the design of such a protocol or any of the technology that is required to produce such a regime. The market can and will do that once the requirements are put in place. We have much of what we need already in the form of cryptography and user centric wallet infrastructure. We just need a forcing function to get big tech to adopt these technologies, which they won't do on their own because they will reduce their market powers. Which is exactly why we need to do this.

Funding Friday: The Truth Has Changed

URL: <https://avc.com/2019/09/funding-friday-the-truth-has-changed/>

Date: 2019-09-20T05:35:45

Content:

On the day of a massive climate strike here in NYC and elsewhere around the world, I thought it appropriate to highlight this film/tour project from Josh Fox which I have backed.

<https://www.kickstarter.com/projects/joshfoxtthc/rally-the-truth-help-us-fund-the-truth-has-changed-tour>

The Self Driving Bus

URL: <https://avc.com/2019/09/the-self-driving-bus/>

Date: 2019-09-19T06:55:31

Content:

If you are in or around the Brooklyn Navy Yard and want to get to the East River Ferry, you can have a self driving car take you there. I did that yesterday: It's sort of like a van. There are six passenger seats in the vehicle and I saw four of them lined up waiting for passengers next to the main gate off Flushing and Cumberland. There is a driver in the front seat but the van drives itself. That takes some of the excitement factor down a notch. But it increases the comfort factor. I assume the driver can take control of the vehicle and drive it manually if necessary. It makes a ton of sense that autonomous vehicles would start out in places like the Navy Yard where there is not a lot of vehicle traffic and the map is fairly simple. If you want a taste of the future go over to the Navy Yard and get a ride. It's free. And while you are there check out the amazing new Dock 72 building next to the East River Ferry stop. They are leasing it up now and there are some great office spaces still available there. They have smaller offices for startups. [Link here](#) .

Self Confidence

URL: <https://avc.com/2019/09/self-confidence/>

Date: 2019-09-18T06:53:58

Content:

A friend of mine told me a story this morning about a time that he said he had the money when he did not and then he went out and found it. It reminds me of Mark McCormack's What They Don't Teach You At Harvard Business School where he tells story after story of signing big deals that he had no ability to pay for and then going out and funding them. Mark and my friend both knew they could get the money even though they did not actually have it. When I was in college I needed a job and I found one programming in Fortran. I didn't know Fortran. I had some cursory knowledge of Basic. I went for the interview anyway and when they asked me if I knew Fortran, I said "yeah, I've done some Fortran programming" and then asked them if I could take the source code home for the weekend. So they printed out the source code on a dot matrix printer on folds after folds of large format printer paper. I took that pile of paper home and opened it up. It turned out that the postdoc who had written the Fortran program had literally commented every single line of code. On one line was the code and on the next line was a comment that said something like "this tells the laser to move to the right by the amount entered." I smiled and knew that I could maintain that Fortran program and in the process teach myself the language. And that is what I did and partially paid my way through MIT too. I am not advocating lying but that is what I did and that is what my friend did. But we lied with the self-confidence that we could pull it off. There is a fine line between self-confidence and recklessness and I have been able to project the former without landing on the latter in my career. I think you need at least a little bit of the former in business. Without it, you won't be able to go for it when you need to go for it. And if you don't go for it, you won't get it.

Hair On A Deal

URL: <https://avc.com/2019/09/hair-on-a-deal/>

Date: 2019-09-17T08:36:18

Content:

In a perfect world, everything about a potential investment will be confidence inducing. The team will be great and reference well. The market will be huge. The technology will be well developed. The price and terms will be attractive. But the world is not perfect. There will always be things about a potential investment that create heartburn. A term that I have heard used over the years to describe these imperfections is "hair on a deal" as in "there is a lot of hair on that deal." A little hair is OK if everything else lines up. A lot of hair is not OK and can be a deal killer. The news that WeWork has postponed their IPO plans for now is an example of when too much hair gets in the way of a deal. There are a lot of things to like about WeWork. They have popularized a new form of work space, a new business model for it, and have they have built a global brand around shared workspaces. I expect the company will eventually get public. But right now there is too much hair on that deal and all the work they did over the last few weeks to clean it up was not enough, at least for now. So the lesson for entrepreneurs is that you really need to have your house in order when you go out and raise capital. The more eyebrows you raise with investors, the worse it gets. And hair can get in the way of an otherwise financeable opportunity.

The Flow Blockchain

URL: <https://avc.com/2019/09/the-flow-blockchain/>

Date: 2019-09-16T06:32:29

Content:

Last week our portfolio company Dapper Labs , the maker of CryptoKitties , CheezeWizards, and soon NBA Top Shot , all crypto games, announced the development of the Flow blockchain . You might ask “why do we need yet another blockchain?” and you would be right to ask that. The answer is that Dapper has built several games on Ethereum, one of them a top-three smart contract this year (CryptoKitties) and they have found it challenging to build the games they want to create on that platform. They looked around at all of the other options and could not find a blockchain that addressed all of their issues. So they are building Flow. Here’s a primer on Flow. And here are the technical papers . From that primer: Flow’s technical architecture balances three priorities: Scaling with Full Composability: Flow improves throughput without breaking up the network shared state. This preserves a developer-friendly environment for applications, making it much easier to write secure and composable code. Speed and Efficiency: Flow is capable of handling the transaction volume needed to support modern consumer applications while consuming a tiny fraction of the computing resources needed by current networks. Decentralized Participation: The security of a decentralized system is directly related to the number of independent participants working to secure the network. Flow supports large numbers of participants with a range of technical and financial commitments, resulting in a system that’s cheap to join while being costly to subvert. If you are building a game, a collectibles experience, or some other mainstream consumer decentralized application, you should check out Flow. You can do that here . And if you want to engage with Flow and the Flow community, you can do that here .

The Hit Rate

URL: <https://avc.com/2019/09/the-hit-rate/>

Date: 2019-09-15T06:34:12

Content:

This simple and short blog post by the folks at Correlation Ventures contains the key to venture capital returns – the hit rate. In the Correlation post, they define “hit rate” as: the percent of invested dollars generating a 10X or greater return. But “hit rate” could be something else. It could be the number of investments in your portfolio that return the fund. It could be the number of seed investments you make that turn into billion-dollar valued businesses. It could be the number of your seed and Series A investments that go public. My point is that it doesn't really matter than much how you define hit rate. What is important is this chart from the Correlation post: I guess they have a keen eye for correlation at Correlation Ventures. They certainly found it here. Venture capital returns are highly correlated to a fund's hit rate. Or said differently, a fund's hit rate determines their returns. I think that is a pretty well-known fact these days with all of the obsession with billion-dollar valued companies, or “whales” as I like to call them. We know that venture investments result in a power-law distribution of outcomes. And so one or two companies will determine the returns in a given fund. Sometimes that is not the case. In our 2004 fund it was five companies, but that is why that fund was so good. The other interesting thing about that chart is why the hit rates and returns in the venture capital industry have not returned to pre-2000 levels. I think that is all about the amount of capital in the business now. More capital means more businesses get funded. So even if you have more winners, you don't see the hit rates move up. The numerator and the denominator have both grown in the hit rate calculations. Before 2000, the venture capital business was a bit of a cottage industry. In the last 15 years, VC has become an institutional asset class with the permanence and stature that brings seemingly endless amounts of capital to it. And so the returns have stabilized in or around the 2-2.5x over ten years number, which produces high teens/low 20s IRRs, which is enough to sustain the sector. The only thing that I think would take us back to mean multiples of 4x or better would be some sort of massive reduction in the amount of capital coming into the venture capital business. And I don't see that happening any time soon. But one thing about the VC business has not changed in all of the years in that chart, which is roughly how long I have been a partner in a venture firm, and that is that your big winners will determine your returns. Same as it always was.

Audio Of The Week: Full Body MRI Scans And Machine Learning

URL: <https://avc.com/2019/09/audio-of-the-week-full-body-mri-scans-and-machine-learning/>

Date: 2019-09-14T18:09:58

Content:

My friend Gordon suggested that I listen to this podcast about MRI scans as an early cancer detection tool. I found it super interesting and maybe you will too.

Funding Friday: Make Pizza On Your Camping Trip

URL: <https://avc.com/2019/09/funding-friday-make-pizza-on-your-camping-trip/>

Date: 2019-09-13T10:41:39

Content:

One of the things I like about Kickstarter is seeing repeat creators coming back with new innovations. I backed a project like that this morning. I also love pizza and making it in wood fired pizza ovens. So this project checks a few boxes for me.

Fractionalizing Home Equity

URL: <https://avc.com/2019/09/fractionalizing-home-equity/>

Date: 2019-09-12T08:35:48

Content:

USV recently invested in a company called Patch Homes and they are announcing that financing today along with some other important information on their business. You can read about the financing here and USV's investment blog post here (we do one of these for every new investment). What I'd like to talk about is the bigger idea behind Patch and some other startups out there which is the ability to break up your home equity into pieces and sell some of it while holding onto most of it. I call this fractionalizing home equity. In the existing home finance world, the only thing you can do with your home equity is borrow against it. And many homeowners do this. It is a big market and helps a lot of homeowners out. But once you borrow against your home equity you have larger monthly mortgage payments to make and many can't afford to do that. And you need a certain credit score to be able to access the home equity loan market. What Patch offers instead is to take a piece of your home equity (currently limited to \$250k maximum) and sell the upside on it to a investment fund. Note that I said upside. This is effectively a call option on the equity not a full transfer of that equity. That makes things a lot simpler in many of the scenarios that could arise. There are some great use cases for a partial sale of home equity. One example I like a lot is a family whose children are heading to college and soon will be out of the home. They plan to sell the home when all the kids are gone but don't want to do that until then. They could sell some of their home equity, help pay for college, and then sell the house after all of the kids have graduated. There are plenty of examples like that where you are in a situation in life where you plan to sell but not just yet and you don't want to add to your debt load and/or your monthly payments. And that is why having more home finance options is great. It expands access to capital and that is a core part of the current USV thesis . And we are excited to be working with Patch to help them do that.

September 11th

URL: <https://avc.com/2019/09/september-11th-4/>

Date: 2019-09-11T08:39:08

Content:

We were having breakfast in lower Manhattan that morning before a board meeting. It was the CEO, another board member and me. We were sitting outside in a sidewalk cafe in lower Soho and the plane flew right over us, at a height that was clearly not normal, and banked and slammed right into the first tower. The CEO knew right away it was a terrorist act and we quickly settled up and headed over to the company's offices. We told everyone to go home that could go home, and then waited to see how many people would arrive at work. Once we had sent everyone home who could go home, we got everyone who could not go home and started walking uptown to our house in Chelsea. We invited everyone in to our home and went out and got sandwiches and made a buffet lunch. Nobody did anything but watch TV and call their loved ones, if they could get a call out on the overloaded cell networks. By evening everyone had made plans for the night or figured out how to get home. It was a horrible day, one that I certainly will never forget, and one that changed everything in many ways. But when I look back at it, the ability to take everyone in, feed them, and provide some community and comfort, made that day a lot easier for me and my family. I am grateful for that.

Bring Back The SE

URL: <https://avc.com/2019/09/bring-back-the-se/>

Date: 2019-09-10T10:26:30

Content:

Today Apple is going to announce three new iPhones. One of them should be a small form factor like the old SE. Apple discontinued the iPhone SE at the tail end of 2018 and has stated that the next iOS update will not run on the old SE hardware. I have a number of friends and family members who have the old SE, love the small form factor, and do not want a larger phone in their pockets, purses, and hands. As a result, these people have been holding onto phones that have gotten a bit old and badly in need of an upgrade. But more importantly in my view, if Apple wants to tightly control the hardware that iOS can run on (which obviously they do), then they should put a wide enough variety of hardware into the market to support their user base. It is unlikely that any of my friends and family members are going to move to Android, where there is a wide variety of hardware form factors to choose from. The iOS lockin is very powerful. So Apple doesn't need to do this so much for business reasons. But I do think they should do this for other reasons.

Why Positive Cashflow Matters

URL: <https://avc.com/2019/09/why-positive-cashflow-matters/>

Date: 2019-09-09T08:54:31

Content:

Venture backed companies have a strange relationship to positive cashflow. Because they have financial backers who can and do finance losses, they tend to operate in the red for a long time. In the early days it makes sense to burn cash. If you do not have revenues, you can't generate cash. And if you can't grow your revenues without investing out ahead of income, then you also need to be able to operate in the red. But I have often felt that this muscle memory of investing for growth at the expense of profits can become, and does become, a habit that is hard to break. If you have positive cashflow, you can control the timing and terms of your capital raises. If you have positive cashflow, you can buy back your stock if any comes into the market at prices that you and your Board feels is below fair value. If you have positive cashflow, you can borrow against it to purchase other companies or finance capital requirements. If you have positive cash flow you can offer cash incentive compensation in lieu of ever more expensive equity compensation. I could go on, but I suspect you get the point. Positive cash flow puts you on control versus the capital markets. And that is a very valuable position to be in and one that a number of high flying tech companies probably wish they were in right now.

Foreshadowing Facetime

URL: <https://avc.com/2019/09/foreshadowing-facetime/>

Date: 2019-09-08T15:35:56

Content:

The Gotham Gal and I went to the Brooklyn Museum today to see the Pierre Cardin retrospective. Near the end of the exhibit was a small clip from a Jetsons episode where Jane is shopping for dresses in a boutique. She finds a dress that she likes and decides to call her friend on the TV in the store and find out what she thinks of the dress. This is a fairly common activity these days. You see people facetime with friends and family before they purchase something in a store. But in the early 60s, when these Jetsons episodes were being written, this was very far from reality. But they imagined it and wrote it into the show. That's pretty cool.

Audio Of The Week: What Can We Learn From The History Of The Internet For The Future Of Crypto?

URL: <https://avc.com/2019/09/audio-of-the-week-what-can-we-learn-from-the-history-of-the-internet-for-the-future-of-crypto/>

Date: 2019-09-07T09:33:58

Content:

In this podcast, a16z general partner Katie Haun interviews a16z co-founder Marc Andreessen. It's a great conversation.

Funding Friday: Malware Blankets

URL: <https://avc.com/2019/09/funding-friday-malware-blankets/>

Date: 2019-09-06T06:08:39

Content:

This is a cool project that combines textiles and malware. I backed it this morning. Projects like this always makes me wonder what someone will think of next.

Learning The Hard Way

URL: <https://avc.com/2019/09/learning-the-hard-way/>

Date: 2019-09-05T08:38:24

Content:

I got schooled on Crypto Twitter yesterday. It turns out many believe I was wrong about most everything in my post yesterday and they let me have it. Crypto Twitter is a really special place. One of the comments was that I learned the hard way that crypto networks are not companies: We all learn the hard way. What matters is to learn. — Fred Wilson (@fredwilson) September 4, 2019 Pretty much everything I have learned in the venture capital and tech business I have learned the hard way. Easy lessons aren't very powerful. Hard ones are. I have gotten more things wrong than you can possibly imagine. That's life, that's learning, that's winning.

Some Thoughts On Crypto

URL: <https://avc.com/2019/09/some-thoughts-on-crypto/>

Date: 2019-09-04T08:06:55

Content:

The crypto sector is in an interesting phase right now. The market has rallied from its lows this past winter and is up a lot in 2019: But Bitcoin now makes up almost 70% of that aggregate market cap. In some ways, Bitcoin is the one protocol that has found lasting product-market fit. In terms of a censorship proof digital store of wealth, there is nothing that comes close to Bitcoin. There are some protocols, like the privacy-focused ones, that offer similar and in some cases better use cases. But for the most part, Bitcoin is our digital gold. Ethereum, as many of you know, confounds me. It has shown the way to so many important things; smart contracts, programmable trust-free computing, potentially proof of stake, and a lot more. But it remains hard to build on, scaling issues abound, and many developers are looking elsewhere. Stablecoins, including Facebook's plans for Libra, are a bright spot. There has been much innovation in this sector and more is coming. There is no doubt that technology can provide a stable programmable crypto asset. We are still early days in the use cases but it is not hard to imagine why one would want to own and use stable programmable digital money. We are also seeing signs that users like using crypto-assets in mobile and web apps. Kin, built by our portfolio company Kik, has become one of the most used cryptocurrencies in the world and is built into more than fifty mobile apps. Our portfolio company Blockstack has a Dapp platform that many developers are using to create consumer Dapps. And our portfolio company YouNow's Props token is seeing a lot of consumers transacting with it. But there is also plenty of disappointment to be had in crypto right now. Regulators and banks in many parts of the world are downright hostile to crypto and have pushed much of the liquidity to Asia and the innovation has followed it there. Many of the most interesting things in crypto right now have emanated from Asia. And many of the most promising and best-funded projects are massively delayed in getting to market. Some of this is that building scalable secure and decentralized protocols is not easy. But it is also true that the decentralized development approach that many of these projects are taking is not well suited to deadlines and ship dates. And maybe most of all, crypto has not gone mainstream. Very few people earn in crypto. Very few spend in crypto. Very few use Dapps. Very few do anything with crypto other than buy, sell, and mostly hold. I am an optimist. I am convinced that many of these disappointments will be overcome in the next few years. But it is easy to be bearish on crypto right now. The reality is well below the hype and challenges abound I am long crypto and USV is long crypto. And we are putting more capital into the sector and will continue to do so. But it is not without risks and setbacks. Actually it is full of them.

Back At It

URL: <https://avc.com/2019/09/back-at-it/>

Date: 2019-09-03T06:20:43

Content:

The summer is over and the fall season is upon us. I love the fall in NYC. It hums with energy, the air cools a bit, and everyone is out and about. It is also a good time to get things done. Everyone is back at work and focused. That includes me.

Labor Shortages

URL: <https://avc.com/2019/09/labor-shortages/>

Date: 2019-09-02T06:42:55

Content:

I read last week that there are a growing number of regions around the country where there are labor shortages. Businesses literally cannot find the workers they need to operate their businesses. Today is Labor Day, a day to celebrate the workers who built America and the labor movement that rose up to protect workers from abusive labor practices. And so it is worth noting that we don't have enough labor in our country right now. Some of this results from the strong economy which is ten+ years into an expansion. Some of this results from restrictive immigration policies. But whatever the cause, we have an abundance of capital and a shortage of labor in the economy right now. That makes it difficult to operate a business and even more difficult to expand. Automation can solve some of these issues and I expect we will see more automation in an environment where capital is available to fund investments in automation and labor is very tight. But the other question is how much longer should we maintain a restrictive immigration policy. I believe we should have more legal immigration in the United States. We have labor shortages and many talented people who would like to come here and live and work. It seems like a no brainer to me that we should expand legal immigration in the US right now.

Scaling In Lower Cost Locations

URL: <https://avc.com/2019/09/scaling-in-lower-cost-locations/>

Date: 2019-09-01T06:50:37

Content:

This is a topic I've written about a bunch over the years. I feel like it is becoming more urgent every day. Last week I heard some shocking numbers about salary levels for certain kinds of engineers in the bay area. I checked them out with a few of our bay area portfolio companies and they were more or less corroborated. The tight technical labor markets in the bay area, NYC, and a number of other regions in the US are making it hard to scale software businesses without burning massive amounts of cash. At the same time, we see a growing number of our portfolio companies succeeding with scaling engineering/technical teams in secondary labor markets in the US, as well as going outside of the US to build engineering locations. I feel that the ability to spin up and then successfully operate remote engineering locations is a skill that technology companies need to develop earlier in their development than used to be the case. It seems to me that once you get to 100-200 people (or 50+ engineers), you should be thinking about this. The most important thing is not where you put your first remote location. The most important thing is learning how to do this successfully. Because once you can do it in one location, you most likely can do it successfully in multiple locations. This post explains how Stripe (a USV portfolio company) started with remote engineering hubs in Seattle, Dublin, and Singapore, and then evolved into a structure that supports remote workers anywhere. The move from a centralized engineering structure to a decentralized one is a process and takes time to get right. And so I think it is best to start building those capabilities long before they become necessary.

Audio Of The Week: Sarah Beatty and Montgomery Builds

URL: <https://avc.com/2019/08/audio-of-the-week-sarah-beatty-and-montgomery-builds/>

Date: 2019-08-31T06:40:22

Content:

The Gotham Gal loves this conversation with Sarah Beatty about her Montgomery Builds project and suggested that I give it a listen. So I am doing the same with all of you.

Funding Friday: Subway Art

URL: <https://avc.com/2019/08/funding-friday-subway-art/>

Date: 2019-08-30T05:55:57

Content:

When I got to NYC in the early 80s the subway cars were like moving paintings with graffiti all over the cars. Going down into the subway station was like going to an art show. This retrospective of Henry Chalfant's photography of that era at the Bronx Museum captures that period so well and I helped support it today.

AVC Stats

URL: <https://avc.com/2019/08/avc-stats/>

Date: 2019-08-29T08:29:33

Content:

As I've been working on a new design and approach to this blog/newsletter , I have been diving into the analytics to understand what all of you are doing with it. Here are some charts and tables: 1/ The web traffic (desktop and mobile) has risen and fallen over the years, driven by SEO and other factors. MAUs peaked in the 2012/2014 period in the 300k range. It has settled in more recently at 80-100k a month. 2/ The email "newsletter" subscriptions have risen a lot in recent years. For much of AVC's history, email was not a particularly popular way to read this blog, but in the last four or five years, it has grown a lot, to about 30k active email readers. The top 50 blog posts of all time are an interesting bunch. Most of them have been written in the last five years, but there are a few that go back to 2009 and 2010. Clearly there is a lot of value in the archive and I want to flesh that (and search) a lot more in the redesign. It also want to make the email subscription work better. I have heard from many who read via email that it could be improved. So I will work on that.

The Erasure Protocol

URL: <https://avc.com/2019/08/the-erasure-protocol/>

Date: 2019-08-28T07:08:18

Content:

Some crypto projects are developed from scratch. Bitcoin, Ethereum, and our portfolio company Algorand are examples of this. The developers have a vision and they go out and build it. Other crypto projects evolve from something else. Kin and Props, both created by USV portfolio companies, are examples of that. A particularly interesting example of the latter model is Numerai>Numeraire>Erasure. USV is an investor in Numerai which is a hedge fund that sits on top of the “The hardest data science tournament on the planet”. Numerai initially developed the crypto token called Numeraire to allow data scientists to stake their predictions in the Numerai tournament and earn more compensation. But as the Numerai tournament gained scale and the adoption of Numeraire grew, the Numerai team “realized that the primitives Numerai has built could have a wide range of applications beyond the tournament”. And so they built the Erasure protocol which allows anyone to publish data and stake capital based on the accuracy of that information. This post explains some of the ideas behind the Erasure protocol. The Erasure protocol is now live on the Ethereum Mainnet and you can build things on it. The Numerai team has already built two applications on Erasure: Erasure Quant is a tournament used to crowdsource data on the Russell 3000 index. Participants submit daily price predictions on US stocks and are rewarded for contributing while building an immutable track record. Erasure Quant is a template that can be used by others to build their own tournaments. ErasureBay is an open marketplace for information of any kind. It can be used to create credible signals over possession of local knowledge and attract a buyer willing to pay for it. These crypto projects that evolve from something else are more focused and benefit from a real use case and market need. That does not make them more likely to succeed or more valuable. In the current market, almost all of the most valuable crypto projects are ones that started from scratch. But I don’t think that will always be the case. Many of the most important technologies evolved from something else and I think that will be the case in crypto as well.

Returning The Fund

URL: <https://avc.com/2019/08/returning-the-fund/>

Date: 2019-08-27T08:52:44

Content:

I have always felt that every investment in a venture fund should be able to return the fund. That doesn't mean that they all will. In fact, for many funds I have worked on, only one or two investments work out well enough that each of them can return the fund. So if you have a \$100mm fund, you need to look at each and every investment and ask yourself if the company delivers on everything they are seeking to do will that return \$100mm to your fund. It's a tall order and doesn't happen that frequently. But if it never happens, you won't be in the venture capital business for long.

Time For A New Look

URL: <https://avc.com/2019/08/time-for-a-new-look/>

Date: 2019-08-26T07:00:51

Content:

Five and a half years ago, I moved AVC from Typepad to WordPress and rolled out the design that we now have. It has worked incredibly well. It is low maintenance, easy on the eyes, and minimalist, all things I have come to appreciate in a blog. But I am in the mood to change things up. Maybe it is the arrival of fall weather in the northeast, or watching my daughter and my colleagues at USV do redesigns and some envy as a result. Or maybe it is just time. Here are the things I would like to achieve with the redesign: Even lower maintenance Much better archives (and better search too?) A new look and feel I am not sure how long it will take for me to roll this out. I could get it done in a month. Or it could take me many months. But it is on my mind and on my to do list too.

Hypothetical Value To Real Value

URL: <https://avc.com/2019/08/hypothetical-value-to-real-value/>

Date: 2019-08-25T07:07:43

Content:

I remember when my son came home one day in high school and told me he wanted to “day trade” along with some friends who were doing it. We opened a TD Ameritrade account and staked him with a small amount of money, enough to trade but not enough that if he lost it all it would be an issue. And off he went. A few weeks later he asked me “Dad, what is a PE ratio?” So I said to him “you know that deli that you stop in every morning and get a bacon egg and cheese on the way to school?” He said “yes”. I said “let’s say tomorrow the owner says to you, I’m selling the business, do you want to buy it? We make \$1mm a year in profits and have for the last thirty years.” Then I said, “how much would you pay him for it?” My son thought about it and said “Four to five million dollars.” I asked him why. He said, “Because I would get my money back in four to five years and then make a million dollars a year after that.” I said, “you offered to pay a PE of 4 to 5.” And he said, “Oh, I get it.” I like to call that kind of valuation “real value”. You pay \$4-5mm for a business and you get your money back after a few years and then cash flow after that. While nothing in life is guaranteed, real value is tangible. You can see your way to realizing it. It’s right there in front of you. Then there is what happens in early-stage investing. We offer \$1mm for 20-25% of a company and value it at the same \$4-5mm. But there is no cash flow. There is no revenue. There are no customers. There is no product. Just a few people and an idea. That is hypothetical value. We think “if this becomes worth a billion dollars, we might hold onto half of our initial ownership and end up with \$100 million or more”. And we plunk down the money and go. Here is the thing. A startup becomes a company and eventually, that company gets valued on real value metrics. Someday it will have customers, and revenue, and profits. And investors will think “how many years of profits will I be willing to pay for that company?” A PE ratio will be applied and it will be valued on the business fundamentals and not what can or could be. Venture capitalists and seed funds and angel investors make or lose money on the journey from hypothetical value to real value. And when the spread between the two narrows, the money we make is less. When the spread increases, the money we make is more. It is easier to drink your own Kool-Aid in the world of hypothetical values. You handicap the odds of winning more aggressively. You trade ownership for capital at work. You accept the new normal. Real value doesn’t move so fast. Because it is right in front of you. You can see it. So it is not prone to flights of fancy. I try to keep this framework front and center in my brain as we meet with founders and work to find transactions that work for everyone. I find it to be a stabilizing force in an unstable market.

Video Of The Week: Sofar Sounds

URL: <https://avc.com/2019/08/video-of-the-week-sofar-sounds/>

Date: 2019-08-24T10:54:28

Content:

Our portfolio company Sofar Sounds facilitates intimate live music experiences all over the world. This video gives you a glimpse of what a Sofar is like: You can go to a Sofar in your community, or you can go to one when you are traveling in a foreign country. Both are great experiences. You can find a Sofar to go to here .

Funding Friday: Positive Exposure

URL: <https://avc.com/2019/08/funding-friday-positive-exposure/>

Date: 2019-08-23T06:35:50

Content:

My friend Holly showed me this Kickstarter for a project she's been working on for a while now. POSITIVE EXPOSURE , founded in 1998, utilizes the arts, film and narratives to present the humanity and dignity of individuals living with genetic, physical, behavioral and intellectual differences. And they are opening an art gallery in Harlem NYC to showcase works that celebrate these individuals. I backed the project earlier this week and I am sharing it in case you want to back it too.

The Virtue Of Patience

URL: <https://avc.com/2019/08/the-virtue-of-patience/>

Date: 2019-08-22T07:59:21

Content:

Our portfolio company Duolingo is known for their super popular language learning app. According to Wikipedia over 300mm people all over the world have used Duolingo. Back in May 2014, Duolingo launched something called the Duolingo Test Center . The idea was to compete with expensive and inconvenient foreign language tests like TOEFL. It makes sense. If you are in the business of helping people learn a foreign language, you might as well be in the business of helping people demonstrate their mastery of a foreign language. But there is a “chicken and egg” problem in the foreign language testing market. If you don't have a lot of test takers, it is hard to get your test accepted by educational institutions and corporations. But if you aren't accepted by educational institutions and corporations, it is hard to get anyone to take your test. Duolingo has been patient, largely because they have a primary business that is doing incredibly well. Slowly but surely they have gotten institutions to accept their test. I saw this tweet this morning from Luis, Duolingo's founder and CEO: Super proud that the Duolingo English Test (@DuolingoENTest) is now fully accepted as a proof of English proficiency at 10 of the top 20 US universities according to US News. — Luis von Ahn (@LuisvonAhn) August 21, 2019 That is the kind of adoption that Duolingo's tests need to become a standard. And once you become a standard, you have a fantastic business, largely because it is so hard to accomplish that. Many companies would have given up on a project like this. The payoff is too long and the effort too high. But Luis has a personal interest in this offering. You can read about it in the blog post when he announced the service. That is the power of founders on a mission. They can be patient and see things through that big companies never will. There is a virtue in patience. You don't see it that much in business. But it is powerful in the right hands.

Unlimited Capital

URL: <https://avc.com/2019/08/unlimited-capital/>

Date: 2019-08-21T08:00:00

Content:

This post on the WeWork IPO ends with the following observation: In fact, I would argue that the WeWork bull case and bear case have more in common than it seems: both are the logical conclusion of effectively unlimited capital. I don't think there is unlimited capital. If that were the case, every idea, every startup, every person would be able to get the capital they need/want. And I see proof every day that is not the case. But it is true that for some things, some companies, some ideas, there is effectively unlimited capital. Probably the biggest change I have seen in my 30+ years in VC is the huge amounts of capital that are available to "big ideas" like WeWork, Uber, Bird, etc And the questions to ponder are whether this is a temporary phase based on global macroeconomic conditions or the new normal and whether it is only true for companies at certain stages of their development. Does Uber, now that it is a public company subject to the rules of rational capital markets, have the same unlimited access to capital it had while it was a private company? Will WeWork, once it becomes a public company, have the same unlimited access to capital it has had in the last five years? And what does the next economic downturn look like? Will capital availability dry up like it normally does? I have heard the arguments why the business cycle has changed, why monetary policy is more effective now, and why rates will remain near zero for a long time. I just don't know if they are correct. I suspect we will find out in the next few years.

Fifty-Eight

URL: <https://avc.com/2019/08/fifty-eight/>

Date: 2019-08-20T06:03:18

Content:

Fifty-eight years ago this morning, my mother went to the hospital at West Point New York and shortly thereafter I arrived on planet earth. I've always liked having a birthday late in August, at the tail end of the summer and right before labor day. It is the most relaxed time of year for me, with the start of the fall season right around the corner. I plan to celebrate it at the beach with family and friends.

Crypto IRA

URL: <https://avc.com/2019/08/crypto-ira/>

Date: 2019-08-19T07:24:58

Content:

I have an old IRA that I don't pay much attention to. I thought about cashing it out but the tax load to do that was too much for me to stomach. So then I thought about investing it in crypto. But that turns out to be pretty hard. I think there is an opportunity out there for a crypto brokerage to offer IRAs or an IRA custodian to offer crypto, or both. Given the tendency for many investors to buy and hold crypto, it would lend itself to a long term investment product like an IRA. Seems like an opportunity to me.

The Long Engagement

URL: <https://avc.com/2019/08/the-long-engagement/>

Date: 2019-08-18T07:03:31

Content:

The Gotham Gal and I met when we were 19 and got married when we were 25. We lived together for most of those six years before we got married. By the time we tied the knot, we knew each other very well. While venture capital investing and marriage are two different things, I think there are some things one can take from love and marriage into the world of startups and venture capital investing. One of them is the value of long engagements. I have never understood why founders want to run a lightning fast process to select business partners who they may have to “live with” for the next seven to ten years. And yet we see this behavior all of the time. Often it is driven by other VCs who toss in “preemptive term sheets” thus turning a fundraising process into a sprint. What I would prefer to see, and do see in many cases, is a founder who takes the time while they are not raising money to build a number of relationships with potential investors and then engages those investors in a process when it is time to raise capital. I like to call this process the “long engagement”. It might sound like a lot more work than the fast and furious fundraising process that many founders are running these days. But I don’t think it is a lot more work. Building relationships over a six to twelve month period can take the form of an occasional face to face meeting, emails back and forth, and even a few visits to the office by the investor. And none of that has to have the pressure of a pitch, an ask, and a price. For the investor, this is a much better process. It allows them to see the founder and the business execute over time. It allows everyone to develop comfort with each other. I would argue that it is a much better process for the founder too. It let’s them see which investors are truly interested in their business, their team, their product, and their success. It also reveals which investors are “here today, gone tomorrow.” You want the former on your cap table, not the latter. It is easy to get caught up in the game of startups and investing in them. A fundraising process is at its heart a competition. And everyone wants to win. But you don’t get a trophy for winning this game. You get into a relationship. Often a very long one. So I think stepping back from the game theory and stepping into the relationships is the way to win long term. Which is the only form of winning that really matters.

Video Of The Week: A Reminder

URL: <https://avc.com/2019/08/a-reminder/>

Date: 2019-08-17T08:25:10

Content:

As the US government thinks about regulating big tech and constraining crypto-currencies, I think a reminder about the value of open markets and freedom to innovate is important.

Funding Friday: Vacuum Tube Speakers

URL: <https://avc.com/2019/08/funding-friday-vacuum-tube-speakers/>

Date: 2019-08-16T07:02:35

Content:

I love when old meets new. And so when I saw this project this morning, I backed it immediately.

Zooming

URL: <https://avc.com/2019/08/zooming/>

Date: 2019-08-15T06:46:35

Content:

For the past three or four years, I have been trying to reduce my air travel for a host of reasons (wellness, reducing carbon footprint, increasing productivity, etc) and I would say that this effort has largely been successful. The main tool that I have used to accomplish this is videoconferencing and although I use whatever videoconferencing software that the other side wants to use, it turns out that I am mostly Zooming these days. We use Zoom at USV for all of our team meetings and for many of the pitches we receive over video (which has increased significantly in the last few years). And the vast majority of our portfolio companies use Zoom too. There are many days when I will be on Zoom for three, four, five hours and I can get a lot done that way. We had a board meeting yesterday that was one of the best meetings that the company has had and everybody was on Zoom. I will say that video works better when everyone knows each other well (like the USV team) and the benefits of body language are less. But without a doubt, videoconferencing has arrived and it can and should reduce your need for air travel. We can't fully replace the in-person, face to face experience, but we are pretty close to it now. And so we should leverage that to improve our lives, our effectiveness, and our business.

Tumblr

URL: <https://avc.com/2019/08/tumblr-2/>

Date: 2019-08-14T07:55:59

Content:

The news hit yesterday that WordPress has purchased Tumblr from Verizon (which owns it by virtue of its acquisition of Yahoo! and AOL). USV seeded Tumblr along with our friends at Spark in the summer of 2007 and were actively involved in the development of the company until its sale to Yahoo! in 2013. I maintained an active Tumblog from before we invested in 2007 until October 2016, when I stopped posting there. There was no moment when I decided to stop posting there. I just did. The narrative around the sale of Tumblr to WordPress is all about Yahoo! paying more than a billion for it and selling it for \$3mm. It is absolutely true that Yahoo! never figured out how to turn Tumblr into a business and ending up losing its shirt on the investment. But it is also true that Tumblr was bypassed by native mobile applications like Instagram and Snapchat where it was even easier to post about your life. Tumblr was both a blogging platform and a social media application and while I always loved the versatility of the platform, native mobile applications benefit from simplicity, not complexity. There was a time around 2010 and 2011 when Tumblr was the most engaging social platform that I was on. I followed and met quite a few interesting people there and it was a lot of fun to be on it. David Karp, the founder of Tumblr, always focused on making Tumblr a “positive” experience. That is why he refused to have comments, even though I pushed him to do it and hacked Tumblr by putting Disqus on mine. That is why he made the primary (only?) form of engagement a heart. And it worked. Tumblr was a happy place and using it made people feel good about themselves. While the world of social media has evolved a lot in the last six years, since Tumblr sold to Yahoo!, it has not really gotten better. One could make a very strong argument that it has gotten a lot worse. Tumblr was an example of how to do social media right and we can learn a lot from it.

Open Finance First, Open Data Second

URL: <https://avc.com/2019/08/open-finance-first-open-data-second/>

Date: 2019-08-13T17:15:44

Content:

My partner Nick put together a deck outlining USV's approach to crypto investing earlier this year and we have been using it with founders and investors since then. One slide I particularly like from that deck is this one which describes how we think the crypto market will develop over time. We have already seen an explosion of assets issued on blockchains and a number of very large and profitable custody/brokerage/exchange businesses built. We expect we will see continued innovation in the open finance (finance 2.0) sector in the next few years while the open data (web 3.0) sector will take longer to develop. We also think that open finance will inevitably lead to open data as users (both consumers and businesses) will start to understand and appreciate the benefits of increased user control, lower transaction (and other) costs, and other benefits of decentralization.

Awesome Features That I Did Not Know About: Version Management In Google Sheets

URL: <https://avc.com/2019/08/awesome-features-that-i-did-not-know-about-version-management-in-google-sheets/>

Date: 2019-08-12T07:20:27

Content:

One of the joys of using technology for me is discovering awesome features that I did not know about. This happens to me every so often and always brings a smile to my face. So I thought I'd blog about this when it happens to me. This recently happened with version management in Google Sheets. When I work with a big spreadsheet, I always worry about making some change and messing the entire thing up. I have been using spreadsheets since Lotus123 and have messed up many a spreadsheet. So I like to make copies of my work regularly so I have something to roll back to. Sometime in the last few weeks, I accidentally deleted a row and could not undo it. So I searched for "version management in Google Sheets" and got this one box answer: This works for all Google apps but is particularly valuable for Google Sheets. So now I can stop saving my work regularly. Google is doing that for me. Awesome.

Risk Tolerance

URL: <https://avc.com/2019/08/risk-tolerance/>

Date: 2019-08-11T06:39:19

Content:

Startup companies go through a number of phases as they mature from an idea, to a small team, to a growing team, to a small company, to a big company. And along this journey, the leadership team you need changes. You need little to no leadership structure when you have a small team, you need some sort of leadership structure when your team is growing, you absolutely need a leadership team when you become a “company”, and the leadership team becomes incredibly important when you become a big company. In the last week, I've had several conversations with CEOs in our portfolio who are leveling up their leadership teams and are recruiting executives from larger organizations. I've counseled them to make sure that they hire executives who have a lot of risk tolerance. High growth companies that emerge from a startup situation tend to be volatile. They have a lot of turnover in their organization, they have moments when the cash balances get low, they sometimes face existential risks. If you have executives that you need to spend a lot of time comforting and solidifying, that's not good. Ideally your leadership team is your steadying force and if you are steadying them, then your setup is suboptimal. It is always tempting to bring in people who have operated at a scale well beyond where you are. And I am not saying you should not do that. You should. But just make sure they can handle the heat in the kitchen because it's gonna get hot sometimes.

Video Of The Week: Overcoming Sprawl

URL: <https://avc.com/2019/08/video-of-the-week-overcoming-sprawl/>

Date: 2019-08-10T07:47:38

Content:

I have been fortunate to work for the last 25 years in the Flatiron District of NYC, which is a mixed-use neighborhood (office, retail, residential) that has excellent mass transit options (three major subway lines converge at Union Square), great biking and walking streets, and a feeling of vitality that is infectious. So this video I watched this morning rings very true to me. I think cities around the world (both new cities being built in Asia and existing cities looking to transform themselves like Los Angeles) can and will adopt policies that limit sprawl and get us back to living with other people in mixed-use environments that make us happier, more productive, and more sustainable.

Funding Friday: Break Kickstarter

URL: <https://avc.com/2019/08/funding-friday-break-kickstarter/>

Date: 2019-08-09T06:00:45

Content:

Last month our portfolio company Kickstarter invited project creators to “ break conventions, but not our rules ” and create campaigns that were different from the traditional Kickstarter campaign. There are 99 “break Kickstarter” campaigns live on the platform now and I featured one of them last week . But there are many more super interesting and creative campaigns. I backed a bunch of them this week and thought I'd showcase them to all of you today. You can find them and back them here .

Streaks

URL: <https://avc.com/2019/08/streaks-2/>

Date: 2019-08-08T07:40:47

Content:

Seth Godin says it so well in this blog post celebrating his 11th anniversary of writing every day on his personal blog. Streaks are their own reward. Streaks create internal pressure that keeps streaks going. Streaks require commitment at first, but then the commitment turns into a practice, and the practice into a habit. Habits are much easier to maintain than commitments. We see this in several of our portfolio companies. Duolingo leverages streaks to encourage people to stick with language learning. Foursquare's Swarm uses streaks to reward people for continuing to play that game (one I've played religiously for over a decade). And of course my 16 year streak here at AVC is working powerfully too. As Seth says: once a commitment is made to a streak, the question shifts from, "should I blog tomorrow," to, "what will tomorrow's blog say?" Bingo

The Kik Answer

URL: <https://avc.com/2019/08/the-kik-answer/>

Date: 2019-08-07T06:17:40

Content:

I have mentioned the legal case between USV portfolio company Kik and the SEC several times here on AVC, most recently here . Last night Kik filed a 130 page Answer to the SEC and made this press release . The story was picked up by Coindesk and other news outlets. I am not going to get into the details of this matter here on AVC, but this is not an open and shut case by any means.

Ignoring vs Not Replying

URL: <https://avc.com/2019/08/ignoring-vs-not-replying/>

Date: 2019-08-06T11:37:15

Content:

I had an exchange recently that has stuck with me and so I thought I would write a bit about this topic. When someone tweets at me, emails me, texts me, tags me, etc, and I don't reply, they assume I either did not see it or am ignoring it. That might be true but generally, it is not the case. What is more likely is that I saw it, I got the message, I understand it, and I may even be acting on it. But for any number of good reasons, I have chosen not to reply to it. There is a very big difference between ignoring something and acting on it, but that difference is not visible to the person sending the message. And so they assume that it is being ignored. Sometimes I will like the message (if it is on social media) to acknowledge that I saw it. But if I don't actually like the message (eg "you are the dumbest person in the world Fred"), I might not do that. Or I might. It sort of depends on my mood. But the truth is I read a lot more and act on a lot more than I acknowledge publicly. And that is the case for many people I know who for various reasons (volume, legal, PR, etc) can't or don't reply to many messages. So my point is don't assume your messages are being ignored. They may be having the desired impact. But you may not know it.

Reserves

URL: <https://avc.com/2019/08/reserves-2/>

Date: 2019-08-05T07:27:44

Content:

One of the unique things about early stage investing is the ability (and in my view, the need) to continue to invest in the companies for multiple rounds of investment. Late stage, public market, private equity, real estate, and most other popular forms of investing typically involve a single or a time limited series of investments. But at USV, we typically will make four to six investments in a "name" over five to seven years. And we do this style of investing with a fixed pool of capital. So we have gotten very analytical about modeling out our reserves for our follow on investments. What we do is maintain a spreadsheet of every investment in a given fund and the likely amount and timing of future follow on investments as well as the probability of us having the opportunity to make those investments. We then run a Monte Carlo simulation 1000 times and draw a distribution curve of outcomes and then manage our funds against that. We have a "cushion" for error which is our ability to recycle roughly 20% of our funds and that has come in handy on every fund we have managed at USV. I think the proper allocation of follow on capital into the portfolio and making sure you can follow your winners and defend your position in certain situations is absolutely critical to producing top tier returns. It is not as important as portfolio selection (which comes from our thesis) or our work on the boards of our portfolio. Those two things are the most critical factors in our performance. But I think capital allocation/fund management is third on the list and is a missed opportunity for many early stage investors.

Striking The Right Balance

URL: <https://avc.com/2019/08/striking-the-right-balance/>

Date: 2019-08-04T07:06:53

Content:

I was talking recently to a friend who advises a lot of boards. I asked him his view on boards overall. He said that he saw two styles, both of which he found problematic. The first style is the “rubber stamp board” that does whatever the CEO asks of them. The second style is the “meddling board” that acts like it is running the business. He told me he sees very few boards that manage to strike the right balance. I sit on a lot of boards and have been doing so for thirty years now. I have been on rubber stamp boards and I have been on meddling boards. And I agree that both are problematic. What I have learned over the years from those not great experiences is that boards must respect the line between governance and management and never cross it. But they also must govern. They must push back on things that don't make sense and they must exercise the authority that has been vested in them by the shareholders. This need to strike the right balance exists in many other contexts in our lives. It is the essence of good parenting. It is the essence of good management. To a large extent boards reflect the CEOs that report to them. Strong willed successful CEOs can often construct rubber stamp boards because that is what they want. And weak ineffective CEOs find themselves with meddling boards who are trying to manage the poorly managed company from above. Neither of these situations is good. The weak and ineffective CEO should be replaced by the board instead of trying to manage from above. And the strong willed CEO must have checks and balances placed on them, no matter how well they are doing. A great board chair can be transformative for a board. They can stop the meddling and force the necessary management changes. And they can stand up to a strong willed CEO and build the trust and respect that can lead to a well functioning board. This is why I do not believe that CEOs should chair their boards. They should find someone who has a lot of board experience, knows how to strike the right balance, and vest in them the authority to lead the board to the right place. I have been on boards that do strike the right balance and are chaired properly. It is a pleasure to work on these boards and a well functioning board is a thing of beauty. Every CEO should want one.

Video Of The Week: What Coinbase Is Up To And Why

URL: <https://avc.com/2019/08/video-of-the-week-what-coinbase-is-up-to-and-why/>

Date: 2019-08-03T07:17:00

Content:

Brian Armstrong , CEO of our portfolio company Coinbase , gave this talk to the Company at a recent all-hands. In it, he describes the founding story for Coinbase, and then goes on to describe the Company's Mission, Vision, and Strategy.

Funding Friday: Bellwether

URL: <https://avc.com/2019/08/funding-friday-bellwether/>

Date: 2019-08-01T20:23:20

Content:

I saw this project this morning and backed it immediately. Bellwether is Sam Greenspan 's next project (after doing 99% Invisible for five years). Bellwether is about the future and what might happen. It is half journalism and half sci-fi storytelling. And it is delivered via 30min podcast episodes. Finally, Sam has stated that he cares more about building a community around this project than the money he's raising and so he will not consider this project a successful Kickstarter campaign unless he reaches 1000 backers or more. He's at 652 as of this morning.

Employee Equity: How Much?

URL: <https://avc.com/2019/08/employee-equity-how-much-2/>

Date: 2019-08-01T08:08:25

Content:

I wrote a blog post about this topic in November 2010 that has become one of the most searched on and referenced AVC posts of all time. The numbers in that blog post are long out of date and so I now have a popup on it warning people not to use those numbers. However, the methodology in that blog post remains sound and is used by many startup companies. Yesterday, Matt Cooper, the CEO of our portfolio company Skillshare, published a very detailed blog post on how Skillshare uses that methodology in their employee equity program. He includes updated multipliers for the NYC startup market in that post, which is something many readers have been asking me for over the last few years. The reality is that these multipliers differ from market to market. They are highest in the Bay Area, high in NYC/LA/Boston, and lower in other parts of the US and in Europe, and even lower in other parts of the world. And, like all markets, they change over time. So it is hard to maintain a valid set of multipliers and I have given up on doing that. A startup could be created to maintain those numbers, or an established company like Carta, which has access to the raw data, could do it. But even with the vagaries of what multipliers to use, the methodology that I laid out in my initial blog post on the topic is best practice in my view and anyone who is struggling to figure out how much equity to be offering employees would be well served by reading Matt's post.

NBA Top Shot

URL: <https://avc.com/2019/07/nba-top-shot/>

Date: 2019-07-31T13:25:46

Content:

I've written on this blog about extensible blockchain games, the ability to own the virtual goods you earn or buy in your games, and the idea that these virtual goods can move from game to game. I think this is a big deal and possibly the thing that brings blockchains and crypto tokens to the mainstream user. So, here's an awesome example of that. Our portfolio company Dapper announced today that it is building a blockchain game with the NBA called Top Shot . Here is the idea behind the game: NBA Top Shot will feature a social experience built around digital collectibles as well as a complementary head-to-head game designed to create a fun, authentic and accessible fan engagement on blockchain. Like other sports games or fantasy brackets, fans who play the game are tasked with creating their ideal squad, but in this game, their rosters are built by acquiring live in-game moments from the NBA season. These moments, such as a Kevin Durant 3-point shot, or Joel Embiid dunk, which are acquired as digital collectibles or tokens, can then be either owned forever or used to compete against other players in online tournaments and leagues. NBA Top Shot will start offering crypto-collectibles in the fall, with the game to follow in early 2020. You can get early access by leaving your email address here nbatopshot.com

Turning A Loss Into A Win

URL: <https://avc.com/2019/07/turning-a-loss-into-a-win/>

Date: 2019-07-30T07:20:00

Content:

One of the traits of successful founders is their ability to turn a loss into a win. You take a lot of losses as a founder, particularly in the early days. Investors pass on your funding pitches, people pass on your job offers, customers pass on your sales efforts, competitors take your customers and your employees, you get sued, you miss critical ship dates, morale tanks, and on and on and on. But inside of each of those losing moments is the opportunity to turn it into a win. You lose out on an important hire and in a pinch you promote a promising person from within and they turn out to be a superstar. You lose out on a hotly contested sales opportunity and you do a post mortem with the customer and learn that you have a huge hole in your product and you fill it and start winning business. You whiff on financing effort and so you cut your burn, execute for three more months, and go back and get term sheets from everyone you talk to. My point is that losses are opportunities to win. You just have to see them as such and find the win in the loss. This is all about resilience, optimism, and tenacity. The most successful founders have it in spades. And it can be a learned skill. But you have to get your head in that space to learn it.

Haven

URL: <https://avc.com/2019/07/haven/>

Date: 2019-07-29T13:52:39

Content:

Our portfolio company Open Bazaar released a new mobile app called Haven today. The idea behind Haven is: Finally, people anywhere in the world can connect directly to each other using their mobile devices and trade privately with no credit cards, no banks, and no tech companies tracking their activities, or charging listing and transaction fees. Here's what the front page looks like: And here is what an item listing looks like: Note that you can pay for this coffee maker in Bitcoin and Litecoin. Haven is built on the Open Bazaar protocol: Haven creates a mobile window into the groundbreaking OpenBazaar network powered by cryptocurrencies like Bitcoin, Bitcoin Cash, Litecoin and Zcash (Ethereum coming soon). Over 250,000 nodes have been created by people using this peer-to-peer network since the release of version 2.0 and tens of thousands of listings have been put up for sale from crypto tokens to original paintings by popular artists to business services. OB1 expects Haven to rapidly bring even more users onto the network who are eager to shop, chat and send cryptocurrencies privately from their mobile phones. If you want to check out Haven, you can do that [here](#) .

Certainty Of Close

URL: <https://avc.com/2019/07/certainty-of-close/>

Date: 2019-07-28T06:53:43

Content:

On Friday, I had two separate conversations with founders about fundraising strategies. Both had an easier path that would likely get them to a closing quickly but might cost them some economics and a harder/longer path that would allow them to maximize economics. I gave them both the same advice which is that certainty of close is super important, particularly early on in a venture when you see an opportunity and want to capture it before someone else does. Most decisions are not black and white. There is usually a lot of grey in between. Fundraising is always like that. There is rarely an obvious right answer. Many founders are advised to run a competitive process, get as many quality offers as you can, and use that competitive dynamic to maximize economics. While that is a great strategy if you have the luxury of time on your side and the ability to spend several months focused on raising capital, there is often merit to the quick close that maximizes certainty over other things. Both conversations on Friday ended in a discussion about people and how important they are in all of this. The answer to that is that they are the most important factor of all when raising capital. If you are comfortable with the people involved and have a high degree of confidence that they will be great partners, then everything else is secondary. That is true for at least the first five years of a venture. At some point, in very late stage or public financings, the people issues lessen and you can optimize for other things. But early on, if you optimize for anything, optimize for the people you work with. Otherwise you are taking on risks that can and will blow up in your face. After that, I might put certainty of close next on the list, as long as the economics of the "bird in the hand" are ones you can live with and the people are known quantities. You can rarely go wrong with that combination.

Video Of The Week: Albert Wenger on AI and Attention

URL: <https://avc.com/2019/07/video-of-the-week-albert-wenger-on-ai-and-attention/>

Date: 2019-07-27T06:36:25

Content:

This is a talk my partner Albert gave at an AI conference in Berlin last month. Although he gave it to an AI conference, it is really about where we are in our society and what we need to do about it. It is about 20mins long.

Funding Friday: "Arduino Meets Crypto"

URL: <https://avc.com/2019/07/funding-friday-arduino-meets-crypto/>

Date: 2019-07-26T06:43:48

Content:

This Kickstarter project is for a circuit board that makes it easy for developers to create IOT devices that work on Blockchains. It currently supports Ethereum, Whisper, and IPFS. I backed it this morning and am sharing it with all of you in case you want to as well.

Extensible Games

URL: <https://avc.com/2019/07/extensible-games/>

Date: 2019-07-25T07:34:42

Content:

The promise of blockchain games and non-fungible tokens (NFTs) is extensible games. Imagine if developers could build new worlds/games/experiences on top of Fortnite and you could take your character, your weapons, your vehicles, etc with you into those new worlds/games/experiences. That is what I mean by extensible games. We are seeing the beginnings of that in blockchain games now. There are many game experiences that third-party developers have built on top of Cryptokitties (built by our portfolio company Dapper Labs). And now Dapper Labs is pushing this idea even further by turning their CheezeWizards game over to the community . The idea is pretty simple actually. This summer gamers will be competing to win the first CheezeWizards battle royale . But after that ends, the players will still have their Wizards because they are NFTs. The Wizards are like Bitcoin or Ethereum or any other cryptotoken. They can be stored in a wallet and used again and again in new games. So Dapper Labs has released all of the CheezeWizards IP under an NFT license and is inviting developers to build new game experiences for all of these Wizards that are now out there. And they launched the CheezeWizards Hackathon yesterday with over \$15,000 in prizes for the winning game experiences. I will be judging this hackathon along with a number of other crypto investors and I am excited to see the gaming experiences that developers build on top of CheezeWizards.

A Resilient Grid

URL: <https://avc.com/2019/07/a-resilient-grid/>

Date: 2019-07-24T06:45:15

Content:

During Hurricane Sandy, all of lower Manhattan lost power for several days when a transformer blew at a ConEd plant on 14th Street. Driving around lower Manhattan at night in the aftermath of Sandy was one of the strangest moments I've experienced as a NY'er. The traffic lights didn't work and everything was pitch black. Except NYU. As you approached Washington Square the city lit up again. That is because NYU has its own power plant, a cogeneration facility next to NYU's Courant Institute. Similarly, when the west side of Manhattan went dark a few weeks ago in what is turning into a summer of blackouts, everything was pitch black except the new Hudson Yards development. That's because on the top of the Hudson Yards Shopping Mall, there is a massive cogeneration facility that powers all of buildings in that development. So when I heard Mayor de Blasio ruminating over the weekend about a government takeover of ConEd, I thought to myself "he's got it all wrong." We don't need more centralized control of our power grid, we need a more decentralized power grid. NY State has been pushing in this direction for years now under the leadership of Richard Kauffman, Chairman of the New York State Energy Research and Development Authority (NYSERDA). The state has deregulated the energy markets, they have created substantial incentives for property owners to build out renewable (solar/battery/etc) capacity in their buildings, and they have put forth a vision of an energy grid that is not reliant on any one entity to stay up. Back in the 1960s when the Department of Defense designed ARPANET, the precursor to the modern Internet, they designed a network that was entirely decentralized and therefore massively resilient (anti-fragile in Nassim Taleb speak). That should be our goal with our energy grid as well. We should want energy production and consumption to happen at the edges of the network and we should want redundancy in the cables that connect everything together. We aren't there today and it will take a lot of work over many years to get there. But that should be our goal. And we certainly should not be putting our energy system into the hands of a centralized and bureaucratic government. That would lead to more blackouts, not less.

When Things Just Start Working Again

URL: <https://avc.com/2019/07/when-things-just-start-working-again/>

Date: 2019-07-23T13:25:43

Content:

Several times this week something that was not working magically started working again through no intervention of mine. I find this to be very frustrating. I would almost rather something stay broken than magically fix itself. First, I enjoy fixing things. I'm an engineer, a tinkerer, and I get great satisfaction out of debugging/troubleshooting/fixing things. It is such a great feeling when you figure it out and it works again. And second, when something fixes itself, you don't know what did the trick and if it breaks again, you won't be able to easily fix it. For the same reasons, when we call an expert to fix something, I always ask them what broke and how they fixed it so I can do that the next time. It isn't that I actually want to fix it next time, but I certainly want to be able to if I have to. I know plenty of people in my life who don't feel this way. They just want things to work and don't really care why or how they do. But I am not wired up that way.

Smart Thermostats

URL: <https://avc.com/2019/07/smart-thermostats/>

Date: 2019-07-22T06:49:57

Content:

My colleague Dani sent me this chart last week: I believe this is more or less a proxy for smart wifi-enabled thermostats in the US. Those would be Nest, Honeywell Lyric, Hive thermostats and a lot of others too. Those are pretty big jumps from 6.5% to 8.9% to 11.4% given that people don't generally swap out thermostats unless they are doing a renovation or building a new home. Maybe there is more thermostat swapping going on outside of those "construction" moments than I would expect. In a few years, more than 20% of homes will have heating and cooling systems that can be "managed" by software, either on-premises or, more likely, in the cloud. That is pretty exciting. I wonder what level of adoption is "critical mass" or "escape velocity" ? Certainly 50% would be, maybe 25% will be. I really like the area of networks, platforms, and protocols that will allow us to efficiently manage our energy consumption. It has been hindered to date by a closed "last mile", but that is changing and I think the opportunity is approaching.

Parenting

URL: <https://avc.com/2019/07/parenting-2/>

Date: 2019-07-21T07:08:47

Content:

Parenting is the hardest and greatest job that I have had. It presents the thorniest problems and generates the greatest rewards. We had the pleasure of spending most of yesterday with our three kids and their significant others. The occasion was our oldest daughter's masters thesis presentation at her MFA program. She is an artist who works with computer generated imagery and animation. The work she made for her thesis was a five to seven minute animation loop and I probably watched it five or six times yesterday afternoon. It was the first time I had seen it and I was amazed at its beauty, its quality, and the emotions it conveyed. Needless to say, I am proud of her and also all of the other artists that showed their work alongside her. We then spent the rest of the afternoon with our other kids hanging out and having fun with them. Then we all got together for a late (for me) dinner that was celebratory and fun. As the dinner ended, I sided up next to The Gotham Gal, put my arm around her, and said "that was a good parenting day." She looked at me and smiled. I have loved all of parenting; rocking them to bed, the late feedings, changing the diapers, teaching them things, family vacations, the teenage years, leaving home, the college years, and the early adult years. As I write those things, I also recall the challenges of each of them and the moments where we did not know what to do in certain situations. But we figured it out and got through it and moved on to the next stage. We certainly got better at it over time but we have never felt that we have parenting figured out. Now we are in the phase where our kids are adults and accomplishing things that amaze and impress us. They understand things we don't understand, they do things we can't do, and they are having successes that we have little part in. That makes me feel so good. I don't believe our work is done. I believe we will be parenting for as long as we live. But I do believe that the work is easier and the gains are richer. But most of all I am reminded that our best work is done at home and the fruits of it are measured in joy.

Video Of The Week: CEO AMA

URL: <https://avc.com/2019/07/video-of-the-week-ceo-ama/>

Date: 2019-07-20T06:29:25

Content:

AMA stands for "Ask Me Anything." I have noticed a trend of CEOs doing these AMAs for their customers and broader stakeholder communities. A good example of a CEO who is doing this is Brian Armstrong , CEO of our portfolio company Coinbase . Brian has been doing this for several months. You can see all of them on their YouTube channel . Here is the one he did with LJ Brock, Coinbase's Chief People Officer, yesterday.

Funding Friday: Medicine Of Time Travel

URL: <https://avc.com/2019/07/funding-friday-medicine-of-time-travel/>

Date: 2019-07-19T06:04:31

Content:

A few weeks ago, I got an email from a reader. She asked if he could subscribe to this blog without the funding friday posts. He thought they were “spammy.” I replied to him “think about them as the ads” and politely told him that wasn’t possible. I love funding things. And I love sharing the things I fund with all of you. I saw this project this morning and backed it instantly. A musical art project. Awesome.

Climate Adaptation?

URL: <https://avc.com/2019/07/climate-adaptation/>

Date: 2019-07-18T06:37:44

Content:

While society debates how to deal with climate change, there are some scientists who are now saying that that time has passed and we now need to start planning society's adaptation to the climate tragedy we have created on planet earth. This scientific paper from roughly one year ago is super depressing. I am linking to it because I read it this week and it certainly made me consider how our way of life may change dramatically in my lifetime. I am not yet ready to throw in the towel on our ability to react to the mounting evidence of a rapidly warming planet and dramatically slow it down with actions like the Paris Accords, recent laws in New York City and New York State, and everyone's personal actions in what we do and how we do it. And there is no benefit in getting depressed or defeatist about the climate change threat. I think the opposite is true. It is time to stop debating whether the planet is warming. It is even time to stop debating about who is going to pay for the massive investments we need to make immediately to slow that warming. It is time to start making them.

Abridge

URL: <https://avc.com/2019/07/abridge/>

Date: 2019-07-17T07:01:08

Content:

We seed funded a company late last year called Abridge and the company went public yesterday with their iOS and Android apps. Naomi wrote about the investment on the USV blog. I want to focus on the product because I think it is a game changer for all of us that access the health care system regularly. The Abridge mobile app ([get it here](#)) allows anyone to record a medical visit with a doctor, a nurse, or any other health care professional. It works like this: You open the app to see your visit history: You tell the doctor, nurse, etc that you are going to record the session and hit the record button: Then you record the session. When you are done Abridge saves the audio recording of the session and also immediately (in way less than a minute) provides a transcript of the session with the key medical terms called out in bold. That is me making stuff up this morning. I sure hope I don't need a knee replacement any time soon. This is one of those ideas that is so simple and so obvious that you wonder why nobody has done it before. The team is a combination of physicians and machine learning people from University of Pittsburgh and Carnegie Mellon. It's a combination of domain experts and technologists who are extremely well suited to make this work and work simply and elegantly. I would encourage everyone who sees doctors regularly or has a loved one that does to get Abridge on your phones and their phones . I think it's a game changer for how we access and understand the medicine in our lives.

Dronebase Insights

URL: <https://avc.com/2019/07/dronebase-insights/>

Date: 2019-07-16T14:12:03

Content:

I was sitting in my backyard this weekend looking up at the roof on my house, which I can't see because of a parapet, and wondering how all of the solar panels we put up there a few years ago are doing. I was also wondering how the roof itself is doing. Then it hit me that USV has a portfolio company that can help. I went to my Dronebase account and ordered a drone mission that will do an aerial inspection of my roof and also a thermal inspection of our solar panels. Yes, one drone pilot with an off the shelf drone can do all of that for me in less than an hour. I scheduled the flight for next week and should have a full report with aerial imagery and video and thermal scans of the solar panels within a few days after that. And I am going to get all of that for a less than it costs me to keep my pool serviced!! But it gets better. Today, Dronebase is announcing that it has acquired the Drone Reports business from Betterview and will turn that into a new product line called Dronebase Insights. From that blog post: DroneBase Insights aims to help insurers and property managers assess damage and mitigate risk for commercial properties, and we'll expand our offering over time So now you can get a full blown report from Dronebase in addition to aerial imagery and video and thermal scans. I didn't order that myself this weekend but maybe I should have. I probably will next time.

Immigration Makes Us Stronger

URL: <https://avc.com/2019/07/immigration-makes-us-stronger/>

Date: 2019-07-15T06:59:48

Content:

It is ironic and upsetting that a nation built on immigration is increasingly unwelcoming to immigrants and that the words "go back" are becoming a political rallying cry. I am for immigration full stop. I think opening our arms and borders to people who want to come here, work, build their lives and businesses and futures makes our country stronger. It always has. Nothing that is great about the United States was accomplished without immigrants. Immigrants built our docks, they built our railroads, they built our automotive industry, and they built our technology industry. If we were to close our borders completely, I believe we would be a second rate country within a couple of generations. Immigration is new blood, new ideas, a work ethic, a belief in a better future, a willingness to take enormous risk, burn the boats, and get it done. We need that in our society. We will die without it.

Whales Not Unicorns

URL: <https://avc.com/2019/07/whales-not-unicorns/>

Date: 2019-07-14T17:35:16

Content:

I have been vocal here that I do not like the term Unicorn to describe highly valued venture-backed startups. Unicorns are mythical creatures that don't really exist and highly valued venture-backed startups do exist. They might be rare, but they are not fictional. A better word would be Whales. And it turns out that the Whaling industry in the United States in the 18th and 19th centuries looked remarkably similar to today's venture capital business. Some of my friends and colleagues have been texting and tweeting about a book called VC: An American History by Tom Nicholas . So I got it on my Kindle and the first chapter is all about the Whaling industry and its similarities to the VC business. Here are some photos I took of the first chapter on my phone. This is a chart that plots the distribution of returns by whaling voyage vs venture capital fund. This is a diagram that compares the structure of the whaling industry to the venture capital industry. And this is a chart that shows the performance of the top 29 whaling agents. This is very similar to charts I have seen that compares the performance of the top venture capital firms. So while Unicorns are made up creatures, Whales are not. And given the similarities between a highly successful venture capital investment and a highly successful whaling voyage, I am going to start calling the big winners in the venture industry Whales. I hope it catches on.

Video Of The Week: Fireside Chat With Brian Armstrong

URL: <https://avc.com/2019/07/video-of-the-week-fireside-chat-with-brian-armstrong/>

Date: 2019-07-13T09:34:33

Content:

Back in May, during Blockchain Week in NYC, I had the pleasure of interviewing the CEO of our portfolio company Coinbase , Brian Armstrong . We started off talking about their rapidly growing institutional business, but quickly got to talking about everything Coinbase. Brian also gets a question in for me about 17mins into the talk. It's about 10 minutes of me asking Brian questions and then another 20 minutes of Q&A from the audience.

Funding Friday: Bowling The American Dream

URL: <https://avc.com/2019/07/finding-friday-bowling-the-american-dream/>

Date: 2019-07-12T12:06:25

Content:

"Like many suburban kids growing up in the 70s, I was no stranger to the local bowling alley." So starts the video below for this Kickstarter project to make a photo book about the classic American bowling alley. That line got me as I grew up a suburban kid in the 70s and spent many an afternoon and evening at the local bowling alley. I backed this project and maybe you will too. It has three days to go and only needs \$1200 to get across the finish line.

A Doctor For Sensitive Issues

URL: <https://avc.com/2019/07/a-doctor-for-sensitive-issues/>

Date: 2019-07-11T09:23:23

Content:

Our portfolio company Nurx started out offering birth control prescriptions on a mobile phone delivered to you in the mail . This has been a game changer for many women who live far from a doctor or a pharmacy or live in places where it is not easy to get a birth control prescription. But they have not stopped there. They added HIV Prep for people who are at risk for HIV and want to protect themselves. And then they added emergency contraception (the morning after pill). And this week, Nurx added at home testing for sexually transmitted diseases . From that blog post: The tests offerings include: The Full Control Kit, which tests for gonorrhea and chlamydia (throat, rectal, urine swabs), syphilis, hepatitis C, and HIV (blood sample), and is \$75 with insurance or \$220 without; The Healthy Woman's Kit, which tests for gonorrhea and chlamydia (throat and vaginal swabs), trichomoniasis (vaginal swabs), syphilis and HIV (blood samples) and is \$75 with insurance or \$190 without; The Covered With the Basics Kit, which tests for gonorrhea and chlamydia (urine sample), syphilis and HIV (blood sample) and is \$75 with health insurance or \$150 without. The goal is to make STI testing easier, more affordable, and with fewer awkward face-to-face interactions with a potentially judgmental lab tech or doctor. The tests are available in 24 states and the District of Columbia. The idea behind Nurx is that too many people put off going to see the doctor because they are ashamed, it is awkward, or it is inconvenient. And this is particularly true for sensitive issues. Nurx believes that technology (the mobile phone, telemedicine, logistics, etc) can and will change this for most people and that we can all become healthier as a result. Preventive medicine is the most efficient and affordable kind of medicine and we need more of that in society. Nurx has grown like a weed over the last two years which tells me that there is a large unmet need for this kind of health care and I am excited to see the Company continue to add more and more services as they grow.

Otis

URL: <https://avc.com/2019/07/otis/>

Date: 2019-07-10T06:04:01

Content:

One of USV's newest portfolio companies, Otis , had a coming out party yesterday. The idea behind Otis is that cultural assets like fine art, rare books and comic books, jewelry and watches, sneakers and skateboards, etc are appreciated by everyone but are only collectible/affordable by wealthy people. Otis intends to change that by securitizing these cultural assets and selling them off in shares for as little as \$25 per share. These fractionalized cultural assets will be shown publicly while they are owned collectively. You can see how this all works by downloading the Otis mobile apps here . I did that yesterday and I have already set myself up to try to buy a share of Kehinde Wiley's Saint Jerome Hearing The Trumpet Of Last Judgement on August 13th. I've also opted to be notified when these assets "drop" so I can purchase a share of them too. I am not a sneakerhead but for those of you who are this might be of interest to you: This is just the start of what will hopefully be a highly liquid secondary market for the trading and collecting of shares of cultural assets. The market is starting out highly curated by Otis but that may change over time as things develop. USV's focus right now is on backing trusted brands that can open up access to capital, knowledge, and well-being and Otis fits in all three of those categories. We are very excited to be involved in this ambitious effort.

The Heretic

URL: <https://avc.com/2019/07/the-heretic/>

Date: 2019-07-09T07:06:46

Content:

I am reading a friend's book which is still in proofs and so I'm not going to talk about it yet. But there is one part of the book that really rang true for me and that is when he talks about certain kinds of problematic employees, particularly one he calls The Heretic. This kind of employee, and we have all seen this up close, is negative about the Company and disses the management, coworkers, the board, the strategy, the workplace, and everything else under the sun. But for some reason the heretic prefers to stay and be miserable than to move on and find another place to work that is more to their liking. My friend states in his book that you have to part ways with heretics in your company, regardless of how talented they are, how connected they are, and even if they are protected in some way. You have to find a way out of the heretic mess. I agree with this advice and I have seen this play out in many ways. The worst way is to let this behavior go on unchecked. As painful as parting can be, and it can be incredibly painful depending on the circumstances, letting this behavior stand is worse.

Business Model Innovation

URL: <https://avc.com/2019/07/business-model-innovation/>

Date: 2019-07-08T07:27:04

Content:

I've shared my views on this before here at AVC. I believe business model innovation is more disruptive than technical innovation. A good example of this was moving from web apps to mobile apps, which was largely a technical innovation. While the move to mobile certainly created some new companies, it largely strengthened the market position of the big Internet companies because there was little to no business model innovation. Compare that to the move from desktop computing to the web. We saw massive disruption as we went from a licensed software business model to an advertising supported business model, which has evolved into an advertising/subscription freemium business model. I am excited about the move to crypto based business models supporting decentralized apps for this very reason. I think it opens up the possibility that some very large new companies will be created that innovate largely on entirely new business models. An area that is particularly ripe for this kind of innovation is user generated content or, more broadly user generated products and services. If you think about something like Instagram, the software is great but could fairly easily be replicated. But the network of users and the content they create is impossible to replicate. That is where the value is created. Or think about Reddit where the community creates the content. Or think about Waze where the users generate the data about which way has the least traffic. In these sorts of businesses, the ideal model would remunerate the users for creating the content and allow them to take their content elsewhere if a better deal were to emerge. That is precisely what a decentralized application built on an open data protocol would do from a technology perspective. And the remuneration of the user is what a token incentive model would offer in terms of a new business model. So why have we not seen this emerge yet? Bitcoin has been around for over ten years. People have been mining Bitcoin and earning tokens for doing so for more than a decade. This new business model is sitting there in plain sight. Well first of all, quite a few entrepreneurs have tried. Steem is a decentralized Reddit with a token incentive model and it has been around for a while now. There are over 150 decentralized apps in the Blockstack app store (Blockstack is a USV portfolio company). So it is not for lack of trying. I believe the primary inhibitor to this business model innovation is that it requires users to own crypto-assets and store them in a wallet somewhere and be comfortable using them to access decentralized apps. That has not gone mainstream and we need a killer app to make that happen. That is why USV has gotten behind Libra. We think it could be the thing to get mainstream users there. But if not Libra, I am confident it will be something that gets billions of users holding and using tokens on our phones. And when that happens, a wave of business model innovation will be upon us. I'm super excited for that.

Price Stability

URL: <https://avc.com/2019/07/price-stability/>

Date: 2019-07-07T17:30:11

Content:

One of the use cases that has eluded cryptocurrencies to date is “means of exchange” (something you would spend). I wrote about this a couple years ago and showed this transaction in that blog post: That was a payment I made to a caddie named Kris after he carried my bags one morning six years ago. We played today and he was carrying a friend's bag and I asked him if he still had that Bitcoin and he smiled and said “absolutely.”. That made me feel good but the truth is nobody should be paying for anything, including caddying services, with something that can appreciate 123x. That's just not rationale behavior. Which is why stablecoins, cryptocurrencies which have price stability built in to them, are one of the important sectors in crypto right now. There is the “dollar pegged” approach, like Tether (which may not actually be dollar pegged) and USDC (which is actually dollar pegged). One of the issuers of USDC is Coinbase, a USV portfolio company. There is the Libra cryptocurrency, which USV is involved with as a Founding Member of the Libra Association. Libra will not be pegged to a specific fiat currency, but will have a reserve made up of many fiat currencies so it will have price stability. And then there are stablecoins that are asset backed but not fiat backed like Dai . Finally there are stablecoins that attempt to deliver price stability programmatically. I am not confident that approach will work. I am confident that one way or another consumers will adopt cryptocurrencies that are price stabilized and when they do they will start transacting in them. And that will unlock a lot of utility that has so far been elusive.

Video Of The Week: Angela Duckworth - Grit

URL: <https://avc.com/2019/07/video-of-the-week-angela-duckworth-grit/>

Date: 2019-07-06T08:32:57

Content:

A few years ago, we invited Angela Duckworth to speak to our portfolio company CEOs at our annual get together. It was a terrific talk that absolutely impacted the way these CEOs thought about hiring and managing their teams.

Angela's theory of "Grit" as a predictor of success in education, careers, and life is powerful. If you have not read her book on the topic, you should. You can get it [here](#) .

Practice

URL: <https://avc.com/2019/07/practice/>

Date: 2019-07-05T11:02:49

Content:

When I started writing this blog in 2003, I was not a strong writer. Sixteen years later, I am a better writer. Doing something every day is the best way to improve at something. I've been doing yoga for roughly the same number of years as I've been writing this blog. But I am not as religious about yoga as I am about writing. For the last two weeks, I've been doing the exact same yoga practice (the Mysore style) three mornings a week and today I noticed that I was able to do some things I could not do before. I have a long way to go before I can do yoga the way that most of the people in the yoga studio with me can do it, but the mere fact that I am noticeably improving gives me great satisfaction. Practice means doing something again and again in an effort to improve. But it also means a way of doing something (a law practice). The two are really the same thing. A lawyer who has been practicing law for thirty years is likely a better lawyer than someone who is right out of law school. It is easy to watch a basketball player like Steph Curry hit three pointer after three pointer and think "that is raw talent" and surely that is true. But it is also true that he has probably practiced those shots for endless hours in the gym perfecting the shot and stroke. I think everyone can improve at things they are not good at and become competent, even excellent, at them. I am not going to win a Pulitzer Prize, but I can write well and have become a strong communicator by practicing it routinely. Practice really works.

The American Dream

URL: <https://avc.com/2019/07/the-american-dream/>

Date: 2019-07-04T07:23:00

Content:

It has been 243 years since our founding fathers signed the Declaration Of Independence and the great American experiment began. These words form the moral backbone of our country and represent our core values: We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness We have not always lived up to these values. Slavery and the treatment of the Native American Indians are glaring examples. And there certainly have been other moments where America has not lived up to these values. However, it has been my experience, over fifty-seven years living in the US, that we try to live to these values and that the notions of freedom and equality are deeply rooted in the culture of America. Which leads me to the American Dream, the notion that there is economic opportunity for all, regardless of who you are and where you come from. That has been my experience personally. I worked my way through college, arrived in NYC at the age of 21 with not a penny to my name, but with a job waiting for me, and I made the best of that. It is also my experience in the venture capital business. I have seen people without a college education pursue their dream and come out a winner. I have seen people with broken English make it with hustle and ingenuity. But again, there are gaps in this record of opportunity. It is not as easy for a young black woman growing up in Brownsville to find economic opportunity as it is a young white man growing up in Palo Alto. There are many parts of America where life has gotten harder for the current generation relative to their parent's generation. But what makes America special is that we believe that isn't right and it should be addressed. And I see it being addressed in my work on the education sector and beyond. I am hopeful that we will see a meaningful dent in many of these opportunity gaps in my lifetime. It is fashionable these days to bemoan what is wrong with America and there is much that is wrong. But I prefer to stare at what remains right about America and celebrate it, particularly on our birthday.

A Blast From The Past

URL: <https://avc.com/2019/07/a-blast-from-the-past-2/>

Date: 2019-07-03T07:23:35

Content:

I saw this in my twitter feed today. Almost a decade ago, my friend John Heilemann interviewed John Doerr and me at Web 2.0. It is interesting to go back a decade and see what we were talking about then. Some of the same issues exist today. Some of the questions we debated have been answered now. It's about forty minutes long.

Oculus Quest

URL: <https://avc.com/2019/07/oculus-quest/>

Date: 2019-07-02T10:19:53

Content:

If there is a technology that has overpromised and underdelivered more than AR/VR over the last five years, I am not sure what it is. Facebook paid \$2bn (or possibly more) for Oculus in the spring of 2014 and maybe a couple million Oculus headsets have been sold since then. And Facebook is reportedly continuing to spend billions more on Oculus. So when is all of this investment going to pay off? Maybe sooner than people think. Oculus Quest is a wireless (untethered) VR headset that shipped this spring and sells for \$399 to \$499 depending on how much memory you want. In the past few weeks, a number of friends of mine have suggested I get a Quest (which I will do but have not yet done) and that I will be impressed by it. I have long thought that an untethered headset that can deliver real VR experiences are what we need to unlock the VR market. There aren't many games or experiences for the Quest yet. Hopefully that will change soon. Most technologies go through a cycle in which the promise is hyped up, followed by the reality setting in and going through a downturn. That has certainly been the case for AR/VR. But it may well be that the technology is finally catching up to the promise in AR/VR. At least that is what the smartest people I know in this sector are telling me right now.

Disappointment

URL: <https://avc.com/2019/07/disappointment/>

Date: 2019-07-01T06:25:37

Content:

Being a Knicks fan teaches you a lot about disappointment. At one point this spring, we thought we were going to get a couple top free agents and the first pick in the draft. We ended up with a lot less. Fortunately, I have learned a lot about disappointment in three decades of backing early-stage startups. Our business is one where a third of things we do don't work out at all and another third deliver a lot less than we had hoped when we pulled the trigger. Only a third of our investments deliver on what we expected when we made them. Fortunately about ten percent of the investments we make so vastly outperform our expectations, that they make up for everything else we do. So we live with a lot of disappointment. And one of the questions I struggle with is how much of that disappointment do we share with the founders and teams we work with. Certainly feedback helps founders. But if the feedback is too negative and too downbeat, it is not helpful and can also lead to tune-out. So I have found that many times I need to bite my tongue and take the disappointment in stride and chalk it up to the cost of doing business in early-stage investing. You have to be an optimist to make early-stage investments and you can't let the disappointments take that optimism out of you. Which takes me back to the Knicks. It has been twenty years since the Knicks had a winning culture. That is a lot of losing to endure. But I keep buying the seasons tickets in hopes that things will change. I am going to stay positive and hope for the best.

The 5G Conundrum

URL: <https://avc.com/2019/06/the-5g-conundrum/>

Date: 2019-06-30T07:33:59

Content:

Christopher Mims has a good post on the 5G headaches that are in store for those of us in the US as we roll out 5G: The Downside of 5G: Overwhelmed Cities, Torn-Up Streets, a Decade Until Completion As carriers launch their 5G networks, the promise of superfast wireless is clashing with the reality of the rollout; 'the real onslaught has not yet begun' <https://t.co/j4LXxf7yv> — Christopher Mims ■ (@mims) June 29, 2019 While getting to wireless speeds that are close to the fastest wired speeds is important, it also begs the question why are we doing it this way. Jessica Rosenworcel, who is one of the FCC Commissioners, explains why the US approach to 5G is different than elsewhere in this opinion piece: Washington is choosing the wrong lane in the race to 5G. Me in @WIRED : <https://t.co/STobHUavBw> — Jessica Rosenworcel (@JRosenworcel) June 10, 2019 I was in a meeting earlier this year and there were some execs from the big wireless carriers in the room. They were complaining about how difficult local governments are being on the 5G rollout. I asked them if 5G is really going to work with this network architecture that requires so much infrastructure buildout. They were confident. I am not.

Video Of The Week: What Is Web3?

URL: <https://avc.com/2019/06/video-of-the-week-what-is-web3/>

Date: 2019-06-29T06:58:40

Content:

Juan Benet , founder and CEO of our portfolio company Protocol Labs , developer of the IPFS and Filecoin protocols, gave this talk last fall. I like Juan's statement, about 10mins into this talk, that "what Bitcoin did to money, Web3 does to everything." That is obviously a very big statement/ambition, but I agree with it. Here is Juan's talk:

Funding Friday: Everybody Counts

URL: <https://avc.com/2019/06/funding-friday-everybody-counts/>

Date: 2019-06-28T06:20:59

Content:

I backed this Kickstarter project earlier this week. It has about one more day to go.

AI and Health Care

URL: <https://avc.com/2019/06/ai-and-health-care/>

Date: 2019-06-27T09:43:23

Content:

David Kelnar sent me this deck that he did on the state of AI . It is very good. This slide got my attention: It is interesting, and not totally surprising, that the sector that AI-focused entrepreneurs are targeting more than any other is health and wellbeing. It seems like there is so much opportunity to improve our collective health and wellbeing with data science and machine learning. This is a big part of our thesis around healthcare at USV.

Graduation Season

URL: <https://avc.com/2019/06/graduation-season/>

Date: 2019-06-26T06:52:26

Content:

If you are feeling a little low on energy and want a pick me up, go to a high school graduation. You could simply crash any graduation, you don't need to know anyone graduating. They are such feel good events. I went to the AFSE graduation yesterday. This is the fourth class that has graduated from AFSE and I think I have been able to attend every graduation. It really is such a great way to spend a couple of hours. I like the procession music, I like the faces on the students as they walk in. It is a mix of apprehension, pride, and excitement. I like the speeches by the students. I like the speeches by the teachers and school leaders. I like the handing out of the diplomas. I like the joyous hugs from proud family members after the ceremony is over. There really is nothing quite like the sense of opportunity, promise, and achievement that pervades high school graduations. If you have an opportunity to attend one this week, I strongly recommend it.

New York's Climate and Community Protection Act

URL: <https://avc.com/2019/06/new-yorks-climate-and-community-protection-act/>

Date: 2019-06-25T09:39:27

Content:

The lawmakers in Albany have passed legislation known as the Climate and Community Protection Act (CCPA) and it is sitting on the Governor's desk awaiting signature. There is plenty of debate on whether CCPA is good policy or bad policy. All you need to do is Google "New York's Climate and Community Protection Act" and read the NY Post (against) and the NY Daily News (for) and you will see the various sides of the debate. What this bill does is commit New York State to some of the most aggressive goals of any city, state, or region: This is a legally binding legislative act to achieve an 85% reduction in greenhouse gas emissions by 2050 and a goal of net zero. My view is that we need ambitious goals like this and penalties for not reaching them (the stick). But we also need new policies and new funding/investment to allow us to reach them (the carrot). Most of the "green new deal" style legislation that is getting passed in NYC, NYS, and elsewhere, and being proposed in many other places, is long on sticks and short on carrots. I believe CCPA is a good first step for NYS and I hope the Governor signs it into law. But legislators and activists and the business community should not stop there. We need to follow these goal setting/penalty setting laws with more work around how we get there and there are many good ideas floating around on how to do that. As hard as it has been to get CCPA done, I think the hard work is just starting because reaching these goals will require creativity, innovation, new technology, and a massive amount of investment and the willpower to see it through. We really don't have a choice. So let's go.

Understanding Gender Bias In Venture Funding

URL: <https://avc.com/2019/06/understanding-gender-bias-in-venture-funding/>

Date: 2019-06-24T09:09:29

Content:

USV portfolio company goTenna 's founder and CEO Daniela Perdomo and USV analyst Dani Grant did some number crunching on VC funding and published the info last week. After 4 rounds of VC, I ran my own data analysis to see if my experience is unique. Women founders in female-focused sectors raise equitable VC, but women in non-female sectors raise 54% less than their fair share. In deep-tech, women raise up to 75% less!

<https://t.co/4Fvfor3DXD> — Daniela Perdomo (@danielaperdomo) June 18, 2019 The good news is that in business sectors where women are well represented in the customer set, women founders are raising more (on a pro-rata basis) than their male counterparts. The bad news is in the rest of the business sectors, women founders raise a lot less (on a pro-rata basis) and in "deep tech" the numbers are particularly bad. These conclusions ring true to me based on what I see in the market. I believe women founders have made a lot of progress in the last decade in raising VC. There are many more of them approaching VC firms for capital and many more of them getting funded. But it seems most of the progress has been in sectors where women are well represented. The progress in sectors where women are not as well represented is almost non-existent. We in the VC sector need to understand the conscious and unconscious biases at work when we meet with a women founder working in one of these under-represented sectors and fight them off. Founders like Daniela, when they are successful, will help a lot. There is nothing like success to change people's opinions, conscious and otherwise.

Pixel Slate RIP

URL: <https://avc.com/2019/06/pixel-slate-rip/>

Date: 2019-06-23T19:33:23

Content:

I got a Pixel Slate last December and wrote several blog posts about it at the time. I use it when I travel and just spent two and a half weeks with it as my only computing device other than my phone. It is fantastic on an airplane as it is equally great for watching video and doing work (on or offline). At the tail end of that two and a half week stretch I read that Google has decided to stop making Pixel Slates. It will continue to support the current devices but will not come out with a new model. This means the Slate is a dead platform and that I will need to find another answer for my travel tablet needs. I'm not eager to get an iPad Pro and will probably continue to use the Slate until I find a better answer. This bums me out. I like the Slate. It has its issues. But I think Google could have easily addressed them over time. We need competition to the iPad in the tablet market and Google was on its way with Slate.

Audio Of The Week: Libra On The Unconfirmed Podcast

URL: <https://avc.com/2019/06/audio-of-the-week-libra-on-the-unconfirmed-podcast/>

Date: 2019-06-22T04:52:43

Content:

I posted earlier this week on Libra and USV's involvement in this project Laura Shin had Dante Disparte of the Libra Association on her Unconfirmed Podcast yesterday. This is a good and relatively quick way to get up to speed on Libra and how it has been structured.

Reboot: Leadership and the Art of Growing Up

URL: <https://avc.com/2019/06/reboot-leadership-and-the-art-of-growing-up/>

Date: 2019-06-21T02:27:29

Content:

Jerry Colonna's book, *Reboot*, came out this week. He had given me the manuscript to read so many months ago that I had to go back and read it again before I could write about it. So I bought the book yesterday and read it again over the last twenty four hours. AVC regulars don't need any introduction to Jerry. I've been writing about him, citing him, and telling stories about him since the very start of this blog. Jerry is my friend, my former partner and co-founder of the first business I ever started, Flatiron Partners, and one of the best people on planet earth. Jerry's book is about two things that are really the same thing, himself and his work to help people, mostly entrepreneurs, discover themselves. Jerry describes this work as "radical self inquiry": But the most challenging piece of the formula—indeed, the most important—is the notion of radically inquiring within. I define it as the process by which self-deception becomes so skillfully and compassionately exposed that no mask can hide us anymore. The notion is to recognize that, if things are not okay, if you're struggling, you stop pretending and allow yourself to get help. Even more, it's the process by which you work hard to know yourself—your strengths, your struggles, your true intentions, your true motivations, the characteristics of the character known as "you." The you behind the masks, the stories, the protective but no longer useful belief systems that have been presented for so long as the "you" that you would like everyone to see. Invariably such inquiry involves getting to know, as the poet Adrienne Rich says, "not the story of the wreck but the wreck itself." With help, patience, courage, and guidance, we explore the wreck and retrieve the treasure. Knowing how to survive and understanding what it takes to thrive are skills that come from our childhood. Take any random group of entrepreneurs, for example, and do a quick unscientific survey by asking them to raise their hands if they grew up in an environment where at least one parent had disappeared or left or was never present. Most hands will shoot up. Early promotion into adulthood is often painful and equally often a sign of an early promotion into leadership. Probe a bit further and you may find that leaders who have built their company may have unconsciously stacked the team with other folks who experienced such early promotion. Radically inquiring within allows us to step back and see the patterns of our lives not as random acts of a willful or even vengeful God but as forces that shape who we are. It's this understanding that will make us not only better leaders but better, happier, more resilient people. *Reboot*, the book, is about Jerry's radical self inquiry to discover who he is and then his work to help others do the same. He tells his own personal story over the course of the book and also weaves in the stories of others who he has worked with along the way to explain what the work of radical self inquiry is and why it must be done and the rewards that come from doing it. He is teaching by example. Jerry started his career as a writer and he is a wonderful one. It is a joy to see him go back to those roots and exercise those muscles again. Let me put it to you this way. You are reading AVC for a reason. Maybe you are an entrepreneur. Maybe you want to be one. Maybe you work for one. Maybe you are investing in entrepreneurs. Or maybe you are married to one. Or maybe your daughter is one. No matter what the reason, you are here at least in part because you are interested in entrepreneurs and the work they do. And so as part of that interest, I would recommend you pick up Jerry's book and get inside the head of one. It will flip some switches on for you.

32 Ans

URL: <https://avc.com/2019/06/32-ans/>

Date: 2019-06-20T10:04:10

Content:

Thirty-two years ago, the Gotham Gal and I got married. We had been together for five years at that time. We have now been together for thirty-seven years. A relationship that has lasted almost four decades is a special thing. There is a comfort, a deep friendship, a mind melding, that develops. At least three or four times this week, one of us uttered something that the other was thinking but just had not said yet. We are celebrating the day in Paris, one of our favorite places, and pretty much doing nothing, but of course doing everything. Together.

The Cloudflare Ethereum Gateway

URL: <https://avc.com/2019/06/the-cloudflare-ethereum-gateway/>

Date: 2019-06-19T11:15:51

Content:

Last year, during its annual “crypto week”, our portfolio company Cloudflare shipped an IPFS gateway. I wrote about that then . This year, they have shipped an Ethereum gateway . It is great to see a very large Internet infrastructure provider build and ship crypto gateways. If you are a small developer looking to create decentralized applications, having a web-scale provider offering IPFS and Ethereum gateways is really helpful. I expect to see Cloudflare continue to extend the number of crypto protocols they support with their gateways. And that will be part of what needs to happen to get to a world of truly decentralized applications. If you are interested in developing on the Ethereum protocol and want to understand how the Cloudflare gateway works, this blog post explains it well.

Why USV is Joining the Libra Association

URL: <https://avc.com/2019/06/why-usv-is-joining-the-libra-association/>

Date: 2019-06-18T06:28:31

Content:

A new blockchain & cryptocurrency project, Libra, was announced today. Libra has been incubated by Facebook. USV will be one of the founding members of the governing body, the Libra Association. Libra is a stable, fiat-backed cryptocurrency that will launch inside some of the world's largest consumer-facing applications. We believe Libra has the potential to be the catalyst that brings the entire cryptocurrency and cryptoasset market into the mainstream. When USV invested in Coinbase in early 2013, our rationale was that digital currencies and digital assets (like Bitcoin and beyond) were a breakthrough technology, similar to TCP/IP, HTTP and SMTP. But we also knew that it would take significant investment in the surrounding infrastructure to make them useful for businesses and consumers, just like it did with the Web back in the 80s and 90s. At the time of that investment, we wrote: "There is much that must be built on top of these digital currencies to make them work well enough to support real business at scale" This has proven to be true. If we look back at the past 10 years since the invention of Bitcoin, we have seen a lot of infrastructure built to support an increasing variety of use cases. But there is still a long way to go. We think about the crypto sector as the intersection of Finance 2.0 ("Money Crypto") and Web 3.0 ("Tech Crypto"), and what we have seen is that the "Money Crypto" use cases have been the earlier to materialize, especially "slow money" use cases (those that don't require high throughput): For consumer use cases (including both Finance 2.0 and Web 3.0 use cases), the biggest barrier to date, beyond technical scalability, has been the rollout of crypto wallets to mainstream consumers. As of today, there is still no mainstream web browser with crypto built-in, no mainstream phone with crypto built-in, and relatively few mainstream applications with crypto built-in. As that changes, crypto assets have the potential to move from being curiosities for enthusiasts to being default internet and financial infrastructure. Once we have crypto-compatibility built-in to applications, browsers, and phones, many new behaviors and use cases will emerge. The financial system, in general, will become more accessible (smartphone adoption is outpacing bank account adoption globally). Payments can become faster, more reliable and less expensive. Magical new user experiences will be possible due to interoperability and reduced friction, the same way that the Web's native interoperability unlocked countless new use cases and experiences. And, perhaps most importantly, we will open the door to self-sovereign digital identities (private keys) that are the underpinnings of user-controlled privacy and control of data. So as we think about the potential drivers for mainstream crypto adoption, a simple, fully-collateralized, cryptocurrency used inside the world's largest applications, touching hundreds of millions or billions of consumers, is perhaps the most promising one. It is our hope that Libra will serve as a major on-ramp to cryptocurrencies and cryptoassets, to the benefit of the entire ecosystem. USV will be joining as a founding member of the Libra Association, the governing body that will manage both the Libra technology and the Libra Reserve. As one of the initial 20 members of the Association, we will have the opportunity to participate in design and policy choices that will shape the network. It is worth noting that Facebook will be just one equal member of the Association, which was an important factor in our decision to join. This will be a large and complex undertaking, as there are many unresolved and challenging questions, involving the technology itself (security, privacy, path to decentralization), the regulatory environment, and the nature of the ongoing governance. In some ways, the initial Association resembles a constitutional convention, where the main goal is to draft the long-term governance mechanisms themselves. To be clear, we view this as both an ecosystem investment and a financial investment. In addition to participating in the governance process at the Libra Association, USV plans to invest in the Libra Reserve, which will provide the stability for the currency. This is an unusual type of investment for us, but we have learned that investing in the crypto sector requires us to explore a variety of new investment structures. We appreciate that Facebook invited USV to be an initial founding member of the Libra Association and we take our role in that seriously. We will advocate for those things that USV values most: openness, transparency, decentralization, and permissionless innovation. We think that those features will help accelerate adoption within the entire crypto ecosystem — including our many existing investments in the space — and also help Libra succeed in its goals. This has also been posted on usv.com.

Secrets Of Sand Hill Road

URL: <https://avc.com/2019/06/secrets-of-sand-hill-road/>

Date: 2019-06-17T03:31:51

Content:

One of the many great things about vacations is reading books. Vacation is the one time that I can really prioritize reading books (as opposed to everything else I read). I just finished Scott Kupor's *Secrets Of Sand Hill Road*, a book for entrepreneurs about raising capital from venture firms. Scott makes the point numerous times in the book that the capital raising process is asymmetric for entrepreneurs in that they do it a few times in their career and VCs do it every day. That is true for the pitch meetings, the negotiation process, and the post financing relationship too. What Scott does in this book is break down every part of the process and explain it in plain english so that entrepreneurs can understand what's going on and why it matters to them. That last part is important, this book is written for entrepreneurs, not VCs. Scott uses real world examples, mostly investments made over the last decade by his firm A16Z, to make the lessons he is delivering more "real." And he uses spreadsheet examples in one chapter and shows how various events can change the cap table for everyone. It's very much a "how to" book, more practical than theoretical. There have been other books written about this topic, I like Brad Feld and Jason Mendelson's *Venture Deals*, which is on its third edition now. Jeff Bussgang's *Mastering The VC Game* is also great. You could teach an MBA or undergraduate course on capital raising for entrepreneurs with these three books. It would be a great course. If you plan to be raising venture capital for your startup and don't have the benefit of experience or a fantastic course on the topic, I would strongly recommend you pick up Scott's book, or all three books, and spend some time reading them now or on your next vacation.

Mobile Ticketing

URL: <https://avc.com/2019/06/mobile-ticketing/>

Date: 2019-06-16T02:45:26

Content:

The Gotham Gal and I walked into the Musee de l'Orangerie yesterday and found a line of about 20 people waiting to purchase tickets to enter. The Gotham Gal whipped out her phone, went to the Orangerie website, and bought two tickets that were sent to her phone. It took her less than a minute to do it and we walked in. As we were leaving we noticed the ticket line had almost doubled. We shook our heads and made our way to our next stop. The mobile phone we all have in our pocket or purse can do so many things but one of its superpowers is a point of sale terminal. Increasingly there is no reason to wait in line for tickets to anything. You can just get them on your phone. I really like just in time ticketing with the phone. I have the NYC East River Ferry app on my phone and whenever I want to take a boat to Brooklyn or Queens, or back, I open up the app, provision a ticket or two if I'm round tripping it, and I'm good to go. I am seeing more and more mass transit systems adopt this approach. And then there is the NYC subway system which has started to roll out new turnstiles which you can tap and pay at: I remember the days of carrying metal tokens in my pocket. It wasn't that long ago! The smartphone is twelve years old at the end of the month. It is remarkable to step back and think about how much it has changed how we live and work.

Video Of The Week: Peter Kafka's Interview With YouTube CEO Susan Wojcicki

URL: <https://avc.com/2019/06/video-of-the-week-peter-kafkas-interview-with-youtube-ceo-susan-wojcicki/>

Date: 2019-06-15T03:22:15

Content:

Peter Kafka interviewed YouTube CEO Susan Wojcicki at the Recode Conference last week. It's an interesting discussion about many of the issues facing YouTube and the Internet at large right now.

Funding Friday: A Window Pane Solar Panel

URL: <https://avc.com/2019/06/funding-friday-a-window-pane-solar-panel/>

Date: 2019-06-14T03:16:38

Content:

I saw this project earlier this week and backed it immediately. Solar energy is not easy to adopt. But I have found that once you start, you get into it and keep going. This might make it easier for some to start down that path.

Cloudflare's Galileo Project Turns Five

URL: <https://avc.com/2019/06/cloudflares-galileo-project-turns-five/>

Date: 2019-06-13T10:49:38

Content:

Our portfolio company Cloudflare provides a suite of mission critical security services, and increasingly other services too, in the cloud to their customers. Among the most well known of these security services is DDOS protection (aka denial of service attack protection). A DDOS attack is a massive traffic burst aimed at a website to take of offline. Among the most vulnerable and attacked websites are those belonging to non-profits and other organizations doing work that upsets those in power. So Project Galileo is Cloudflare's effort to provide security services to these sorts of organizations for free so they can stay online and continue to do their work. And Galileo turns five years old this week. Matthew Prince, Cloudflare's CEO and co-founder, wrote this blog post yesterday celebrating five years of Galileo and he explains why this is so important to Cloudflare, the Internet, and the world.

Helium

URL: <https://avc.com/2019/06/helium/>

Date: 2019-06-12T13:05:12

Content:

One of the areas of blockchain innovation I am most excited about is building open, permissionless, and decentralized technology infrastructure. The three areas that seem most obvious to me for decentralized infrastructure are compute (code execution), storage (storing files, etc), and bandwidth (network infrastructure). And today, we are excited to announce that USV has made an investment in a decentralized network infrastructure project called Helium . My partner Nick, who led this investment for USV, wrote about Helium on the USV blog and explains why we made the investment (as is our practice with all new investments). I would encourage you to read that blog post as it explains a lot about how Helium works, how the token economics builds the supply side of the network infrastructure, and why it fits so neatly into our investment thesis. I would just like to point out how cool Helium is. Anyone can run a Helium hotspot in their home: And then they can earn Helium tokens for doing so. You can run a hotspot in your home/apartment and do the equivalent of bitcoin mining for network infrastructure. Helium is optimized for very long distance, low power communications. It is ideal for Internet of Things (IoT) devices. Think about electric scooters needing to “phone home” over long distances. Think about your dog’s name tag. Think about figuring out when the school bus is going to arrive at the bus stop. We plan to run a Helium hotspot or two at USV and it would be great to see people powered Helium networks popping up all over the place and providing very low cost, low power, highly reliable long range network infrastructure.

Turning Streetlights Into EV Charging Stations

URL: <https://avc.com/2019/06/turning-streetlights-into-ev-charging-stations/>

Date: 2019-06-11T09:23:16

Content:

Owning an EV in a dense urban city is challenging. Most people don't have their own garages and so they park on the street or in large parking garages. We do the latter. About five or six years ago, I walked into our parking garage and saw that the garage operator had installed a ChargePoint charging station in the garage. I literally walked back across the street to our apartment and bought our first EV. We now own three. But charging with ChargePoint is not ideal. There are a limited number of these charging stations in our parking garage and more and more EVs. They are often filled up. And the rates that ChargePoint supplies electricity at are borderline gouging. They have a monopoly on our garage and price accordingly. I believe the rate we pay in our parking garage in NYC is literally double the rate we buy electricity from ConEdison in our NYC apartment. In our homes in Los Angeles and Long Island we charge off our solar panels on our roofs and basically don't pay to charge our EVs other than the depreciation on the solar installation costs. That is absolutely the way to go if you can afford the cost of a solar installation. But back to dense urban areas like NYC. If we want more EVs and less gas powered cars on our streets, we need better charging infrastructure. In Paris, where we have been for the last few days, they are trying an experiment with putting EV charging stations on street lights. If the city makes those curb locations only available for charging and not parking, that could be a great option for encouraging more city dwellers to buy or rent EVs. I believe the availability of charging options, whether it is a rational fear or not, is holding back a lot of people from moving from gas to electric. So anything that can change that dynamic is a good thing in my view.

Seven to Ten Years

URL: <https://avc.com/2019/06/seven-to-ten-years/>

Date: 2019-06-10T03:41:25

Content:

I have worked in three venture capital firms over the last thirty-three years and am intimately familiar with the performance of the fifteen (ish) venture funds raised and invested by these three firms. Much of what I have written about fund management and investment performance here at AVC over the last sixteen years comes from my observations of these funds and firms. Starting in the mid-00s, The Gotham Gal and I started investing in other venture capital funds, always limiting these investments to firms where we knew the partners well and had sat on boards with them. And The Gotham Gal started angel investing around the same time, often writing the first check into startups. She has made something like 140 angel investments over the last dozen years, mostly into companies founded by women. We keep good records on these personal investments and I now have another data set to observe. Across these three sources of data (my firms, other firms, angel investments), there are well over 1000 individual angel, seed, and early stage venture capital investments over four decades. I have no plans to publish this data. It is not in a single database and there is a ton of confidential information in it. But I can observe things about this data and have been doing so and will continue to do so. One of the great truths about early stage investments is that you have to be patient with them. The losses come early and the winners take longer to realize. It takes seven to ten years to get to real liquidity in a portfolio of early stage venture investments. You can't short cut it. It just takes time. But come years seven, eight, nine, and ten the returns will start coming in. I am not sure why seven to ten years and not five to seven or not ten to fifteen. It's seven to ten. That's how it has always been and seemingly always will be.

Low (No) Barriers To Entry

URL: <https://avc.com/2019/06/low-no-barriers-to-entry/>

Date: 2019-06-09T03:33:18

Content:

There are a dozen electric scooter companies operating in Paris right now. There are so many that the Mayor just announced that she will reduce that number to three with new rules for electric scooters in Paris. But before we get into the new rules, I want to stare at that first sentence for a bit. In less than a year, twelve companies have started operating electric scooter services in Paris. Paris is the largest electric scooter market in the western world right now. To enter this business, you need capital to purchase the scooters from China, you need a mobile app on iOS and Android to allow users to locate, unlock, and pay for the use of one, and you need a small team to handle the local logistics. Apparently those are not significant barriers because a dozen different companies have been able to do it in less than a year. There are many things that are attractive about the electric scooter business. It has taken off as a transportation option for consumers and is the fastest growing new transportation technology in terms of revenues in history. Electric scooters also are a much cleaner way to travel than cars or other gas powered technologies. So there is a lot to like about this business. But if anyone can open up shop and compete with you with little to no differentiation and your only defensibility is the time it takes to download a new mobile app and put in your credit card, well then one has to ask if this is or will be a good business. And that is where the Mayor of Paris comes into the picture. She wants to limit the number of scooter providers to three, by requiring licenses and issuing only three of them. That will sufficiently lower the competition in Paris, lead to a triopoly which may stabilize pricing and margins, and possibly reduce the number of scooters littered all over Paris. Winning a license will be a political process and there are many issues with that. And the three companies that win a license will become acquisition targets for the big players which are increasingly the ride share companies (who themselves have very low barriers to entry but now have public currencies to buy with). There are many who have wondered whether ride share will ever be a good business. The public market caps of Uber and Lyft suggest that it will be or that there are plenty of people who currently think it will be. Scooters are ride share on steroids. Even easier to get into the game with possibly a larger market opportunity. It will be quite interesting to see how this plays out and how much regulation will be needed to tame this market.

Video Of The Week: The State (or Stalemate) of Regulation?

URL: <https://avc.com/2019/06/video-of-the-week-the-state-or-stalemate-of-regulation/>

Date: 2019-06-08T12:13:20

Content:

Given all of the discussion of SEC regulation of the crypto sector on this blog over the last week or two, I thought I'd post a video of a discussion of the topic at last month's Token Summit in NYC.

Funding Friday: DefendCrypto.org

URL: <https://avc.com/2019/06/funding-friday-defendcrypto-org/>

Date: 2019-06-07T05:16:46

Content:

As expected, the SEC sued USV's portfolio company Kik this week. Here is Kik's response to the news : This part of Kik's response explains that the SEC is stretching the interpretation of the Howey ruling (from almost a century ago) in its efforts to claim jurisdiction of crypto token regulation: For the reasons set forth in our Wells Submission, the SEC's complaint against Kik is based on a flawed legal theory. Among other things, the complaint assumes, incorrectly, that any discussion of a potential increase in value of an asset is the same as offering or promising profits solely from the efforts of another; that having aligned incentives is the same as creating a 'common enterprise'; and that any contributions by a seller or promoter are necessarily the "essential" managerial or entrepreneurial efforts required to create an investment contract. These legal assumptions stretch the Howey test well beyond its definition, and we do not believe they will withstand judicial scrutiny.

<https://www.prnewswire.com/news-releases/kik-responds-to-sec-complaint-300862114.html> I believe that crypto networks are different than companies and that crypto tokens are different than securities. I look forward to seeing these issues debated in a court of law instead of the basement conference rooms in DC. If you are interested in supporting Kik's case, you can do so by contributing crypto tokens to DefendCrypto.org .

Fly Like A Bird

URL: <https://avc.com/2019/06/fly-like-a-bird/>

Date: 2019-06-06T06:02:06

Content:

We arrived in Paris this morning and, after dropping off our bags, we walked to our favorite cafe for breakfast and on the way we passed a Bird scooter waiting patiently for a rider. We don't yet have Bird scooters in NYC, at least to my knowledge, but apparently they are available in Paris. It is impressive how quickly Bird has built out its international footprint. In the winter of 2018, I started seeing them in our neighborhood in Venice Beach Los Angeles. And now less than 18 months later they are in Paris (and likely many other cities in Europe). I have no idea how good of a business electric scooters is. There is no shortage of competition and, as I've written about here before, the dockless system can be a nuisance leading to inevitable regulation. But Bird is not waiting to figure all of that out before building out a global footprint. It is impressive. I hope it works. The benefits from an environmental perspective are significant.

Getting Out Of Town

URL: <https://avc.com/2019/06/getting-out-of-town/>

Date: 2019-06-05T06:31:12

Content:

The Gotham Gal and I are going on vacation for a couple weeks. I will turn on my out of office responder and stop responding to most emails. I plan to continue to write here daily but the timing of the posts will change. They will probably happen much earlier in the day on US time. I am hoping for a bit of distance and reflection from the world of tech and startups and maybe that will result in some good writing. Who knows? One can hope.

Why Trust Matters

URL: <https://avc.com/2019/06/why-trust-matters/>

Date: 2019-06-04T06:11:42

Content:

Dani and Nick and the rest of the USV team worked on a talk about “Why Trust Matters” that we presented at the recent USV CEO Summit. Dani published it on the USV blog yesterday . It is a great deck. So I'm embedding it here so the AVC community can check it out.

Open Up Vs Break Up

URL: <https://avc.com/2019/06/open-up-vs-break-up/>

Date: 2019-06-03T07:15:19

Content:

There have been many calls to break up the large Internet monopolies; Amazon, Google, Facebook, Apple, etc. Breaking up a large monopoly feels like a very 19th/20th century move to me. I would prefer that politicians and policy makers think about opening up as the better intervention. A good way to explain this is to go back to the architecture that Twitter used in its early days when there were many third-party Twitter clients. Imagine if Facebook, Instagram, Twitter, LinkedIn, etc were protocols, not applications, and there were many high-quality clients to participate in these networks. Then the clients could innovate on things like content filtering, promotion of high quality content, business model, etc If we are going to “break up” these large social media platforms, I would urge elected officials and regulators to think about pushing them to move from platforms to protocols instead of just ripping them apart. We could do the same thing with search. Our portfolio company DuckDuckGo has built a nice search business by building a different user interface on top of one of the two leading search indexes. If we made it easier and reliable for others to innovate on top of the core search engine, then there might be many more options in search. In mobile, a good first step is to open up the app stores and allow the browsers to have the same access to the operating system as native mobile apps. In commerce, if I could checkout as easily everywhere as easily as I can on Amazon, there would be more competition for my shopping dollars. I think you get the idea. It is very true that the big Internet services have built centralized monopolies and have consolidated their market positions. We do need more competition in these core services. And the best way to do that is force them to open up their services, not break them up.

Universal Biometric Identity

URL: <https://avc.com/2019/06/universal-biometric-identity/>

Date: 2019-06-02T09:37:25

Content:

During the past week, I have traveled through airports using TSA Pre and Clear and plan to travel internationally soon using the Global Entry system. I have recently renewed my TSA Pre and Trusted Traveler accounts. I am also in the process of renewing my NY State Drivers License and am going through the process of getting an "Enhanced" one. Here is what one needs to do to get an Enhanced NYS Drivers License: Enhanced is Federal REAL ID compliant costs an additional \$30 on top of the regular transaction fees requires an office visit to prove your identity- *if your name has changed bring in marriage certificate(s), divorce decree(s) or court order document(s) NY State residency U.S. citizenship date of birth Social Security status shows your full legal name (first, middle, last) as listed on your legal documents shows your residential address (where you live) has an American flag displayed on the document And, because I am an investor in a friend's bar and restaurant businesses, I am in the process of submitting a NY State Liquor License application which requires the following: a photocopy of BOTH your driver's license and your passport a fingerprint ID card which is obtained at your local precinct two passport photos three months of recent bank statements In each and every experience, I am doing much of the same work over and over again. Copies of passports and licenses. Bank statements and utility bills. Fingerprints (digital or ink-based). Retina scans. Social security cards. Birth certificates. Marriage licenses. Completing questions about bad behavior (or lack thereof). Etc. Etc. It makes me want some sort of identity service in the cloud, that I control, not a third party, and not the government, that I could authenticate with using fingerprints, retina scans, or two/three factor logins, and then digitally "sign" all of these forms. My fear is we will get there but it will be the government or Facebook or Google or Apple that builds this. It would be quite useful but also quite scary for a single entity to control all of that information for each and every one of us.

Audio Of The Week: How About Howey?

URL: <https://avc.com/2019/06/audio-of-the-week-how-about-howey/>

Date: 2019-06-01T08:48:18

Content:

This Unchained Podcast with Patrick Gibbs of the law firm Cooley and Ted Livingston founder of the Kin cryptocurrency project is a great discussion of the Howey Test that the SEC has put forward as the framework through which to evaluate whether a crypto token is a security. Here are links to some interesting parts of the discussion: 1/ Ted Livingston explains who Howey was and the details of that case . 2/ Patrick explains why Kin (and most crypto tokens as well) is not a security . This is the kind of stuff that mostly interests law nerds, but it is very relevant to all developers who are building crypto tokens and putting them out into the market. So it is worth getting knowledgeable about this stuff. And if you want to support this Kin case as it works its way through the court system and ends up creating a new precedent that could supersede Howey, you can do that here .

Funding Friday: GameBender

URL: <https://avc.com/2019/05/funding-friday-gamebender/>

Date: 2019-05-31T07:38:15

Content:

I backed this cool project to make a game console for a scratch games today. Games that you can edit/change are such a great way to teach kids how to program and instruct machines.

Unsafe Notes

URL: <https://avc.com/2019/05/unsafe-notes/>

Date: 2019-05-30T08:18:55

Content:

I was reminded yesterday how much of a shit show raising seed capital via SAFE notes is. I can't and won't get into why I was reminded of that, but let's just say nobody wants to go there. So I thought I'd repost the important parts of a post I wrote on this topic a couple years ago. I have never been a fan of convertible notes. USV has done quite a few convertible and SAFE notes. We are not opposed to convertible and SAFE notes and will not let the form of security the founder wants to use get between us and investing in a company that we like. But I continue to think that convertible and SAFE notes are not in the best interests of the founder(s). Here is why: They defer the issue of valuation and, more importantly, dilution, until a later date. I think dilution is way too important of an issue to defer, for even a second. They obfuscate the amount of dilution the founder(s) is taking. I believe a founding team should know exactly how much of the company they own at every second of the journey. Notes hide this from them, particularly the less sophisticated founders. They can build up, like a house of cards, on top of each other and then come crashing down on the founder(s) at some point when a priced round actually happens. This is the worst thing about notes and doing more than one is almost always a problem in the making. They put the founder in the difficult position of promising an amount of ownership to an angel/seed investor that they cannot actually deliver down the round when the notes convert. I cannot tell you how many angry pissed off angel investors I have had to talk off the ledge when we are leading a priced round and they see the cap table and they own a LOT less than they thought they did. And they blame the founder(s) or us for it and it is honestly not anyone's fault other than the harebrained structure (notes) they used to finance their company. The Series A focused VC firms that often lead the first priced rounds get to see this nightmare unfold all the time. The company has been around for a few years and has financed itself along the way with all sorts of various notes at various caps (or no cap) and finally the whole fucking mess is resolved and nobody owns anywhere near as much as they had thought. Sometimes we get blamed for leading such a dilutive round, but I don't care so much about that, I care about the fact that we are allowing these young companies to finance themselves in a way that allows such a thing to happen. Here are some suggestions for the entire angel/seed sector (founders, angel investors, seed investors, lawyers): Do priced equity rounds instead of notes. As I wrote seven years ago, the cost of doing a simple seed equity deal has come way down. It can easily be done for less than \$5k in a few days and we do that quite often. The first convertible or SAFE note issued in a company should have a cap on the total amount of notes that can be issued. A number like \$1mm or max \$2mm sounds right to me. Don't do multiple rounds of notes with multiple caps. It always ends badly for everyone, including the founder. Founders should insist that their lawyers publish, to them and the angel/seed investors, a "pro-forma" cap table at the closing of the note that shows how much of the company each of them would own if the note converted immediately at different prices. This "pro-forma" cap table should be updated each and every time another note is issued. Most importantly, we cannot and should not continue to allow founders to issue notes to investors and not understand how much dilution they are taking on each time they do it. This is WRONG. Honestly, I wish the whole scourge of notes would go away and we could go back to the way things were done for the first twenty years I was in the venture capital business. I think it would be a better thing for everyone. But if we can't put the genie back in the bottle, we can at least bottle it up a bit better. Because it causes a lot of problems for everyone.

Outschooling

URL: <https://avc.com/2019/05/outschooling/>

Date: 2019-05-29T09:54:24

Content:

A few months ago I posted some data on this blog that showed the growth of homeschooling in the US with almost 5% of K12 students being schooled at home. I wrote at the end of that post: This is a trend to watch and, possibly, to invest in. Well, invest in it we did. Yesterday Rebecca posted our investment rationale for Outschool, a company that offers real time group classes taught largely by very experienced K12 teachers over live video. I encourage all of you to click on that link and go read our investment rationale. There are a number of interesting trends we are betting on here and Rebecca articulates them well. There are also some examples of classes your kids can take that are amazing. But what I want to talk about is how important services often start in the fringes and over time move into the mainstream. We are certainly betting that is the case with crypto-currencies. We have seen that with Airbnb (couch surfing>hotel alternative), Uber (ride sharing>car alternative), YouTube (video sharing>TV alternative), and so many other examples. Homeschooling is a fringe market right now. But education is not. Outschool can exist with excellent unit economics for the students, teachers, and company because there is a market of almost 2.5mm students in the US who need to learn things like Algebra, European History, Biology, etc, and will pay to do so. But of course, there are over 50mm K12 students in the US and many more around the world who need to learn these subjects as well and often don't learn them very well in the legacy schooling model. When our kids were in school and struggled with a class/teacher/subject, we would get them a tutor to come to our home in the evenings. That is a 1%er solution and is not affordable for most families. But the Outschool model, because of the scale it has reached in the homeschooling market, is driving down the cost of learning these subjects and can and does replace the high cost tutorial market for a number of families already. As its scale increases and economies kick in, it can reach more students and families desperate to master challenging material. Great teachers are one of the most valuable resources we have in our society. I can trace much of what I know to a handful of these people. But school buildings, classrooms, and the supporting Infrastructure for them are very much replaceable with new technology. Outschool is showing a way how to do that. At USV, we seek to back trusted brands that can open up access to knowledge (and wellness and capital). Many (most?) of these brands start out on the fringes and move into the mainstream over time as they scale and the benefits become obvious to mainstream consumers. Outschool is squarely in the sweet spot of our thesis and I am excited to see what it can do for learners around the world in the coming years.

DefendCrypto.org

URL: <https://avc.com/2019/05/defendcrypto-org/>

Date: 2019-05-28T09:46:25

Content:

Over the last year, the SEC has been investigating a significant number of token offerings that took place in 2017. While some of those offerings were scams or worse, many of the ones that are being investigated by the SEC are serious projects, started by some of the top cryptographers and computer scientists in the world, and backed by the leading token funds and venture capital firms in the US and around the world. Sadly, the SEC looks at crypto tokens and sees securities that they want to regulate as such. They cannot seem to understand that not all of these assets are securities, they cannot seem to understand that most are commodities, currencies, or utilities like frequent flyer miles. They cannot understand that crypto tokens are unlike any assets that have come before them and that crypto tokens need new regulatory structures. They cannot understand that their unwillingness to come up with new rules paired with their "regulate by enforcement" strategy is hurting the crypto sector, pushing it offshore, and is causing most of the new projects to raise capital outside of the US and/or put together legal structures that look like Frankenstein monsters. I have seen this play out in multiple projects and also in the exchange sector, which I posted about over the weekend. For as long as I have been involved in the crypto sector, I have been advocating and advising that companies work with the SEC, cooperate with them, and educate them. But that has not worked. I am frustrated. So are many others. Even one of the SEC Commissioners has gone public with her frustrations. One of the crypto projects that the SEC has been investigating, where I have had a front-row seat, is the Kin project that was birthed by USV's portfolio company Kik, where I am on the Board. Kin is a digital currency (not a security) that is in use in over 40 mobile apps now. Last month over 1mm users earned Kin in one of those mobile apps and over 300,000 users spent Kin in one of those mobile apps. Kin is one of the most used crypto currencies in the world. And yet the SEC won't agree to settle with Kin on reasonable terms. Instead they want to force Kin to become a security, which would decimate its appeal as a digital currency. Imagine that a user had to go to a securities brokerage firm like Schwab to purchase a token in order to be able to use Apple's App Store. That is crazy and yet that is essentially what the SEC wants Kin and many other crypto projects to agree to do. So today, Kin has launched DefendCrypto.org which is a crowdfunding effort to fight the SEC in court. Kin has contributed \$5mm worth of BTC, ETH, and Kin to the effort. And others are contributing their crypto assets as well. You can do so here. I have contributed a number of my crypto tokens to the effort this morning. Whatever funds are raised by DefendCrypto.org will be used by Kin to fight the SEC in court, to help secure a favorable ruling that could well set a precedent for the entire sector. Any funds that are left after this legal battle will be set aside for other similar legal efforts in the crypto sector. It is my hope, and Kin's hope, that DefendCrypto.org will be an inspiration for the many other important crypto projects that are silently battling with the SEC to come public and raise capital from the crypto sector for their fights. The SEC is regulating by enforcement, not new rulemaking, and worse, they have taken a divide and conquer strategy. It is time for the crypto industry to come together and fight back. I hope that Kin's efforts with DefendCrypto.org represent a watershed moment/movement that will pressure the SEC to think and act differently toward this important new sector.

Remembering

URL: <https://avc.com/2019/05/remembering-3/>

Date: 2019-05-27T06:27:13

Content:

It is Memorial Day, the most solemn of our national holidays. Let's all take a moment some time today to remember our fallen soldiers.

Geofencing Crypto Assets Out Of The US Is Bad Policy

URL: <https://avc.com/2019/05/geofencing-crypto-assets-out-of-the-us-is-bad-policy/>

Date: 2019-05-26T11:35:09

Content:

I wrote this tweetstorm on Friday when I read the blog post about Poloniex's decision to geofence certain assets away from US customers , driven by the SEC's recently published framework for digital assets . Geofencing Crypto Assets Out Of The US Is Bad Policy

Video Of The Week: Olaf Carlson-Wee At Token Summit

URL: <https://avc.com/2019/05/video-of-the-week-olaf-carlson-wee-at-token-summit/>

Date: 2019-05-25T07:11:50

Content:

In my new gig as interviewer, I sat down with Olaf Carlson-Wee, founder of Polychain Capital and one of the top token fund managers, at Token Summit.

Funding Friday: Planetary Blocks

URL: <https://avc.com/2019/05/funding-friday-planetary-blocks/>

Date: 2019-05-24T06:26:14

Content:

I backed this project to make a block toys for kids based on the planetary system a few weeks ago. I am into anything that makes learning fun for kids and this definitely does that. You can back it here .

Sick Day

URL: <https://avc.com/2019/05/sick-day/>

Date: 2019-05-23T09:36:59

Content:

I woke up sick this morning and could not fly to Toronto where I was planning to do a session at Collision with Matt Glotzbach , CEO of our portfolio company Quizlet . I sent some emails to let people know I could not make it and went back to bed and slept for another few hours and I feel a bit better. I do this to myself a few times a year when life gets hectic. The good news is that Memorial Day Weekend is upon us and that means some much needed R&R. Speaking of Matt Glotzbach, here is a video that Matt and Quizlet's founder Andrew Sutherland did three years ago to introduce Matt to the Quizlet community. It does a great job of showcasing Matt's personality and strengths (and Andrew's too).

Sofar

URL: <https://avc.com/2019/05/sofar/>

Date: 2019-05-22T06:26:20

Content:

Andy wrote about our investment in Sofar yesterday on the USV blog . That is our practice. We publish our investment rationale on our blog every time we make an investment. It creates a permanent record of why we made the investment. It is interesting to go back and read them five or ten years later, regardless of whether they worked out or not. Sofar is a company we have been following for seven years. We have been intrigued by this global community that has been building around the themes of meeting others in the real world, a shared love of music, and intimate spaces (often personal homes). The Sofar community is large and sprawling. The scale of the Sofar community, to us, is an example of “unspoken” value that Sofar has created for over one million people in 430 cities across 65 countries including London, Paris, New York, Sydney, Bangalore, Buenos Aires, Cape Town, and Seoul. In fact, more people will attend a Sofar in 2019 than will attend Bonnaroo, Glastonbury, and Coachella combined (also, 13 Sofar artists are playing at Coachella this year). <https://www.usv.com/blog/sofar> I just took a look at Sofar to see what events are happening in NYC in the coming weeks: You can see the Sofars in the coming weeks near you by going here . Sofar reminds me of our investment in Meetup , which we made twelve years ago. As Scott Heiferman , the founder of Meetup likes to say “use the internet to get off the internet.” Sofar adds the element of music, performance, and intimate spaces. Andy describes all of this as the “Sofar container”: Each Sofar has a few known constraints that make the show feel familiar: it will be in a unique space where you wouldn’t expect to see live music, an MC with a loose script will encourage you to get to know your neighbors, three performers will each play three to four songs, the address will only be revealed a day before the show, and the show will end early, by around 10:30 pm. This is what we call “the Sofar container”. The natural outcomes of the container are less tangible; for example, you will hear great music, you will feel safe and comfortable, you might make a new friend or you can attend solo, you won’t be judged. By bringing people together and creating spaces where music matters, Sofar broadens access to well-being – a core part of our investment thesis. The beauty of creating a simple container, with known constraints, is that what goes into the container is dynamic. You don’t know who the artists are, who you’ll be sitting next to or what the venue will be like, but we believe that the essence of Sofar lies in trusting the container. <https://www.usv.com/blog/sofar> At USV, we are drawn to bottom-up networks instead of top-down centralized services; Etsy not Amazon, SoundCloud not Spotify, Wattpad not Kindle, Crypto not Fiat, and now Sofar not LiveNation. I am excited that we finally found our way into the inside of this company/movement/experience. It feels so USV to me.

Citibike

URL: <https://avc.com/2019/05/citibike-2/>

Date: 2019-05-21T11:28:43

Content:

In a time when there are so many options for getting around the urban landscape (walking, subway, e-bikes, e-scooters, Yellow Cabs, Uber, Lyft, Juno etc), you would think that the six year old Citibike service in NYC would be "old hat." But it remains one of my favorite things about living in NYC. The addition of bike lanes all over lower Manhattan (where I live and work) has made biking a lot safer and pedestrians are increasingly aware of the bike paths and the bikers on them. The kiosk system, vs the dockless system that many of the newer offrrings use, has some challenges around trying to dock in a full kiosk at the end of your ride, but it is much preferable for the tidy/neat nature of the bikes. Citibikes are particularly great for the one to two mile journey that would take 20-30mins to walk but 5-10 mins to bike. I did that this morning from this kiosk in the west village to the Union Square neighborhood. It took me 7 minutes and I was early enough to my meeting that I had time to get a cup of coffee before the meeting. I honestly don't think there is a better way to get around NYC for short distances on a lovely spring day. It is one of the things that makes living in NYC so enjoyable.

Custody, Trading, Staking

URL: <https://avc.com/2019/05/custody-trading-staking/>

Date: 2019-05-20T06:35:34

Content:

In our talk at Consensus last week , we talked about security in crypto land. There are a few highly trusted custody services in crypto, including the popular consumer and institutional custody services offered by our portfolio company Coinbase . These companies have invested tens of millions, sometimes more, in building highly secure storage systems to keep their customer's crypto assets secure. There are also exchanges all over the world that people can use to trade crypto assets. While they may be great places to trade, they are often not great places to custody your assets. And then there is "staking" which is a term I am using for all sorts of validation services that crypto holders are increasingly doing to secure networks that use proof of stake and other approaches to consensus. There are and will be more staking services that crypto holders can use to participate in these services and get paid for doing that. Again, these staking services many not be great places to custody your assets. What is emerging are different services that specialize in different parts of the crypto economy. There will be best of breed offerings in each sector and there will be a few, like Coinbase, that will offer leading services across all of these sectors. The nice thing about crypto is it is programmable money. It should be possible, and I think it will be possible, to use one service for custody, another for trading, and a third for staking. But it has to start with custody. If you own crypto assets, you need to secure them. And that is often not at the place you trade them.

Cheeze Wizards

URL: <https://avc.com/2019/05/cheeze-wizards/>

Date: 2019-05-19T11:35:42

Content:

Our portfolio company Dapper Labs , the maker of the popular crypto-collectible game CryptoKitties , is back with their second game, called Cheeze Wizards , also built on the Ethereum blockchain. Cheeze Wizards is in “pre-sale” mode right now. You can “summon” your wizard in anticipation of the game which will be played this summer. I summoned a wizard this morning from the fire wizards region. I spent a bit more than half an ETH on it and I am ready to rumble. Dapper built this game for crypto enthusiasts who will be drawn by the large prize pool (322.6 ETH right now and growing) and that is why some of the most powerful wizards (like mine) are quite expensive. That said, you can summon a “neutral” wizard for 0.07 ETH right now which is less than \$20. The focus on a smaller number of higher value players fits with where Ethereum is right now in its scaling efforts. The best way to play Cheeze Wizards is to add the Dapper wallet to your browser. You can do that here . Then send some ETH to it from your Coinbase account (or any other place you hold crypto). Then go to Cheeze Wizards , you will log in with your Dapper wallet, and you are ready to summon your wizard. The folks at Dapper wrote a great blog post explaining why they made Cheeze Wizards, how it works, and what they hope will happen with it. That post also reveals a lot about where Dapper is heading with CryptoKitties, Cheeze Wizards, and all of the other games they have under development right now.

Video Of The Week: Consensus 2019

URL: <https://avc.com/2019/05/video-of-the-week-consensus-2019/>

Date: 2019-05-18T06:33:50

Content:

This past Wednesday, I appeared on stage at Consensus 2019 with Paul Vigna of the Wall Street Journal and Brian Armstrong , CEO of our portfolio company Coinbase . The topic we were supposed to discuss was why crypto has been so full of bubbles and crashes. We did talk about that but we also talked about a lot more. The discussion is about a half hour.

Funding Friday: The Collective Museum of Private Collections

URL: <https://avc.com/2019/05/funding-friday-the-collective-museum-of-private-collections/>

Date: 2019-05-17T06:52:05

Content:

I like this project and backed it earlier this week. You can back it here .

Public Speaking

URL: <https://avc.com/2019/05/public-speaking/>

Date: 2019-05-16T08:54:48

Content:

I don't do as much public speaking as I used to. Fortunately my colleagues at USV have picked up the slack and we are still out there telling the world what we believe in and why. I think that is critical to building the brand of an investment business. Because it is Blockchain Week in NYC, I have done a number of public speaking events this week and have two more today. I also did something up at Columbia University last week for a friend and do a fair number of public appearances for the K12 CS Education work I do. All of that has had me on a stage a lot in the last week and reminded me that there is an art to public speaking. I have also witnessed a lot of people doing it poorly this past week. I have three main rules that I try to live by: 1/ Be brief. It is possible to make a point in less than a minute. But many take five or ten minutes to do it. In a world where people take their phones out the minute they are bored, you simply can't take a long time to make a point. 2/ Be bold. Stake out positions that will stimulate debate and get people talking. I am not suggesting that you should take a position you don't believe in. But I do think it is important to go out on a limb from time to time. 3/ Have fun. Show your personality. Smile. Laugh. Enjoy it. The audience will pick up on that and it will make it more fun for everyone. I have also taken to doing a lot of interviewing lately. When I get asked to make an appearance, I often ask if I can do the interview instead of being interviewed. I usually turn those into public conversations and that is a lot of fun and, I think, works for the audience too. I am interviewing Olaf Carlson-Wee, the founder of the Polychain token fund, today at The Token Summit. I plan to have fun and will work to keep it snappy and provocative.

Crypto Spring?

URL: <https://avc.com/2019/05/crypto-spring/>

Date: 2019-05-15T07:17:00

Content:

On Monday, I wrote : With the crypto winter seemingly coming to an end and spring on the horizon, So why do I think winter is behind us and spring is on the horizon? Well you can see in the chart of the entire crypto market that there has been a meaningful move off of the bottom in the last five months. The entire crypto market hit the low point in mid December at roughly \$100bn and has rallied over the winter and spring to almost \$250bn. While there is no guarantee that we won't go back and test those lows, I do think we hit rock bottom in December. It is also worth noting that the daily trading volumes are now higher (almost double) than they were at the height of the crypto bubble in January 2018. Investors are back in the market and pushing it higher. And this is not just about Bitcoin. Here is the total market minus Bitcoin: It is a very similar chart with very similar volume activity. The most exciting thing to me is what you don't see in these charts and that is the fact that many projects have been quietly building out their systems over the last 18 months and we will start to see new public blockchains and protocols go live over the next 6-12 months that will show the power of new ideas and new technologies that are coming to market. I love spring.

Exploring An Investment Thesis

URL: <https://avc.com/2019/05/exploring-an-investment-thesis/>

Date: 2019-05-14T14:22:04

Content:

I remember back in the 2005/2006/2007 time frame when blogging and social media was coming of age, I used this blog as a petri dish to explore ideas like influencer marketing, social advertising, and virality that have become critical parts of a growth marketer's playbook a decade later. That "hacking around in social media" taught me so much that I could not have learned reading or talking to people. Of course, I did those things too, but getting my hands dirty with the technology and ideas helped me understand them and see the power of them and invest in them before others did. So it is always great to see when other investors are doing the same thing. Dani, one of our awesome analysts at USV, has been exploring the area of "free learning." She has been writing about it. And she has been hacking around in it too. Yesterday she launched a free learning game you play via text message. I built a game this weekend that you can play over sms. If you text +1 (575) 223-1415 it will enter you into the game and send you some number puzzles. Enjoy and good luck. pic.twitter.com/oX6SVprfCQ — Dani Grant (@thedanigrant) May 13, 2019 She built it on "twilio/node/express/firebase." I know she also built a version on the Kin Testnet to see how cryptocurrency rewards could impact how students stick with a game like this. I just played a couple rounds of Numberline on my phone and thankfully I got the first two correct. I am quitting while I am ahead. If there was some Kin involved though.....

Blockchain Week NYC

URL: <https://avc.com/2019/05/blockchain-week-nyc/>

Date: 2019-05-13T06:37:43

Content:

It is that time of year again, when the entire crypto sector comes to NYC. It is called Blockchain Week NYC and there are a dozen or more industry events like the Coin Center Annual Dinner , The Third Annual Token Summit , Consensus , Women On The Block , and many more. There will also be breakfasts, dinners, company sponsored events, etc, etc. I will be at many of these events, speaking at a few of them, and am excited to see the crypto sector live and in person this week in NYC. With the crypto winter seemingly coming to an end and spring on the horizon, it is a great time to take stock of the sector and get excited about it again. Except that I never lost my excitement. Sometimes you just need to hibernate for a year and last year was a good one to do that. Finally, I am so pleased that NYC was able to secure the spot where the crypto industry comes together once a year. It makes sense that crypto would be big here, given the financial services talent, engineering talent, and commercial sensibility that has always been resident in this town. If only our regulators in NYS would be as excited about crypto as I am and everyone who is coming to NYC this week is.

Repost: The Maternal Instinct

URL: <https://avc.com/2019/05/repost-the-maternal-instinct/>

Date: 2019-05-12T08:08:12

Content:

I wrote this three years ago, on Mothers Day, and I remembered it this morning. So I am reposting it. Happy Mothers Day to all of the mothers out there. It's Mothers Day, a time to celebrate motherhood and moms. I woke up thinking about the maternal instinct and it's effect on business. I was talking to a friend last night about the challenges of working on troubled or failed investments. We were debating whether it is even worth the time to try and save a troubled investment versus moving on and focusing on a new one. This is the endless debate in venture capital. It can be applied to managing people as well. Should you work to develop a talented employee who is struggling or just move on and find someone new for the role? As we were debating the point on whether to fight for a troubled investment or just move on, the Gotham Gal walked by. And I turned to my friend and said "she never gives up on any of her investments and she has 10x the number that I do." I've cautioned her many times that she can't fix every company, every CEO, every business plan. But she just keeps trying. It's why I love her so much. There is something about the maternal instinct. It's a powerful thing. It is about protecting and caring for someone or something. It is innate in women and they do bring it with them into the world of business. This is one of many reasons why gender diversity in a team is important. Men and women bring different perspectives and instincts to a situation. Debating it out and finding common ground can be quite valuable. Surely there is a limit to the maternal instinct in business. You can't make every hire work. You can't make every project work. You can't make every investment work. That's what I frequently tell the Gotham Gal. But that doesn't stop her from trying. And I understand why. Happy Mothers Day to all the moms out there. You care for us and we love you for it.

Video Of The Week: Solar Roof vs Solar Panels

URL: <https://avc.com/2019/05/video-of-the-week-solar-roof-vs-solar-panels/>

Date: 2019-05-11T10:01:58

Content:

We have had an order in for Tesla Solar Roof Tiles for almost two years, since they were announced back in 2017. Production delays and other issues have meant that we still don't have them on our roof. And they are more expensive than a regular roof plus traditional solar panels on the roof. But they look a lot better in my view. This video explains all of that, and more, along with some helpful cost comparisons.

Funding Friday: The Open Orchard

URL: <https://avc.com/2019/05/funding-friday-the-open-orchard/>

Date: 2019-05-10T07:13:47

Content:

I really like this project . I hope it reaches its goal and gets funded.

Teaching Geometry With Javascript

URL: <https://avc.com/2019/05/teaching-geometry-with-javascript/>

Date: 2019-05-09T05:35:28

Content:

When I started my now ten-year journey down the “let’s teach computer science in our public schools” path, I knew that getting students to instruct machines would open up new methods of teaching and learning. But I did not understand just how powerful that would be. It is good and necessary to offer dedicated classes in computer science to students. It is even better to use computer science to teach complex concepts in subjects like math, science, art, music, literature and more. When you do both, you can really impact student’s learning and comprehension. I was in a high school class in the Tremont neighborhood of the Bronx yesterday. They were doing geometry lessons in Javascript. They started with a lesson on the translation function and how it could be used to move objects around. This is a photo I took of the smartboard at the front of the classroom as the students discussed how this function works. After this lesson, the students played a game of Battleship in Javascript with each other on their laptops. This is a photo of the Bronx Borough President, Ruben Diaz Jr , playing Javascript Battleship with one of the students in the class. Writing and editing code on a machine allows the student to see how geometric functions (and many other functions) work in a fun and interactive way and takes complex notions and makes them real and tangible to them. This is important and powerful. I now believe that introducing computer science into the elementary, middle, and high school curriculum will not only help students master computational thinking but it will also help them master many other complex concepts and allow them to be better students and better adults.

Crypto Fashion

URL: <https://avc.com/2019/05/crypto-fashion/>

Date: 2019-05-08T17:33:17

Content:

Two of the more interesting and “out there” trends in tech are NFTs (non fungible tokens) and virtual celebrities. So it was only a matter of time before developers started to work at the intersection of them Virtual celebrities are characters made out of software that exist in games, social media, streaming audio and video, etc who have large and rabid fan bases. Here is an example of one. Miquela NFTs are crypto-assets that are unique and can only be owned by one person at a time. A well-known example is a CryptoKitty. So I find it interesting that today an instagram celebrity (a real one) has chosen to wear an outfit that is actually an NFT and can be sold and owned by one of her fans. The celebrity Johanna Jaskowska is wearing a dress that is actually a unique crypto-asset. It is “the world’s first couture digital outfit on the Ethereum blockchain.” She announced that today on her Instagram channel . This is Johanna wearing crypto fashion: I am interested to see if this idea takes off. The worlds of gaming, social media, AR/VR, and crypto are going to get richer and more lifelike over time. So I suspect something like this will eventually work and go mainstream.

Coinbase Custody

URL: <https://avc.com/2019/05/coinbase-custody/>

Date: 2019-05-07T06:15:14

Content:

Our portfolio company Coinbase has been building an institutional grade regulated custodial service for crypto assets over the past 18 months. It is called Coinbase Custody and it is a qualified institutional custodian which means that investors that are regulated can use it to satisfy their custodial requirements. Coinbase has been providing safe and trusted custody for crypto assets for most of its seven year history. It has led the industry in developing secure storage of crypto assets. So it is the obvious place for institutions to turn to custody their crypto assets. Yesterday, Coinbase Custody announced that they now support custody of over 30 of the most popular crypto assets . Coinbase Custody operates as a standalone, independently-capitalized business. Coinbase Custody is a fiduciary under NY State Banking Law. All digital assets are segregated and held in trust for the benefit of their clients. If you want to learn more about using Coinbase Custody as your institutional custodial solution, you can reach out here .

More Sellers Than Buyers

URL: <https://avc.com/2019/05/more-sellers-than-buyers/>

Date: 2019-05-06T09:41:34

Content:

I worked for a VC named Bliss McCrum early in my career. He had been on wall street for about twenty five years before getting into VC mid/late career. He loved investing. He taught me technical analysis/charting and a lot of other things about stocks. I used to ask him “why did that stock go down yesterday?” and he would always respond “more sellers than buyers.” I loved that response and sometimes would ask him the question just to hear that answer. What I really wanted to know was the underlying reason for more sellers than buyers. Did the company post weak earnings? Did a competitor enter their market? Was the CFO fired? But Bliss would never take the bait. Just “more sellers than buyers.” His point, I think looking back after thirty years, was that markets are markets and you need to treat them as such and respect them as such. They are not always rational but the supply/demand for the stock doesn't lie. This week we are finally getting an Uber IPO. Its competitor Lyft's stock has been weak post its recent IPO. I don't have a view on either stock but we will get to see if there are more buyers than sellers or the other way around. I think this is a good thing, for those companies, for their shareholders, and for the entire tech and startup sector. We should let markets work. They do their job very well.

YouTube TV

URL: <https://avc.com/2019/05/youtube-tv/>

Date: 2019-05-05T06:58:18

Content:

Last summer I threw out our twenty year old satellite dish and decided to finally go over the top. I put a bunch of video streaming apps on our AppleTV to replace the “linear television” that we had been getting with the dish. Almost a year later, I've removed all but two of them and the clear winner has been YouTube TV . YouTube TV is pretty much everything you'd want in a linear television service (except for one thing which I will get to) and the UI is more or less perfect. The thing I like most about it is that I can run the app with my Google login on all of the AppleTVs in our house plus on our phones and we have the exact same experience, with the exact same library, on all of them. That seems like a little thing, but after almost sixty years of living with set top boxes that are device specific, it is a big thing. I'm writing this on my cell phone. Just before starting to write I was sitting in my office thinking that I want to watch the Sixers Raptors game this afternoon but we are going to be uptown at the TEFAF Art Fair. No problem. I opened the YouTube TV app on my phone, searched for the Sixers Raptors game, and hit the plus sign. When I turn on any of our TVs in our home, that game will be in the library waiting for me to watch it. The one app, one subscription, any device thing is pretty cool too. We have a number of AppleTVs in our home but pay for only one subscription. If you have a ski house, or a beach house, or some other form of second home, you can use your single YouTube TV subscription there too. So what's the one thing that's not perfect about YouTube TV? They don't have the Regional Sports Networks (RSNs) on the service. If that Sixers Raptors game was being broadcast on CSN Philadelphia it would not have been on YouTube TV. Thankfully it is the playoffs and it is on ABC. I talked to a friend of a friend who works at YouTube TV and the RSNs will not sell their content to YouTube TV on a subscriber by subscriber basis. If YouTube TV wants MSG Network on it's service, it has to pay for it for everyone. And who other than die hard Knicks fans would want to pay to watch the Knicks this year? So we also have a subscription to FuboTV which seems to have at least some of the RSNs including MSG Network. We have a family plan subscription to FuboTV which allows three of us (me and two of our kids) to have FuboTV in our homes which makes it a bit less expensive to have two streaming services. I tried a bunch of other services over the last year but I found YouTube TV to be superior in almost every way. Google did an amazing job with this product. If you put YouTube TV on your televisions (there are a bunch of ways you can do that), you can throw out that set-top box once and for all like we did. And you will get a bunch of capabilities that you never had with cable. It's great.

Audio Of The Week: A Chat With My Partner John

URL: <https://avc.com/2019/05/audio-of-the-week-a-chat-with-my-partner-john/>

Date: 2019-05-04T06:48:20

Content:

John Buttrick has been a partner at USV for almost a decade. He mostly focuses on financial services but also does a few other things for us. In this chat with John Siracusa , John talks about how he ended up at USV, our investing thesis, and a number of financial services investments he has made and manages for us.

Funding Friday: Sweet Thing

URL: <https://avc.com/2019/05/funding-friday-sweet-thing/>

Date: 2019-05-03T07:38:41

Content:

I backed this film project this morning. It looks great.

The Long Game

URL: <https://avc.com/2019/05/the-long-game/>

Date: 2019-05-02T07:22:30

Content:

Entrepreneurship and startup investing is a long game. It requires patience, resilience, capital, commitment, and much more. But even so, the average life of a venture capital investment is seven to ten years. It is rare for it to go longer than that. But it can happen. Yesterday marked the end of an almost twenty-year relationship between me and what was once a startup and is now a fairly large company called Return Path . We announced yesterday that Return Path is being acquired by Validity . My former venture capital firm, Flatiron Partners, that has not been actively investing since 2000, made its final investment in Return Path in mid-2000. I joined the board shortly after that and have been working with the founder and CEO Matt Blumberg ever since. In many ways, this company and this entrepreneur define my career more than any other. Matt and I stuck with this company and each other for almost twenty years and in the process built an incredibly trusting, supportive, and, ultimately, profitable relationship. We had partners in this long game. Brad Feld and Greg Sands joined the board a year or two after I did and they are among my closest friends in the venture business now. And we have had incredible independent directors like Scott Petry , Jeff Epstein , and Scott Weiss . The management team has turned over something like a half dozen times in twenty years but a few leaders have stuck it out including Jack Sinclair, George Bilbrey, and Ken Takahashi. All of these people are responsible for an incredible journey that I have gone on for the last twenty years with this company. Matt and I have been through a lot together. We had a least four or five near death experiences when we should have lost the company but did not. We had a deal to sell the company fall through the night before the closing. We sold lines of businesses, we bought lines of businesses, we did several large reductions in force, we did several big expansions. We hired and parted ways with many executives. Through all of that, we celebrated with each other, yelled at each other, cried with each other, annoyed each other, frustrated each other, and supported each other. Matt has made me a much better investor. He has taught me so much about supporting entrepreneurs, building and leading a great board, and hanging in there against long odds for a very long time. When you see me do something, say something, explain something, here or elsewhere, my approach and philosophy comes from my experiences and nowhere did I get more experience than my time working with Matt and Return Path. So if you are getting any benefit from me, you are getting that benefit from Matt too. I hope to work again with Matt and his team on another company or two or three. Hopefully they won't all take twenty years.

The Mobile Phone Generation

URL: <https://avc.com/2019/05/the-mobile-phone-generation/>

Date: 2019-05-01T06:18:48

Content:

When those words are spoken, we think about the millennials or gen-z, both of whom have grown up with phones in their pockets or purses and are native users of smart phones. However, I think my parents' generation, those who were born in the 20s and 30s and are now in their 80s and 90s, are the generation who may get the most utility out of smartphones. The last time I visited my parents, my mom asked me to put Uber on her phone. Since then, she has used Uber to go to doctor's appointments and other places that she did not want to drive to. At some point she and my dad will stop driving entirely and then Uber and Lyft and other ridesharing services will be even more valuable to her. I was visiting my parents the last couple days and while I was there my mom asked me to put Lyft on her phone, so she had an alternative to Uber, and also Instagram so she could see what her extended family is up to. But maybe the most amazing thing, to me anyway, is that my mom has pretty much stopped using her land line phone. She tells everyone to call her on her mobile phone. For a generation that arrived on planet earth around the same time as the rotary telephone to be abandoning the landline phone in favor of a mobile phone is really something to see. If you think about it, though, it makes all the sense in the world. As you find it harder to do things that you used to take for granted, having your own personal computer on you or near you, that allows you to talk to your friends and family, via audio or text, see what everyone is up to, and get someone to come pick you up and take you to Church, the doctor, the store, or anywhere else, is really incredibly useful. Maybe my dad will read this and decide he wants one too.

Kickstarter Turns Ten

URL: <https://avc.com/2019/04/kickstarter-turns-ten/>

Date: 2019-04-30T10:47:50

Content:

I noticed that the Kickstarter logo on my phone had confetti on this this morning. So I clicked on it and the app loaded this message on startup: I like that they ended that birthday message with “show me projects”. Even in celebrating ten years, 16 million backers, \$4 billion in funding to 160,000 projects across 22 different countries, Kickstarter is reminding us that their mission is to help bring creative projects to life. As Aziz Hasan, Kickstarter's new CEO wrote in his blog post today; We've accomplished a lot since 2009, but we also recognize that we still have a lot to do — creative work needs more support. At Kickstarter, that means we have a responsibility to evolve our service, strengthen our dedication, and increase our impact. In the midst of all of that serious work, Kickstarter is also having some fun with their tenth anniversary. If you go to the Kickstarter 10 landing page you will find amazing project stories as well as some fun things to do there. Click on the Kickstarter 10 logo to get started on the fun. So to help Kickstarter celebrate it's tenth anniversary this week, go visit them , have some fun with the “easter eggs” and find a fun project to back too. I plan to go do that now myself.

Paid Posts, Guest Posts, Etc, Etc

URL: <https://avc.com/2019/04/paid-posts-guest-posts-etc-etc/>

Date: 2019-04-29T10:56:58

Content:

I get five to ten emails a week from people, companies, agencies, brokers, etc asking to post content here at AVC. If you are one of the folks who send me those emails from time to time, you can stop doing that because there has not been a guest post here at AVC for over five years and I don't have any current plans to do them. Beyond that, the only guest posts that I ever ran here were from friends, colleagues, and AVC community regulars. I may do that again, but have not felt the urge to in a long time. I do post a crowdfunding project most Fridays and a video or audio embed on Saturdays. But those are chosen by me based on what I am interested in or what I think you all would be interested in. I have never been compensated for a guest post and would never accept compensation for a guest post. All the content that is published here, since the start in 2003, has been created by me or by people I know that I thought you should hear from. I am not opposed to paying for promotion and I understand that influencer marketing is a big marketing channel now. Some of USV's portfolio companies spend real money doing that. But this space is not for sale, to anyone or any message. And it never will be.

Followership

URL: <https://avc.com/2019/04/followership/>

Date: 2019-04-28T06:58:38

Content:

In evaluating leaders, at the top of a company, or in the ranks of company leadership, an important quality that I look for is followership. Specifically, will the team line up behind this person? Of course, leaders have to have other qualities. They need to have domain expertise if they are leading a specific function, they need to understand the needs of the business and the sector that it is operating in, and many other things too. But what I have learned is that followership is super important. If the team doesn't line up behind a leader, it is extremely hard for them to be effective. For internal promotions, it is relatively easy to see followership and promote people who have it. You can also help people develop the management skills (listening, communicating, etc) that lead to strong followership. When hiring someone from the outside, determining if they will have followership is harder. You can reference for this quality. But to some extent followership is a function of the culture of the organization. Someone who had strong followership in one kind of organization may not find it in another one. It can take a leader some time to develop followership, particularly if they are hired from the outside. The team will need some time to figure out this new person, how they operate, and how they feel about them. But if a new leader has not developed the followership they need to lead the organization, or a part of the organization, within six to nine months after joining, then it is likely that a change will need to be made. When developing your own organization and internal leaders, you should be very specific about followership and the need to develop it on your team. You should help mentor and coach younger managers on how to develop it and you should move quickly on leaders who don't have it and won't develop it on their teams. It is always so impressive to me to see what leaders with strong followership can accomplish, when everyone is lined up behind them and delivering on what they ask of the organization. That is what I would wish for every organization, but sadly many don't have it and they underperform as a result.

Audio Of The Week: Reg A+ Token Filings

URL: <https://avc.com/2019/04/audio-of-the-week-reg-a-token-filings/>

Date: 2019-04-27T18:00:48

Content:

In this podcast, Laura Shin and Zach Fallon, of Blakemore Fallon, talk about how to use the SEC's Reg A regulations to do a token offering.

Funding Friday: Redacted Clothing

URL: <https://avc.com/2019/04/funding-friday-redacted-clothing/>

Date: 2019-04-26T06:17:51

Content:

Our friend Saarim is funding an apparel line based on the redaction meme that has been front and center since the Attorney General took his pen to the Mueller Report. You can back it here . Here are some images of the products he will be making if this project is successful. I have closed comments today since I don't want to host a discussion here of the Mueller Report today or any day.

Do The Right Thing

URL: <https://avc.com/2019/04/do-the-right-thing/>

Date: 2019-04-25T07:49:34

Content:

Airbnb has been operating in NYC and NY State for about ten years now and yet we still don't have comprehensive home sharing legislation on the books in NY State. The reason is that the enemies of Airbnb, mostly the hotel employee unions, have been fighting Airbnb's existence in NY State very effectively in Albany. Many of the largest cities in the US and around the world now have comprehensive home sharing legislation on the books. It makes sense. It allows homeowners to share their homes legally and earn extra income but it also protects neighbors and neighborhoods from bad actors who abuse the system. It is time for the folks in Albany to join that group and put fair and balanced and serious home sharing legislation on the books. The good news is that we have good comprehensive bills before both houses of the state legislature right now. Assemblyman Joseph Lentol and Senator James Skoufis have recently proposed comprehensive regulations for short term rentals in NY State. An increasing number of New Yorkers rely on home sharing services not only when they travel, but also for the additional income they generate by opening up their homes here in New York. The bills proposed by Lentol and Skoufis will create fair and restrictive rules to govern short-term home rentals in New York. Existing NYC legislation has unfairly penalized everyday New Yorkers for sharing their homes and left many confused about the law. The proposed legislation bans short-term rentals in all affordable housing and also limits NYC residents to listing only one home. The bills also mandate data-sharing with New York City to boost transparency and enable NYC agents to target and take action against bad actors abusing the system. The proposed legislation also allows Airbnb to collect and remit taxes on behalf of its users. Currently, NY State is missing out on badly needed tax revenue. It is time for the NY State Legislature and Governor to pass clear and commonsense legislation to safely and responsibly regulate the home sharing industry. I would like to acknowledge Assemblyman Lentol and Senator Skoufis who have the common sense and courage to lead the way.

Concrete Vs Wood

URL: <https://avc.com/2019/04/concrete-vs-wood/>

Date: 2019-04-24T09:06:05

Content:

Our friend Eric sent us an article in the Globe and Mail yesterday about plans to build a 35 to 40 story tower in Vancouver out of wood. Here's the link to that story but you can't read it without a subscription. Contrast that to the dominant way we build tall buildings in NYC which is out of concrete, steel, and glass. The reason that a move back to wood based structures is so important is that the concrete structures are huge contributors to greenhouse gases. According to the Globe and Mail article, "concrete construction is responsible for an estimated eight per cent of all carbon emissions worldwide." The Gotham Gal and I are in the process of making two passive house apartment buildings in Brooklyn based on cross-laminated timber structures with only a small amount of concrete in them. This is a photo of one of them back in December when the CLT structure had just been completed: Our buildings are five or six stories high. The idea that you can make a building of 35 or 40 stories out of CLT and dowel laminated timbers (DLT) is very exciting to me. I believe we can innovate our way out of the climate change mess we are in right now and changing the way we make our homes and offices is a big part of that.

Opting Out Of The Legacy Model

URL: <https://avc.com/2019/04/opting-out-of-the-legacy-model/>

Date: 2019-04-23T11:30:17

Content:

When you look at industries that continue to operate on old, outdated, and highly regulated models (education, health care, banking, brokerage, etc, etc), it is interesting to look at the numbers of consumers who are opting out of the legacy model. In K12 education, many people think of charter schools as the disruptive model and there are something like 3.5mm to 4mm students attending charter schools in the US now (out of roughly 55mm K12 students in the US: 50mm public, 5mm private). But if you really want to look at where the disruptive models exist, you need to look at consumers who are completely opting out and in K12 education, that is the homeschooling movement. My partner Andy sent around this tweet this morning and it is quite interesting: I'm trying to understand which are the fastest growing trends in education. Homeschooling seems to be one of them. Technology is only getting into the space, that's why I assume the growth will be accelerated. #homeschooling #edtech pic.twitter.com/cr8RfOMBGW — Vlad Stan ■ (@vladstan) April 21, 2019 In the US, we have almost as many students being homeschooled as are in the charter schools. And homeschooling, which has its roots in the religious communities, is increasingly breaking out of that and slowly moving into the mainstream: It has gotten much easier to consider homeschooling over the last twenty years via a combination of technology and infrastructure that has largely been developed by the early adopters of homeschooling. This is a trend to watch and, possibly, to invest in.

The Upside And The Downside

URL: <https://avc.com/2019/04/the-upside-and-the-downside/>

Date: 2019-04-22T06:39:34

Content:

As I wrote in yesterday's post , there are good and bad things that come from new technology and new innovations. The challenge for many of us is that the promoters of the technology only want to talk about the upside. And often the media responds by focusing on the downside. It is hard to find a balanced take on things. Let's take this Bloomberg article on ISAs in which students trade a percentage of future earnings to fund tuition. The headline is "College Grads Sell Stakes in Themselves to Wall Street." Which of course, is the negative narrative on this innovation in financing education. As my colleague Nick pointed out to me this morning, "the stories often seem to ignore the reverse: how hard it can be to carry a large amount of debt, which is the situation that the vast majority of student loan holders find themselves in." The whole ISA movement is a reaction to the student debt crisis that many in this country have found themselves in. Certainly there are questions that need to be asked about ISAs and the model will evolve and adjust over time. But to throw ISAs under the bus by suggesting that "students are selling themselves to wall street" is the kind of negative narrative that doesn't help anyone.

Facial Recognition

URL: <https://avc.com/2019/04/facial-recognition/>

Date: 2019-04-21T11:13:34

Content:

I would like to start this post with a disclosure. USV portfolio company Clarifai has one of the best facial recognition models on the market and is very active in the facial recognition market. Now that I have disclosed that, we can move on. Facial recognition has come of age. Machines can figure out who we are and more. One of the most popular booths with students at The Annual CS Fair this year was the Microsoft booth where they were showing some of their facial recognition technology. The delight and amazement on the students' faces was infectious. But of course, not everyone is excited about facial recognition technology being deployed in the market. woooooow pic.twitter.com/qWvGQeSjLb — Laurie Charles (@TheStuffOfMemes) April 20, 2019 I particularly like that question in the embedded image in that tweet: How does Jet Blue know what I look like? The answer turns out that there are many ways to know what we look like and you can start with the federal government and go from there. Like all technologies, facial recognition can be used for good and bad. And it will be. I like what my partner Albert wrote on this topic recently : And then some things are incredibly hard. Such as face and object recognition. There are tons of amazing positive applications for such technology. And yet they could also be used to bring about a dystopian future of autonomous killer weapons chasing citizens in the streets. Does that mean we should not develop these capabilities? Should we restrict who has access to them? Is it OK for corporations to have them but not the military? What about the police? What about citizens themselves? Those are hard questions and anyone who thinks they have obvious answers I submit hasn't thought long enough about them. So what is to be done? A good start is personal responsibility. We used to have to stop at toll booths and wait in long lines to get across bridges and tunnels. Now we drive past the tolls at 60mph and the machines detect our license plates and debit our accounts. The same is going to happen with our faces and that will be great for many things. But, of course, it will also freak us out on a regular basis and add to the "technology is turning everything into a surveillance state" narrative that has more truth than we would like to admit. So what is my point? Well for one, the technology is here and we had better get used to finding it deployed in the wild. And second, that it will bring a lot of good. So we should not over react. But we should be mindful of the downsides and those of us who are working on this technology, those of us who are financing the development of it, and those of us who are deploying it, need to take great care with it.

Video Of The Week: John von Neumann on K12 CS Education

URL: <https://avc.com/2019/04/video-of-the-week-john-von-neumann-on-k12-cs-education/>

Date: 2019-04-20T08:43:55

Content:

As many of you know, I have spent a fair bit of my time over the last ten years on increasing the amount of CS Education in our K12 system in NYC and around the US. My friend Rob sent me this short (2 1/2 min) clip of John von Neumann in the early 50s talking about how important CS Education and in particular K12 CS Education would be. We largely ignored his advice for the last sixty years but I am optimistic that we are finally heeding it.

Funding Friday: Chili Peppers

URL: <https://avc.com/2019/04/funding-friday-chili-peppers/>

Date: 2019-04-19T07:20:21

Content:

This project is hot! I backed it this morning

A Hackathon At NYC's City Hall

URL: <https://avc.com/2019/04/a-hackathon-at-nycs-city-hall/>

Date: 2019-04-18T06:40:14

Content:

I like going to hackathons. A number of USV portfolio companies have emerged out of hackathons, like our portfolio company Dapper which created its hit crypto-collectible game CryptoKitties at a Hackathon in late 2017. So yesterday I headed down to NYC's City Hall which was hosting the finals of a citywide hackathon competition (called The Hack League) among NYC schools to create the best software applications to make the city better. The final projects were judged by people like the Chief Policy and Data Office (Comptroller's office); the Chief Analytics Officer (City of NY); the Chief Technology Officer (Mayor's office); the Executive Director of NYC311 (City of NY) and other folks in city government tasked with a similar mandate. There were 28 finalist teams at City Hall yesterday competing to win the trophy. They were from all five boroughs, representing schools from all kinds of neighborhoods. It was as diverse as the city is and that is a wonderful thing. I gave them a pep talk at the start of the day and encouraged them to "instrument their applications" so that they and others can determine how their users are getting value from them. This is a photo I took of the students as I was about to address them: The winning teams came from these schools with these applications: Middle school Winners: 1st: Queens TWYLS – "Trash Go" game that incentivizes proper disposal of trash 2nd: Staten Island IS63 – "Oh Deer" app for residents to report on deer sightings and upload photos so the Dep't of Environmental Conservation can track the deer 3rd: Brooklyn Parkside Prep – "Hero Foods" app that delivers nutritious lunches to students with special needs (financial or health) High school Winners: 1st: Brooklyn International HS at Lafayette – "Busted" app for students to report real-time data about buses (such as too full, never arrived) 2nd: Manhattan Bridges High School – "Heat track" app that tracks temperatures inside and outside of homes and communicates to landlords about issues. 3rd: Bronx Millennium Art Academy – "Safety 1st" bi-lingual alert system to keep students informed when they are without their phones during the school day. I was super impressed by how focused and committed the students were on making their applications better yesterday: Here is a photo of all of the students who competed yesterday in the City Hall Rotunda. These are the employees of the future for NYC startups, larger tech companies, and, frankly, every company in NYC. And let me tell you something. They are going to be really good.

Healthcare At USV

URL: <https://avc.com/2019/04/healthcare-at-usv/>

Date: 2019-04-17T08:05:27

Content:

Over the last five years, we have stepped up our investing in and around healthcare. About 15-20% of the early stage companies we have invested in over our last two fund cycles are working in this sector. If you look at our current investment thesis at USV, you will see that wellness is one of the key areas of interest for us: USV backs trusted brands that broaden access to knowledge, capital, and well-being by leveraging networks, platforms, and protocols. So where in the healthcare sector are we focused? Rebecca tweeted this out yesterday and I think it is a good articulation of what we find most interesting in healthcare: What excites us about what's happening in healthcare: 1) tech + humans: data powered humans=better decisions than either data or humans alone 2) broaden access by increasing value & decreasing cost of care 3) outcome orientation: not just care, better delivered, but better care — Rebecca Kaden (@rebeccak46) April 17, 2019 Making affordable healthcare more available to everyone seems like the winning formula in this sector. Take our portfolio company Nurx for example. They make birth control and other important prescriptions and home testing kits available to millions of people who have found them difficult to obtain through traditional channels. I hope and expect that we will increase our investment in the health and wellness space in the coming years. It is an important sector that has immense challenges, but also immense opportunities.

Underground Infrastructure

URL: <https://avc.com/2019/04/underground-infrastructure/>

Date: 2019-04-16T09:23:39

Content:

One evening last week my daughter and I spent an hour with a team from our portfolio company Pilot Fiber who were pulling a new fiber cable from Sixth Avenue to Fifth Avenue along a cross street in lower Manhattan. My daughter is doing a project and wanted to understand how this all worked and I was curious myself. It was fascinating. We met them at a manhole near Sixth Avenue where they had pulled a fiber cable into a building where one of their large customers is based. The team uses a thin line of "mule tape" that is placed in the conduit between the manhole and the building to pull the fiber cable from the manhole to the building. Ideally the mule tape stays in the conduit so that the next team that needs to run fiber from one manhole to another or into a building can use it again. Pilot had a couple of their trucks on the street that have huge fiber spools on the back of them. The team runs fiber using the mule tape in the conduits that exist from manhole to manhole. This was the next manhole they worked in that evening. You can see that there are a lot of fiber cables in these manholes. The big clunky plastic things are splice enclosures that protect the splices that join fibers to each other. You can see a line of mule tape on the lower right of the photo above that the team was using to pull the fiber cable from one manhole to the other. When we got to Fifth Avenue, the manhole was cavernous. One of the team members was comfortably working down in the hole which would not have been so easy in the manholes on the cross streets. I learned quite a bit that evening about how all of this infrastructure is laid and managed. But mostly I was so interested in how this modern infrastructure (fiber) has overwhelmed the prior kind (copper and coax) under the streets of NYC. If you want high speed/reliable/reasonably priced fiber Internet in Manhattan for your company, you can get that from Pilot Fiber who is out on and under the streets of NYC most nights laying the cables to make it happen.

More S1 Fun

URL: <https://avc.com/2019/04/more-s1-fun-2/>

Date: 2019-04-15T07:05:48

Content:

I am continuing my mini series on reading S1s (IPO documents). We are enjoying an IPO bonanza this year, so we might as well use it for some good and learn something. When a company files for an IPO, I like to think if there is a publicly traded company that looks a lot like that company and if so, I like to run some numbers comparing the two. Well we have that exact situation with Uber filing to go public last week. Here is Uber's S1. We can compare Uber's numbers to recently public Lyft, which I blogged about earlier in this S1 Fun series. Here are Uber's profit and loss numbers from their S1: We can compare this to Lyft's profit and loss from my prior blog post: I put all of these numbers into a spreadsheet and added some estimates for 2019 that are nothing more than back of envelope guesstimates. What you can see from this is that Uber is 4-5x larger than Lyft, growing a lot more slowly, has slightly better gross margins, and both are still losing a lot of money but both are moving towards getting profitable on operations in a few years. Finally let's look at market valuations. Lyft is currently trading at a market cap of \$17bn. If you say that Uber is 4-5x larger than Lyft, then Uber ought to be worth in the range of \$70bn to \$85bn. There are other factors that will be in play when Uber eventually prices their IPO and trades. Uber owns minority interests in a number of other ridesharing businesses that could be worth as much as \$10bn of additional value. On the other hand, Lyft is growing more quickly than Uber. Ultimately we will see how the market values Uber. But from this analysis, and the public market comparables from Lyft, we can see that Uber should be worth quite a bit when it goes public.

Functionality Vs Content

URL: <https://avc.com/2019/04/functionality-vs-content/>

Date: 2019-04-14T09:14:43

Content:

I saw some chatter on Twitter this past week about Netflix and Disney in the wake of Disney's announcement of Disney+: I'm long \$dis myself and no \$nflx at the moment. That said will never not pay \$nflx at current pricing <https://t.co/alnOGQQFXZ> — Lindzon+ (@howardlindzon) April 12, 2019 Disney's stock was up 11% on the week And Netflix stock was down 5% on the week Certainly getting into the streaming game will be good for Disney. But I am less sure that content matters that much when it comes to Netflix. A friend of mine shared this with me earlier this week: When I saw that data, I replied to him with this: It is the frustrations of the prior model (interruptive advertising, by appointment consumption, etc) that open the opportunity for the next model Given that the new model, streaming, is well entrenched now, I am not saying that functionality alone will save Netflix or anyone else. But I do believe that the functionality of a service (no ads, binge watching, user interface, curation, notifications, price, etc) are just as important, or possibly more important, than whether or not you can watch The Incredibles on it. And most importantly, it is the frustrations of the prior model, as I mentioned above, that creates the opening for the new model. So if you are working on a new model, for anything (it could be crypto, health care, education, finance, etc, etc), you should look very closely at what are the most annoying and frustrating aspects of the current model and focus on leading with features that remove them.

Audio Of The Week: Coinbase Custody

URL: <https://avc.com/2019/04/audio-of-the-week-coinbase-custody/>

Date: 2019-04-13T07:57:41

Content:

And now a word from your sponsor: Coinbase is a USV portfolio company, I am on the board, and I am deeply invested in this business. Coinbase's regulated custody subsidiary is an important part of their overall business and I am also on the board of it. This Unconfirmed Podcast with Sam McIngvale is a really good explanation of what Coinbase is doing in the custody market and how they are developing new income earning options for their customers.

Funding Friday: Math In America

URL: <https://avc.com/2019/04/funding-friday-math-in-america/>

Date: 2019-04-12T06:29:28

Content:

Did you know this? Well, this film that is being funded on Kickstarter is all about the math crisis in America. I backed it this morning and you can too .

A Registered Token Offering

URL: <https://avc.com/2019/04/a-registered-token-offering/>

Date: 2019-04-11T12:29:56

Content:

Our portfolio company Blockstack tweeted out this today: After rounds of private comments, we've publicly filed for a \$50M token offering with the SEC. Upon qualification, our network and the Stacks tokens will be available to retail investors, including the US. <https://t.co/OuPVbA4eJt> — Muneeb Ali (@muneeb) April 11, 2019 Given that USV is an investor and one of my partners is on the board, I don't want to opine on this in any way. But I do think this is an interesting development in the evolution of tokens as investable assets. So here is a Coindesk post on this news .

Dronebase Goes Thermal

URL: <https://avc.com/2019/04/dronebase-goes-thermal/>

Date: 2019-04-10T08:00:24

Content:

Our portfolio company Dronebase is announcing some big news today. They are going to be offering thermal imaging missions in partnership with FLIR , the leading provider of thermal sensors. And FLIR has made a strategic investment in Dronebase. What is thermal imaging? Thermal imagery, which is also called infrared imagery, is the ability to see a much larger portion of the electromagnetic spectrum than what is visible to the eye. This page from FLIR's website does a good job of explaining the technology. If you put a FLIR thermal sensor on a drone, you can learn a lot more about buildings, equipment, terrain, etc, etc. The military sector has been doing this for years and the commercial sector is starting to use the technology a lot now too. Here is an image of a roof captured with a traditional drone camera: And here is an image of a roof captured with a drone using a FLIR thermal sensor: This drone mission, recently run by Dronebase, identified water damage and leakage on this roof. So what is the big deal here? Dronebase offers the world's largest drone pilot network. They have pilots all over the world who are skilled at operating commercial drone missions. And they have an API that captures information from drone missions at scale. Now enterprise customers can use their pilot network and API to capture thermal imagery. This will significantly reduce the cost and increase the availability of drone-based thermal imagery to enterprises of all sizes and locations. If you want to learn more, you can contact Dronebase [here](#) and start using thermal imagery to improve your business operations.

Get Your Message On Mobile

URL: <https://avc.com/2019/04/get-your-message-on-mobile/>

Date: 2019-04-09T06:41:05

Content:

I finally got around to reading the Political Advertising Report from Tech For Campaigns . My conclusion is we are going to see our phones light up with political messages over the next year and a half. Here is why: Only Trump spent a percentage of total spend on digital that is close to what companies do When you buy Facebook ads, you are buying mobile ads The older you are the more likely that you click on ads on your phone So let's brace ourselves for the messages that are going to start coming into our phones from politicians over the next 18 months. Mobile advertising works. I am closing comments to this post because I don't want to turn this blog's comments into a soapbox for certain people and we all know who they are.

Scaling A Company While Controlling Costs

URL: <https://avc.com/2019/04/scaling-a-company-while-controlling-costs/>

Date: 2019-04-08T06:42:20

Content:

Over the last decade, the costs of scaling a company in the bay area, NYC, and many other startup regions in the US has escalated sharply. We have encouraged our portfolio companies that are located in these high cost regions to build out secondary locations where they can hire high quality engineering and other talent at lower costs. Locations in North America that have been attractive to our portfolio companies are cities like Des Moines, Indianapolis, Toronto, and a number of others. Another approach that has worked well for our portfolio companies is to have a secondary location outside of the US, where talent can be hired a much lower cost than the US. So it was with interest that I read this in Zoom's IPO prospectus ; we have a high concentration of research and development personnel in China It turns out that Zoom has most of its engineering team in China, where they can hire high quality engineering talent at much lower cost. Look at this P&L. Zoom spends most of its opex on sales and marketing because it has kept its engineering costs lower as a result of building product in China. This is something to think about as you scale your company.

The Heartbeat (Continued)

URL: <https://avc.com/2019/04/the-heartbeat-continued/>

Date: 2019-04-07T08:56:35

Content:

I wrote a post last year called The Heartbeat in which I advocated for a cadence and a rhythm in an organization. I was reminded of that in this exchange on Twitter over the last 24 hours: I am a fan of routines and set cadences — Fred Wilson (@fredwilson) April 7, 2019 Many of USV's portfolio companies use an OKR process to create this rhythm in their teams. What I have learned from watching these companies and listening to how the teams talk about the OKR process is that to some extent it is "form over substance" in that the process is ultimately more important than the specific objectives and key results that flow through the process. I am not saying that teams shouldn't be thoughtful in setting objectives and committed to hitting them. They should. But I am saying that the regular setting of objectives (quarterly is a time frame most companies use) and the weekly or bi-weekly reporting against them is the most valuable thing that comes from the process. It sets the heartbeat and keeps it. And that is so valuable. Many VC firms, including USV, use a weekly team meeting, often on Mondays, to align the group, report on the week that has past, and focus on the week to come. That weekly cadence allows us to be responsive to entrepreneurs, come to relatively quick decisions as a group, and stay in sync. Public companies report on a quarterly basis. That rhythm sets up a cadence of setting expectations (guidance) and reporting on results (earnings reports). It is not entirely different from the OKR process in a few important ways. It creates a cadence that is super valuable for execution and performance. I am a fan of all of these processes. They set a cadence and rhythm for an organization and force decision making and provide for timely execution. The best companies master this and working in those organizations is fun and rewarding. Setting objectives and meeting them on a regular basis is a virtuous system that brings out the best in people and teams.

Video Of The Week: AI and Society

URL: <https://avc.com/2019/04/video-of-the-week-ai-and-society/>

Date: 2019-04-06T08:58:40

Content:

Earlier this week, Kara Swisher interviewed Kate Crawford and Meredith Whittaker , who run NYU's AI Now Institute . It is an interesting and thought provoking discussion. I don't personally love Kate and Meredith's answers on how society should be thinking about these issues. They feel very "20th century" to me. But regardless of what you think about their particular take on the issues, I do think we all ought to be paying a lot of attention to AI and its impact on and role in our society. It is important.

Funding Friday: Code Society

URL: <https://avc.com/2019/04/funding-friday-code-society/>

Date: 2019-04-05T06:13:07

Content:

Code Society is like Schoolhouse Rock for Computer Science. They use hip hop music and videos to teach computer science concepts to diverse communities. They are doing a \$40k project on Kickstarter (and are about half way there) to create content and applications. I backed it earlier this week and you can back it here .

Orthodoxy

URL: <https://avc.com/2019/04/orthodoxy/>

Date: 2019-04-04T07:54:16

Content:

I am not a fan of Orthodoxy. I appreciate the power of religion although I am not religious personally. I respect the followers of Allah, Jesus, Moses, Buddha, and other religious figures. I know that the beliefs of religious people give them great comfort and a purpose in life. What I don't appreciate is when a person of faith believes so deeply that they cannot tolerate beliefs that are different from theirs. I call this Orthodoxy and it has led to wars, horrible crimes, and many other bad things. It is the downside of what is and should be a very positive thing for humanity. We see this same behavior developing in the crypto sector. Bitcoin and other cryptoassets have become a belief system. That is at the core of their value. Why would I give you \$5000 of my dollars for one of your Bitcoin? Because I believe in Bitcoin and want to own it. This faith in the value and power of cryptoassets is good. It is necessary for all of the other good things that can come of them. But like religion, there is an Orthodoxy in these communities that borders on obsession and leads some people to be extremely intolerant of any other community or cryptoasset. The crypto community calls these people "maximalists", a term I don't like and don't use. I believe that we will see many cryptoassets emerge to solve different kinds of problems, just as we have seen many different religions develop to serve different groups of people. This diversity is good. It leads to a richness of thought and innovation that moves us forward. If someone wants to believe deeply in one thing and nothing else, we should understand and appreciate it. But when that leads to hatred, nastiness, and ridicule, we should reject it. We should call it out for what it is and we should not accept it.

The Annual Computer Science Fair

URL: <https://avc.com/2019/04/the-annual-computer-science-fair/>

Date: 2019-04-03T06:16:17

Content:

Here in NYC, we are about halfway into a 10-year effort to get computer science classes into every public school building in NYC . We are already seeing significant impact and outcomes . Most of the students taking CS classes at school live in neighborhoods in NYC where there are no tech companies and they can't see the pathway that they are on if they want to be. That is where the Annual Computer Science Fair comes in. This year was the sixth annual CS Fair. We invite high school students who are taking CS classes to take the morning off from school and come to the Armory in Washington Heights and meet tech companies that they could one day work for and colleges/universities that they could attend. I spent much of yesterday at the Fair and had the honor of taking Mayor de Blasio, who has been funding CS4All since the early days of his administration, through the event. Here are some photos from what is always a fantastic day for me. I hope these young women made it over to the Etsy booth Where they could have learned how Etsy uses data science to personalize everyone's shopping experiences This young man from the Bronx made a multiplayer video game in javascript and told me and the Mayor that he wants to work for a tech company out of high school. I asked him to send me an email. This teacher from Information Technology High School in Queens had two teams of students showing software projects in the student showcase. She and her students took a selfie with the Mayor. The Annual CS Fair would not be possible without the financial support of tech companies who underwrite the expenses. I would like to thank the major sponsors for making this possible.

The Shed

URL: <https://avc.com/2019/04/the-shed/>

Date: 2019-04-02T08:14:42

Content:

Yesterday morning, in raw, windy, 30 degree weather in NYC, I took a walk up the Highline to Hudson Yards. As I made the turn west at 29th street, I saw The Shed emerge through the tall buildings. The Shed is a new arts institution created to commission works from artists, both emerging and established, across multiple genres. It is all about facilitating and celebrating artistic innovation. I got involved with The Shed about four years ago around the time Alex Poots was selected as the Chief Executive and Artistic Director. Alex is an impresario of the modern age, comfortable working across many genres and with artists of all kinds, from Grammy-winning musicians to kids he sees dancing in the streets. It is Alex' ability to stitch all of this together and make it coherent, entertaining, and inspiring that infected me with an interest in what The Shed can be. I have consulted with The Shed on technology matters and the Gotham Gal and I have been benefactors as well. Yesterday The Shed was dedicated and the opening performance, The Soundtrack of America , which features performances from roughly thirty emerging black musicians, will open friday night. We will be there. The person who made The Shed happen is my friend Dan Doctoroff . It was a proud moment for me yesterday to see Dan standing up on stage talking about this thing that he helped to make happen. It is my hope that The Shed will have the same cultural impact on NYC that Lincoln Center, Brooklyn Academy Of Music, and similar arts institutions have had. It is really rewarding to get involved in projects like this. Watching the idea come together, then watching it get built, and then watching it open. It reminds me that imagination and will can achieve so much.

The IPO Bonanza

URL: <https://avc.com/2019/04/the-ipo-bonanza/>

Date: 2019-04-01T06:01:19

Content:

After predicting an IPO bonanza in my new year's day post in 2015 , and being largely wrong about it for four years, we are finally seeing it happen. I am not exactly sure what it is about this year, as opposed to any of the last five years, that has drawn all of these highly valued private companies into the public markets, but here we have it. It does take a number of years for a privately held company to prepare to be a public company. They need to get their finance and legal houses in order, they need to beef up their teams in these areas, and they need to make sure they have a repeatable business that they can manage under the spotlight of the public markets. Already we have seen S1s from Lyft, Pinterest, and Zoom . And we are likely to get them soon from Uber, Slack, Airbnb, and a host of others, in the coming months. I see this as largely beneficial to the startup sector for the following reasons: 1/ We will have benchmarks from highly liquid markets in terms of what these high growth tech companies are worth. Until now, most of these benchmarks have come from illiquid private market auctions, which are not exactly the best price discovery mechanisms. 2/ Many employees, angels, seed investors, VCs, and growth investors will get liquidity from these investments and recycle it back into the startup sector. More capital means more startups and more innovation. 3/ Limited Partners, the providers of capital to venture capital and growth equity funds, will get large distributions which will give them more confidence in the startup sector and they will continue or perhaps step up their commitment to invest in early stage technology. 4/ These newly public companies will be able to accelerate their acquisition programs now that they have liquid stock and cash to fund those deals. That will further flow capital back into the startup sector. Of course there will be negatives. It will be harder than ever to afford to live in the bay area. But tech folks from the bay area are certainly welcome in NYC, LA, and any number of other startup regions around the US. Get paid on your stock and move to a more affordable and liveable region!!! And the monster funds that have been advocating staying private forever will have to argue why these IPOs are not what every other startup should be aiming for. And I think that argument is going to be harder and harder to make with this IPO bonanza under way. All in all, I think the IPO bonanza that is under way in 2019 is a good thing. I have been expecting it and wanting it for years and I am pleased that it is now upon us.

Portable TV and Music

URL: <https://avc.com/2019/03/portable-tv-and-music/>

Date: 2019-03-31T13:18:47

Content:

We just packed up an Airbnb that we have been living in for three months in Los Angeles and are heading back east. This is a photo of my carry on luggage as I was packing it this morning. That is an AppleTV and a Sonos Connect in between my "shaving kit" and my sneakers. I brought these two devices out west and connected the AppleTV to the one TV in the Airbnb and I connected the Sonos to the receiver that powered the in ceiling speakers in the main living space in the house. Even if the Airbnb had come with an AppleTV and a Sonos device, I would have swapped out theirs for ours for the length of our stay because these two devices have all of our services pre-configured on them and we are logged into all of the services. That is where the big difference is for me and the reason it is worth schlepping these devices cross country and back. The devices aren't crazy expensive. The AppleTV is around \$150 and the Sonos Connect is around \$300. But setting these devices up, connecting them to all of the various services we subscribe to, and logging into each and every one can be an hour or more of work each time you do it. All I had to do was power them up, connect to wifi, and connect to the TV and/or the receiver, and we were good to go. It's kind of magic to have all of your services right there on the device, organized how you like them, and ready to go. I have friends who do the AppleTV move in hotels when they travel for business. I haven't gone that far but I might leave the AppleTV in my carry on luggage along with my shaving kit and try that on my next business trip. Plugging in an HDMI cable into a TV is pretty straightforward in most cases. What this means is TV and music is now highly portable. You can bring your TV and music with you when you travel and connect into the existing infrastructure in your hotel or Airbnb. If these devices get small enough or cheap enough (or both), or if our smartphones can replicate all of the functionality of these devices, then the hospitality industry can focus on the "dumb" infrastructure and the guests can bring the smart devices.

Video Of The Week: Vitalik Buterin - The Unchained Podcast Interview

URL: <https://avc.com/2019/03/video-of-the-week-vitalik-buterin-the-unchained-podcast-interview/>

Date: 2019-03-30T09:45:10

Content:

As I mentioned last week, at the start of this interview Laura Shin plays a bit of my “rant” about Ethereum losing it’s lead. Vitalik, as is his nature, calmly reacts to it and rebuts it. The entire interview is interesting and hopeful for Ethereum holders like me.

Funding Friday: Renewable Plastic Tiles

URL: <https://avc.com/2019/03/funding-friday-renewable-plastic-tiles/>

Date: 2019-03-29T09:14:13

Content:

I backed this project out of Kigali Rwanda this morning. They are making tiles for your home (bathroom, kitchen, etc) out of renewable plastic. Check it out:

More S1 Fun

URL: <https://avc.com/2019/03/more-s1-fun/>

Date: 2019-03-28T09:03:45

Content:

We are now seeing a wave of longtime private companies coming public and with that we are getting data on usage, financial performance, and a host of other issues that is very useful market data. I spent some time looking at Pinterest's S1 today. They filed it a week or two ago. I found this chart of user growth quite interesting: That shows monthly active users in the US and International over the last few years on a quarterly basis. Pinterest is rapidly growing its user base outside of the US but usage in the US has stalled out. This chart, also from the S1, shows revenue growth in the US and Internationally: So what you can see is that Pinterest has been growing its US revenues rapidly but not its US user base. And on the other hand, Pinterest has been growing its International user base but its International revenue is still nascent. So the question is whether Pinterest will be able to monetize its rapidly expanding international user base. That is the kind of insight you can get from reading these S1s. I find them fascinating and try to read them when they come out. I don't plan to buy Lyft or Pinterest when they come public. That's not really my thing. And I don't have an opinion on whether they are attractive investments or not. But I do think we can learn a lot about these businesses from reading S1s and that can help us with the investments we do have.

Fewer Cars More Mass Transit

URL: <https://avc.com/2019/03/fewer-cars-more-mass-transit/>

Date: 2019-03-27T10:41:27

Content:

Well it looks like NYC is finally going to get congestion pricing , a technique used successfully in a number of cities around the world to reduce the number of cars on the road and increase the investment in mass transit. The concept is simple. Tax cars coming into the center of a city and use those tax revenues to invest in other ways of moving people in and out of the city. I have been a supporter of this idea going back to the Bloomberg era in NYC when it looked like we were going to get congestion pricing and then it fell apart due to political opposition. I wrote about congestion pricing late last year when a report came out from the Governor's committee on metro area transportation which recommended congestion pricing and increased investment in the MTA. I think this is the right policy. We need to create financial disincentives to drive in NYC (with the proper exemptions like people with disabilities) and we need to invest more in mass transit. This will be good for the tech sector in NYC, where employees largely use mass transit to get around. Julie Samuels , Exec Director of Tech:NYC, explains why in more detail in this op-ed . I do have concerns about giving billions of new tax revenues to the MTA which has not been great at using the billions we have already given them to deliver better mass transit. I mention those concerns in my post late last year . But we should not let perfect be the enemy of the good. NYC needs congestion pricing and we need it now. It will reduce traffic in lower and midtown manhattan and it will provide the resources we need to modernize and improve our mass transit options. If we could couple congestion pricing with structural reforms of the MTA, then we would be really cooking with gas.

Equity Via Inclusion

URL: <https://avc.com/2019/03/equity-via-inclusion/>

Date: 2019-03-26T09:01:16

Content:

We've been trying a big ambitious experiment in NYC over the last five years. We are training over 5,000 teachers to teach computer science classes in elementary school, middle school, and high school. We call it CS4All . It sounds simple, but it is anything but simple. And it is expensive. We are funding it via public private partnership. I am leading the private part via a \$40mm capital campaign. Talk to me about that if you are interested. But here's the thing. If you want to see engineering teams that are 50/50 male/female, and representative of our racial makeup (black, hispanic, etc, etc), if you want true equity and diversity in our workforces, then you simply have to do one thing: Give the education/training/skills to EVERYONE. And we are seeing the outcomes now that we are approaching our fifth year of this effort. The NY Post (The NYC Mayor's biggest critic) wrote this article about the performance and representation of young women in the AP Computer Science exams last spring . Just 379 girls took the exam in 2016, compared with 2,155 last year, according to the department. That means that 42 percent of all city kids who took the AP exam were girls — compared with just 28 percent nationwide. And the female students aren't just sitting for the tests in far higher numbers — they're conquering them at an accelerated rate as well. In 2016, only 177 New York City girls passed an AP computer-science exam, officials said. In 2018, 1,266 earned the distinction. <https://nypost.com/2019/03/24/girls-are-acing-the-ap-computer-science-test-in-record-numbers-doe/> I am a huge fan of efforts directed at teaching young women to code, things like Girls Who Code . They are amazing resources for young women and they are part of why these numbers are moving in the right direction. But I have always believed, and these numbers give me even more conviction, that the best way to get equity for everyone is to include everyone. Pretty simple really.

Life In A Constant Stream Of Emails And Meetings

URL: <https://avc.com/2019/03/life-in-a-constant-stream-of-emails-and-meetings/>

Date: 2019-03-25T09:01:49

Content:

My colleague Nick wrote a post today about his productivity system . Nick's system is way more elaborate than mine, but everyone has to find their own way of getting things done. What I found most interesting about Nick's post is what I put in the headline of this post. Our jobs at USV are a constant stream of emails, many of them hoping to get into the constant stream of meetings we take. Nick put it this way in his post: at the end of the day it all boils down to a single strategy: getting things into my calendar . The other main thing I try to solve for is simply not forgetting things. I live in a constant stream of emails and meetings, and it's easy to forget something important. So a goal here is to help ensure that I don't forget things and ultimately, that I'm focused on the most important thing most of the time. Nick mentions my strategy of putting everything that I must do in a given day/week/month into my calendar so that it gets done. That works incredibly well for me and is really my only productivity tool. Nick also mentions our partner Albert's email technique which I have always wanted to implement and some day will: Albert has a system, which seems to work for him, which is: using a set of predefined gmail filters, clear the inbox daily. Not the entire inbox, but a few filtered versions (family, USV team, his portfolio companies). I very much like Albert's approach. It requires writing the right stored queries (gmail filters) and then keeping them up to date (which is the part that gives me pause). But it makes a ton of sense to try to get to inbox zero on the most important parts of your life vs trying to get to inbox zero on everything. No matter how you do it, you have to find a way not to drop balls, certainly the most important balls. And that is easy to do when you are in meetings from 7am to 5pm like I will be today. So whether it is Nick's approach, mine, Albert's, or your own, having a system is key. I think it is less important what your system is than having one and sticking to it.

The Finance Function: Looking Back And Looking Forward

URL: <https://avc.com/2019/03/the-finance-function-looking-back-and-looking-forward/>

Date: 2019-03-24T09:43:40

Content:

High growth companies need to have a strong finance function. You can't drive a car (or a plane) without some instrumentation. Most importantly, you need to know when you are going to run out of gas (or electricity). The mission critical things that must be done in the finance function are mostly accounting related functions; pay bills, make payroll, keep track of expenses, maintain the books and records of the company. These are "must dos" and you need a person who has an accounting background to do most of them. But these are all "looking back" functions in the way I think about the finance function. What is even more important in a high growth situation is the ability to look forward, to project, and to make sure that the company doesn't run out of money. In order to look forward, you need to know where you are, and that requires a solid baseline derived from looking back. So one feeds the other. But they are different. Looking forward requires modeling and it requires the ability to anticipate. An example of this is "we are going to get a big order from a new customer next month, let's put that revenue into the model." But if you don't anticipate that it may take up to ninety (or more) days to collect that revenue, then you have messed up the modeling and that is the sort of rookie error that could lead to an unexpected cash crisis. There are many reasons why a company needs a forward looking projection to run the business but avoiding the unexpected cash crisis is number one on that list in my view. In my experience, the people who are strong at the looking back function are often not strong at the looking forward function. You may need different people to do these roles. In a large company, there are entirely different departments that do these functions. There is an accounting department and there is a financial planning department (often called FP&A). If you are a small company and have limited resources, you will often attempt to get both the look back and the look forward from the same person. If you aren't getting what you want in doing that, don't be surprised. I would rather see a small company outsource the accounting work and staff for the planning/modeling work. Accounting is a bit of a commodity, many people can do it well. Seeing the future from around the corner is most definitely not commodity and if you have someone who can do that well, hold on to them, pay them well, and make sure they are happy and rewarded in the job. Because looking forward is really where it is at in the finance function at the end of the day. That's where the good stuff and the bad stuff mostly happen. And when it is done well, it is a thing of beauty.

Video Of The Week In Two Parts

URL: <https://avc.com/2019/03/video-of-the-week-in-two-parts/>

Date: 2019-03-23T10:15:07

Content:

This past week Laura Shin did an interview with Vitalik Buterin , the founder of the Ethereum project. I am going to run a video of that conversation next week. Laura started her interview with Vitalik by playing for him and everyone else in the room a bit of this conversation Tushar Jain and I had last fall. So I am reblogging this conversation so it is fresh in everyone's minds when I run Laura's Vitalik interview next week.

Funding Friday: Salvage Swings

URL: <https://avc.com/2019/03/funding-friday-salvage-swings/>

Date: 2019-03-22T08:47:38

Content:

There is a lot to like about this project which I backed this morning and is ending tomorrow. 1/ They use cross laminated timber (CLT), which is a wood product that is getting a lot of adoption now. The Gotham Gal and I are building two CLT buildings in Brooklyn and we are big fans of CLT. 2/ They are using salvaged wood to make their CLT. 3/ This is public art, which is another thing I love. 4/ Swings are awesome. At age 57, I will still sit on a swing and go for it. 5/ This is part of FigmentNYC, a public art festival in NYC this summer. So with all of that lead-in, here is Salvage Swings. You can back it here .

Reply Spam

URL: <https://avc.com/2019/03/reply-spam/>

Date: 2019-03-21T11:50:21

Content:

The AVC comments has been experiencing a wave of comment spam that has largely been replies to legit comments. I appreciate the community for flagging it and our moderators for nuking it. Keeping the comments free from spam is important to me but not an easy chore. One idea I have, which I don't even know if is possible in Disqus, is the idea of limiting replies to longstanding community members who are registered with Disqus and have high reputation scores. What this will do is eliminate the reply spam, but will also make it impossible for new commenters to reply. They will still be able to leave a comment. I think the pros may outweigh the cons. Thoughts?

Respecting The Pro-Rata Right

URL: <https://avc.com/2019/03/respecting-the-pro-rata-right/>

Date: 2019-03-20T12:28:19

Content:

When early stage investors make an equity (angel, seed, Srs A, Srs B) investment, they typically negotiate for something called a pro-rata right which gives them the right to maintain their ownership in the company by investing in future rounds on the same terms as new investors. I have written about the pro-rata right a bunch here at AVC. I think it is one of the most important things that early stage investors get from their investments. Obviously the ownership an investor gets is the most important thing, but the ability to maintain it by making additional investments is also very valuable and can be the source of out-performance of an early stage portfolio (against whatever benchmark one might be using). At USV, we value the pro-rata right and exercise it very frequently. We often will make five, six, or seven investments in a company between when we make our initial investment and when we make our final investment. We even have a follow-on fund called the Opportunity Fund, that allows us to take our pro-rata in companies that continue to raise privately and delay going public. Our Opportunity Fund will also make some investments in companies that aren't currently in our portfolio. But a large part of our Opportunity Fund thesis is about maintaining ownership via our pro-rata rights. In the last ten or so years, companies, lawyers, boards, management teams, founders, and in particular late stage investors have been disrespecting the pro-rata right by asking early stage VCs to cut back or waive their pro-rata rights in later stage financings. This can happen as early as Series B (and happens to angel and seed investors in Series A rounds), but it is even more common in the later stage rounds like Series C and beyond. I think this is bad behavior as it disrespects the early and critical capital that angels, seed investors, and early stage VCs put into the business to allow it to get to where it is. If the company agrees to a pro-rata right in an early round, it really ought to commit to live up to that bargain. But increasingly nobody does that and it is a black mark on the sector in my view. We make commitments knowing that we don't plan on living up to them. It is very unfortunate. The reason this happens is that allocations get tight in later stage rounds, particularly where the company is doing well and everyone wants to get into the round. The new investors, including the investor that is leading the round, will almost always have a minimum amount of ownership they want to get to in the round and the math tends to work out that the only way to get there is to cut back the early investor's pro-rata rights. Sometimes the way the gap is filled is by creating secondary for founders, early employees, and early investors. That can work and is sometimes good for everyone involved. That "trick" has been the saving grace on this issue over the last few years. But I believe we are at a crossroads on this issue and I am wondering if early stage investors need to put more teeth into our pro-rata rights to insure they are honored. What if a company that was unable to offer a full pro-rata right to an early stage investor in a later round was forced to go back and change the price of an earlier round to make it up to the early stage investor? Or what if an early stage investor got warrants at the new round price to make up for an inability to honor the pro-rata right? These are just two suggestions I came up with in a few seconds of thinking about it. But I would really like to force early stage companies, their lawyers, and their boards to think clearly and carefully about the pro-rata right when granting it. The current practice seems like "we can give this because we always get away with not honoring it down the road" and frankly that sucks.

Scam Likely

URL: <https://avc.com/2019/03/scam-likely/>

Date: 2019-03-19T08:55:32

Content:

The most common caller on my Android phone is Scam Likely. I am sure that most of you are in a similar situation. Last week we were driving and two calls came into The Gotham Gal's phone which was bluetoothed into our car and she declined both. I asked her why she did that. She said they were likely robo calls. I told her that they looked to be legit numbers to me. Later on she found out that both calls were from people she knew, but for some reason those names were not showing up on the car dash and so she declined the calls. That led to a discussion of why spam filtering for email has gotten so good and robocall filtering for phone calls is still not great. I brought up the great work the email industry has done over the last twenty years with email signing protocols like DKIM and SPF, and the email industry's adoption of DMARC protocol which operationalizes DKIM and SPF. We decided that the telephony industry needs similar solutions. Well, it turns out that the telephony industry is working on them. Jeff Lawson, founder and CEO of Twilio, a company that was a USV portfolio company and which The Gotham Gal and I are still large shareholders in, is writing a series of blog posts about how the telephony industry can fix the robo call problem. In Jeff's first post in the series, he explains that the telephony industry is developing their own versions of DKIM and SPF and DMARC: Some very smart people have been working on new ways of cryptographically signing calls – a digital signature – proving ownership of a phone number before the call is initiated. One example of this is a new protocol called STIR/SHAKEN, which the communications ecosystem is working on now. Before any authentication method can be impactful at scale, it needs to be adopted by a broad swath of the ecosystem. Twilio is fully committed to efforts to authenticate calls so the identity of callers can be proven, and it looks like STIR/SHAKEN is a good candidate to do just that. In Jeff's next post, he will address the role that identity (of the caller and the recipient) and reputation will play in solving the robo call epidemic. I look forward to reading it. If you want to make sure to get Jeff's posts, you can follow him on Twitter, like I do.

The IPO Price and the S1

URL: <https://avc.com/2019/03/the-ipo-price-and-the-s1/>

Date: 2019-03-18T09:55:37

Content:

In my What Is Going To Happen In 2019 post, I wrote: I expect we will see IPOs from big names like Uber/Lyft/Slack, although I also expect those deals will get priced well below the lofty expectations they have in mind right now. Some of that will be because of weak equity markets in the US, but it is also true that most of the IPOs in 2018 also priced below the lofty “going in” expectations of founders, managers, boards, and their bankers. The public markets have been much more sanguine about value than the late stage private markets for a long time now. And now we are starting to get the data from these IPOs. Lyft is on the road raising roughly \$2bn at a post-deal valuation range of \$16bn to \$20bn (\$62 to \$68 per share). When I see an IPO price range, I like to go look at the S1 that the issuer has filed with the SEC prior to the road show. Here is Lyft's S1. Here are the things I like to look for in a S1: 1/ The total shares outstanding. You can go to the table of contents of the S1 and look for the section called “Description Of Capital Stock”. In Lyft's S1, it says there are ~240mm shares of Class A common stock plus some amount of Class B common that is not yet detailed. The Bloomberg article I linked to above says the company is going to sell 30.8mm shares at \$62 to \$68 per share. So there will be at least 270mm shares outstanding plus the Class B shares. The Bloomberg folks seem to be using a post deal share count of 288mm share so that is close enough. You get to fully diluted post deal valuation by multiplying the share count (288mm) by the range (\$62/share to \$68/share). 2/ Revenues and earnings/losses. You can go to the table of contents of the S1 and look for the section called “Selected Consolidated Financial And Other Data” and you will find the audited financial data. I like to find the quarterly numbers because that will give you a good idea of current growth rates. These are the numbers for Lyft: As you can see the quarterly revenues are growing at roughly \$80mm a quarter so a back of the envelope guess on revenues for 2019 are [\$750mm, \$830mm, \$910mm, \$990mm] for a total of ~\$3.5bn, up from \$2.1bn in 2018 (yoy growth of 65%). You can also see that the contribution (net of cost of goods sold) has been about 45% over the past few quarters so if that ratio holds in 2019, there would be contribution of roughly \$1.6bn in 2019. For the operating costs, you can look at the difference between contribution and EBITDA, which you can see here: Lyft spent ~\$1.85bn on opex in 2019 (\$921mm of contribution plus \$943mm of EBITDA losses). That number grew from \$1.1bn in 2017. I would expect Lyft's operating expenses to be at least \$2.25bn to \$2.5bn in 2019. Which gets you to this possible P&L for 2019: Revenues – \$3.5bn Gross Margin – \$1.6bn EBITDA (loss) – \$600mm to \$900mm 3/ Valuation Ratios: At the mid-point of the offering range \$18bn, the price to revenue multiple is roughly 5x (18/3.5) and the multiple of gross margin (what Lyft keeps after paying significant COGS) is roughly 11x (18/1.6). 4/ Time to cash flow breakeven. This is harder because you have to make some assumptions about growth rates beyond 2019 and opex growth rates. But if Lyft can grow revenues at 60% per annum for a few more years and keep opex growth rates to 25-30% per annum, then it could get profitable by sometime in 2021. This suggests that the \$2bn it is raising may be sufficient to get profitable, but it will be close. So what does this mean for other late stage high growth high flyers? To me it says if you have company focused on a big opportunity (like transportation) that is growing at north of 60% per year it is worth in the range of 10-12x net revenues to wall street right now. Because Lyft only keeps about 45% of its revenues after very high COGS, that works out to be 5x revenues. Many late stage private companies are getting financed at valuation ratios in excess of this so they will have to grow into their eventual public market valuations. But that has been the case for quite a while now as the late stage private markets continue to pay higher prices for high growth companies than the public markets do.

The Spotify Apple Issue

URL: <https://avc.com/2019/03/the-spotify-apple-issue/>

Date: 2019-03-17T15:30:18

Content:

Many people who follow tech know that Spotify has filed a complaint with the European Commission regarding the challenges that Spotify has doing business in the iOS app store. I am very sympathetic to Spotify's complaint. In my post last week on The Warren Breakup Plan , I wrote: The mobile app stores, in particular, have always seemed to me to be a constraint on innovation vs a contributor to it. Spotify has a huge user base and brings in billions of dollars of revenues every year but it has a challenging business model. Let's say that 70cents of every dollar they bring in goes to labels and artists. That seems fair given that the artists are the ones producing the content we listen to on Spotify. But if they also have to share 30cents of every dollar with Apple, that really does not leave them much money to build and maintain their software, market to new users, pay for servers and bandwidth, and more. You might say "well that's what they signed up for" and you would be right except that their number one competitor is Apple. So their number one competitor does not pay the 30% app store fee, meaning that they have a competitive advantage. But this is about more than money. If you look at the web page Spotify put up to explain how challenging it has been to do business with Apple , you will see numerous instances of Apple not approving app upgrades. We see this with our portfolio companies a fair bit too. Apple has complete control over what gets into their app stores and what does not. And the process can be arbitrary and frustrating. But that is how it works and our portfolio companies are reluctant to make any noises publicly for fear of making their situation with Apple even worse. I am not a fan of Warren's idea of breaking up companies like Apple. I like my partner Albert's ideas better which he expressed in a tweet last week: A better set of policies to restore competition in the digital age would be (1) consumer right to API access (2) consumer right to side load apps (3) restored ability for small companies to go public / sensible regulation of crypto currencies. <https://t.co/4bOFTnZ5NK> — Albert Wenger (@albertwenger) March 12, 2019 If it was the law of the land that any company could side load any application onto the iPhone or any iOS device, including third party app stores, we would have a much more competitive market with a lot more innovation, and Spotify would not have to go to the European Commission to deal with this nonsense.

Funding Friday: Chiptunes

URL: <https://avc.com/2019/03/funding-friday-chiptunes/>

Date: 2019-03-15T09:20:23

Content:

This is the kind of Kickstarter project I really like . Small, offbeat, and totally awesome. I just backed it this morning.

Decentralized Finance

URL: <https://avc.com/2019/03/decentralized-finance/>

Date: 2019-03-14T11:35:24

Content:

While we wait for the blockchain/crypto technology to scale to the point where it can be the foundation of mainstream consumer applications (games, social media, e-commerce, etc), there is a sector where scalability is a little less important and where blockchain/crypto is starting to show some real signs of life. In the crypto space, it is called Decentralized Finance, or DeFi for short. It includes, of course, all of the ICO activity largely built on top of Ethereum and the ERC-20 token. But it also includes things like Maker which is both a stable coin and a collateralized lending system. The collateral for the loans is what stabilizes the Maker stablecoin. We also are seeing other lending offerings develop in the DeFi world and we are seeing things like hedging, shorting, derivatives, and more, all built on a decentralized platform where there are no intermediaries, no clearinghouses, and the need for trusted third parties is much less, sometimes not at all. This makes sense for a number of reasons. While the transaction requirements of financial services applications are not trivial, they are also not as demanding as mainstream consumer applications where millions of users are transacting with each other and the system in real-time. It is also the case that, unlike many of the new architectures that emerged over the years (mainframe, mini, client-server, web), the blockchain/crypto space has always had money at its core and making money, transacting in money, and everything that goes along with that has been an early use case and for most people, the driving use case for this technology. All technologies need early use cases. I do not think DeFi will be the only thing that blockchain/crypto is good for. I think we will see blockchains scale in the next few years to allow mainstream consumer applications to be built. But until then, DeFi is a good place to hang out. It uses all of the same technologies, architectures, and value systems that we have come to know and love in crypto. You can learn to build applications, use applications, and generally come up to speed on the sector while serving real customers, building a business, and, hopefully, making money.

The Diverse Syndicate

URL: <https://avc.com/2019/03/the-diverse-syndicate/>

Date: 2019-03-13T09:46:48

Content:

Startups are generally not funded by just one investor. They are usually funded by a collection of investors; the angel syndicate, followed by the seed syndicate, followed by the VC syndicate. This gives the founder the opportunity to gain insights and advice from a group of people versus just one. I was sitting next to a VC last night who brought up the age old question – operator vs investor? She is a successful early stage investor who has never been an operator. My answer to her question was “both.” Yes it is fantastic to have people in the syndicate who have been or maybe still are operators. They will be able to help you with all sorts of management issues. But it is equally important to have the investor mindset in your syndicate. Investors tend to be very attuned to financial issues like burn rate, when to raise, from whom, etc. They also understand market positioning, strategy, and similar stuff very well. While you are at it building a diverse investor syndicate, try to get women, minorities, and other forms of diversity into your syndicate. Treat building an investor syndicate like building a management team. What you want is a lot of differing strengths not a bunch of the same strengths.

Market, Team, Product

URL: <https://avc.com/2019/03/market-team-product/>

Date: 2019-03-12T08:25:34

Content:

I get asked frequently whether it is better to back the team or the product (the “jockey or the horse”). It is not that simple in my view. When I think about the big wins we have had over the years, they almost all exhibited a combination of a large market, a great product, and a talented founding team. Some investors feel that the team doesn’t matter. They believe that you can replace the team if everything else works out. But I don’t think everything else works out if you don’t have a talented founding team. Some investors feel that product doesn’t matter. They believe that you can pivot into something else if you have a talented founding team. While that is certainly the case, pivots are expensive in terms of capital, time, and focus. I would not choose to go through one given the choice. And large market is critical. You can build a nice business in a small market, but you can’t build a big business in a small market. My point is you really need all three, market, product, and team, to get the big wins that the venture capital model requires. And in terms of finding the best opportunities, I would start with large markets, go searching for teams working in them, and writing checks only when you find talented teams working in large markets who have built excellent products.

The Hidden Cost Of Extending Option Exercise Periods

URL: <https://avc.com/2019/03/the-hidden-cost-of-extending-option-exercise-periods/>

Date: 2019-03-11T09:11:50

Content:

Many people in startup land believe that the answer to the challenges around forcing departing employees to exercise vested options is to simply extend the option exercise period to the maximum (ten years) allowed by the IRS. It certainly is one of the techniques that are available to companies and one that a number of our portfolio companies have adopted. Another option, and one that I prefer, is for a market to develop around financing these option exercises (and the taxes owed) when employees depart. However, if you are thinking about extending the option exercise period for departing employees, you should understand that it will cost your company something. Here is why: Options are worth more than the spread between the strike price (the exercise price) and what the stock is actually worth. They have additional value related to the potential for the stock price to appreciate more over the life of the term of the option. There is a formula that options traders (and companies that issue options) use to value options. It is called the Black-Scholes formula . If you click on that link, you will quickly realize that the math used in the Black-Scholes formula can be complicated. But fortunately, there is a neat little web app that I frequently use to estimate the value of an option. It is here . So let's say that your company is issuing options at \$1/share (your 409a) but your most recent financing was done at \$2/share. Then a four year stock option is worth roughly \$1.25/share. If, on the other hand, you offer a ten year option exercise period to your employees, the value of the option rises to \$1.52/share, reflecting the longer period of time that the stock could appreciate over. That is a 20% increase in the cost of issuing stock options. You could mitigate that by reducing the number of options you issue to incoming employees by 20% but that might make your equity comp offers less attractive to the "market" because incoming employees won't value the longer exercise periods appropriately. Stock based compensation costs are real costs even though many in startup land think of options as "free" because they don't cost cash. The accounting profession has attempted to estimate these costs and companies do put stock based compensation costs on their income statements. If you go with ten year exercise periods instead of four year exercise periods, expect those expenses to go up significantly. Twenty percent is just the amount in my example. It could be larger, possibly as high as fifty percent (or more) if your exercise price is a lot closer to the current value of your stock. This extra value of a ten year stock option versus a four year option is known as "overhang" by investors. It is the cost of carrying a group of people who have a call option on your stock but don't have to pay for it for a long period of time. Generally speaking investors don't like a lot of overhang in a stock. All of that said, employees are the ones who create value for shareholders. They need to be compensated for that. And I am a fan of both cash compensation and stock based compensation. I like to see the employees of our portfolio companies well compensated in stock. That has a cost and everyone should be well aware of what it is. Longer exercise periods increase that cost. I would rather put more stock in the hands of the employees of our portfolio companies than give them longer exercise periods. But regardless of where one comes out on that tradeoff, it is important to recognize that it is a tradeoff. There are no free lunches, not even in stock option exercise periods.

The Warren Breakup Plan

URL: <https://avc.com/2019/03/the-warren-breakup-plan/>

Date: 2019-03-10T09:48:13

Content:

Elizabeth Warren made news this weekend with her plan to breakup Google, Amazon, and Facebook (and also Apple). Let me first say that I am sympathetic to Warren's position. I particularly don't like the way that Google, Apple, and Amazon use their market power in search and in their app stores to display their own products. The mobile app stores, in particular, have always seemed to me to be a constraint on innovation vs a contributor to it. However, as you might imagine, I don't love her proposal. I don't think breaking up companies solves anything. And lots of rules on paper don't either. What we need is a competitive marketplace where new entrants have a chance to beat out old incumbents. And I think we are on the cusp of that with crypto and the innovations in and around it. This tweet exchange explains my high level view here: we are on the cusp of a new architecture, based on a user's control of their own data, and monetized via protocol tokens, that will unseat all of these monopolies in time. the massive increase in ICO-based fundraising, largely outside of the US, is the counterweight to this. — Fred Wilson (@fredwilson) March 9, 2019 I also quite like Mike Masnick's much longer take on Warren's plan . What we need are policies that make it easier for startups to raise capital (like supporting ICOs instead of clamping down on them) and policies that open up the proprietary data assets of the big incumbents (like giving users control of their own data assets). Those sorts of things along with the never ending march of technology will do the trick I think.

Audio Of The Week: Ayah Bdeir

URL: <https://avc.com/2019/03/audio-of-the-week-ayah-bdeir/>

Date: 2019-03-09T09:56:47

Content:

I wrote a bit last Monday about the 60 Minutes piece last Sunday night about getting to gender equity in STEM education. My message in that blog post was that there are many innovators in this sector and not everyone will get the credit they are due. Ayah Bdeir , who was left on the cutting room floor on that 60 Minutes piece, had a different message and one that I understand and appreciate. Ayah is awesome and I want to shine a light on her and her work and there is no better way to do that than to repost her conversation with The Gotham Gal from last year.

Funding Friday: Make Your Own Robots

URL: <https://avc.com/2019/03/funding-friday-make-your-own-robots/>

Date: 2019-03-08T09:17:39

Content:

I just backed this project . I like the part in the video where the robot passes them spices for their dinner.

The Business Model Pivot

URL: <https://avc.com/2019/03/the-business-model-pivot/>

Date: 2019-03-07T09:25:48

Content:

I saw Zuck's post on pivoting to private interactions from public posts yesterday and I had a flashback to Bill Gates's Internet Tidal Wave memo to his company almost twenty-five years ago. I have always seen a lot of Gates in Zuck. They both have this incredible ability to see someone else's product and realize that they need to build their own version of it. But copying someone else's product is a lot easier than copying someone else's business model, particularly when you already have a fucking great one that makes you and your shareholders billions of dollars a year. It will be interesting to watch Zuck do what Gates was ultimately unable to do – completely reboot the company's business model to position itself to win the next wave in tech. In the case of Gates, it was the pivot from paid software to free advertising supported software (aka – the attention economy that we are now paying for). In the case of Zuck, it will be the pivot from monetizing attention to monetizing the protocol. The good thing is he is headed in the right direction, and surrounded some of the smartest people I know in crypto. The bad news is when you have this anchor called a legacy business model, it means making the right moves and making them quickly a lot harder. Here is an example of one of those choices Facebook will need to make and make correctly: If @facebook 's stablecoin goes the private blockchain route it will be to #crypto what @Microsoft 's Internet Explorer was to the Internet. — Chris Burniske (@cburniske) March 4, 2019 In any case, it is game on. Being on the verge of 60 years old means I have seen this game play out at least once before and so I have a frame of reference to observe it. That's really great. It is an exciting time again in tech.

Golden Handcuffs

URL: <https://avc.com/2019/03/golden-handcuffs/>

Date: 2019-03-06T09:57:51

Content:

Daniel Olshansky asked me this question on Twitter: @fredwilson Have you ever written about how to avoid "rest and vest" culture where there are employees who want to leave a company but are held down by golden handcuffs? — Daniel Olshansky (@olshansky) March 4, 2019 I don't believe I have ever addressed this issue here on AVC but I certainly have seen it inside of our highly valued portfolio companies. Here is the issue. Employees join a high growth company, are issued options which become valuable as the company's equity appreciates, and if they leave they have to exercise the vested part (and pay taxes) and walk away from the unvested part. So they stay even though they may not be happy at work. Maybe they are not in a challenging role or maybe they find themselves in a problematic management situation. This leads to "resting and vesting." Here are some thoughts: 1/ A four year option grant is not a gift. It has to be earned via performance over time, not just time. If there is no performance, then the employee should understand the vesting is at risk. Companies should be very clear about this when they issue the options and on an ongoing basis. This is a cultural issue and needs to be treated as such. 2/ Companies need to have performance oriented cultures where there are frequent checkins between managers and team members, with feedback going both ways, and where non-performance results in changes. These changes could be restructuring of teams, changes in management, or departures of employees. Companies that do not actively manage performance are likely to have lower morale and toxic issues like resting and vesting. 3/ Managers and company leadership must do their part to take ownership of these issues. Employees will adapt to the environment they find themselves in. If you have a rest and vest culture in your company, look in the mirror to see the problem. 4/ I would like to see a market emerge for financing of option exercises. There are companies actively working on this. I believe that departing employees ought to be able to borrow against their valuable equity at no recourse to them, so that they can exercise and pay the taxes. This would solve part of the problem, where employees can't leave because they can't afford the taxes (and, in some cases, the exercise price). 5/ I do not believe that the option programs are the problem here. I do think the taxation at exercise is bad public policy and I wish the US government would move taxation to a liquidity event, but I also think we can use the capital markets to address this problem. 6/ I think in the vast majority of cases, the golden handcuff problem is a result of poor management and a leadership team that is unwilling to address this issue head on and make unpopular and difficult decisions about people. So there you have it Daniel. That's what I think about this issue. Thank you for asking me about it.

Being Wrong

URL: <https://avc.com/2019/03/being-wrong/>

Date: 2019-03-05T11:48:20

Content:

Howard has a great (and short!) post on how blogging publicly gives you a timeline on how you were thinking at a given time. He's right, it is awesome to be able to go back and see what you were thinking and evaluate it in hindsight. Like my "What Is Going To Happen In 2019" post. Sitting here two months and a few days into 2019, I could not have been more wrong about the first couple predications I made in that post. The stock market has been on fire and the President is still firmly in charge. Of course all of that could change. It is still early days in 2019. But going back and re-reading that post is super helpful in reminding me that my assumptions may be wrong and I need to re-evaluate the assumptions to make sure I am heading in the right direction. And blogging (aka taking a stand publicly) is a great way to do that.

Getting Credit

URL: <https://avc.com/2019/03/getting-credit/>

Date: 2019-03-04T18:13:43

Content:

Last night CBS 60 Minutes aired a piece about the gender gap in tech and left out a number of important efforts to close the gap. My friend Rob Underwood tweeted this out about that piece: I admire work of my friend @hadip & the org he started, @codeorg . But the incredible, brave (!) @reshmasaujani is absolutely right. Having had a chance to work a bit w/ #CSForAll movement, @60Minutes leaving out contribs of @GirlsWhoCode , @NCWIT , @BlackGirlsCode is unconscionable <https://t.co/hKwXLSkVXN> — Rob Underwood (@brooklynrob) March 4, 2019

And while I completely agree with Rob that Reshma has built something amazing at Girls Who Code , I also feel that the results she and her organization are getting are what matters the most and so I responded with this: What I have learned from watching my wife (@thegothamgal) work on gender equity in startups and my own work on equity in CS education is that you cannot worry about who gets the credit, you have to worry about the results. It makes it easier to stay focused and stay happy — Fred Wilson (@fredwilson) March 4, 2019

Later today, a friend and fantastic entrepreneur sent me a private email arguing that credit is very important and that it is how organizations gain credibility, legitimacy, and support to keep going. Of course she is right. Credit is important. I also got an email from the folks I work with at the NYC public school system pointing out that the NYC public school profiled in the 60 Minutes piece was the beneficiary of the CS4All effort which I have been championing for almost a decade now and that was left entirely out of the story. All of this is unfortunate. There is a very broad coalition of organizations doing incredible work making sure that we have gender and racial equity in STEM education. And we are starting to see the results of all of the work of these groups. It would have been nice to credit a much broader group of organizations and companies. But this happens all the time. USV has been the seed and largest investor and a highly engaged board member in companies that are referred to in the press as an “Andreessen Horowitz backed company” or a “Sequoia backed company” or a some other such characterization. When I see that I flinch a bit but tell myself that it is the company, the founders, and the results that matters and not who invested in it. Success has a thousand mothers and some will get more credit than others. That is the unfortunate truth of success. But if we focus on the success versus the credit then I think we will all be better off.

Karma

URL: <https://avc.com/2019/03/karma/>

Date: 2019-03-03T09:13:44

Content:

A friend of mine sent me this the other day. Two AVC posts were at or near the top of Hacker News. But I did not go and read the comments as I have found the comments at Hacker News emotionally challenging for me. As many of you know, I have also found the comments here at AVC emotionally challenging for me. One of the suggestions I received when I blogged about that recently was to charge for comments. I don't want to charge for commenting because I want this to be an equal opportunity place for people to speak. However, when something is free, it is abused. We have spam and trolls. One mechanism that I like is Karma. You are given Karma when you join a system, and you may earn more Karma every month to replenish your supply. You spend Karma to make a comment. And if your comment is popular, you can earn more Karma. If your comment is deemed to be spam or against the community rules, you lose Karma. Creating a native currency inside a social system is powerful. It allows you to start "charging" for things that should have a cost associated with them while still allowing the system to be "free to use." I am not planning on adding Karma to the AVC comments because Disqus doesn't support this feature and I'm not eager to make any changes to the technology I use to put this blog out every day. I mean that. So if you email me or leave a comment suggesting I move to a new comment system, I am going to ignore it. But this idea, combined with the ability to spin up a crypto-token simply and easily, is pretty powerful. A number of social platforms are doing this. Reddit is one that seems to be making a version of this work. If I was starting over from scratch, I'd build on top of that idea. I think it would make things a lot better.

Audio Of The Week: Chris, Joel, Jesse, and Denis on Crypto

URL: <https://avc.com/2019/03/audio-of-the-week-chris-joel-jesse-and-denis-on-crypto/>

Date: 2019-03-02T08:49:42

Content:

One of our first crypto investments maybe five years ago was Mediachain, founded by Denis Nazarov (@ literature), and Jesse Walden (@ jessewldn). They sold that company to Spotify and eventually landed at A16Z crypto. One of the USV analysts who worked on our Mediachain investment was Joel Monegro (@ jmonegro) who later teamed up with Chris Burniske (@ cburniske) to start Placeholder , a crypto VC fund. So we know these four people very well and all of them are now deeply involved in funding early stage crypto projects. This podcast is a great conversation among the four of them on how to design cryptonetworks so that they function well over the long term. Full disclosure: USV is an investor in Placeholder and my wife and I are individual investors in A16Z crypto.

An Open Letter To Jeff Bezos

URL: <https://avc.com/2019/03/an-open-letter-to-jeff-bezos/>

Date: 2019-03-01T08:37:39

Content:

This ran as a full page ad in the New York Times today. I signed it along with the top labor leaders in NYC, the top political leaders in NYC, top business execs, and the leaders of NYC's higher education institutions. I believe it was a mistake by Amazon to pull out of NYC and I very much hope they will reconsider.

Token Summit IV

URL: <https://avc.com/2019/02/token-summit-iv/>

Date: 2019-02-28T09:24:19

Content:

Chris Burniske reminded me yesterday of something I said a while ago: "The lesson I've learned in my career is to invest into the post crash cycle. When you do that, and do it intelligently, you are rewarded greatly" – @fredwilson 4 years ago (in the last #crypto bear market): <https://t.co/Fwy1J8ydRr> — Chris Burniske (@cburniske) February 27, 2019 We are in the post crash cycle in crypto and that has made the sector interesting to me again. Prices are way down and there is a lot of great work being done on projects we are invested in and projects we want to invest in. And no better place to soak up all of that progress than at Token Summit IV , run by our friends William Mougayar and Nick Tomaino on May 16th in NYC. When William asked me if I thought they should do it this year, I said "hell yes" but also suggested that they dial it back in line with crypto prices. And that is what they have done. They are capping the number of attendees at 550, about the same number they had at the inaugural Token Summit in May 2017. They are planning to do it at an intimate venue and keep the content and attendee list very tight. The first 200 early bird tickets are available for purchase immediately at a price of \$699. After 200, anyone can sign up but they will be "invite only" and they are selecting signups based on quality, experience and diversity of thought they bring. This year's Token Summit will focus on the following issues: Cryptonetworks and open source blockchain protocols versus startups : what are the differences and similarities? Open finance : what are the challenges to getting open, global financial products in the hands of millions of users? dApp development : can next-generation dApp platforms be a catalyst for greater adoption? Latest practices in extracting blockchain data for insight: what can we learn and why is this important now? Are we decentralized yet? Is there an optimal criteria for decentralization, and how do we get there? How do we quantify the value of blockchain protocols, and applications ? What are the success factors in deploying decentralized protocols ? Decentralized governance – what is working now versus what is experimental? Tokens evolution- what are the best cases with real innovation , real users and real benefits? The regulatory front : Is the US losing its position as the standard bearer? Is there a perfect jurisdiction?

Carbon-Offset Shipping On Etsy

URL: <https://avc.com/2019/02/carbon-offset-shipping-on-etsy/>

Date: 2019-02-27T09:11:00

Content:

I don't write a lot about Etsy here at AVC. It is a public company and I am the Chairman so I have to be careful. But today Etsy is announcing something that makes me so proud. I have to tell you about it. Etsy is the first major online shopping destination to offset 100% of carbon emissions from shipping. Here is Etsy CEO Josh Silverman's blog post on this news. Etsy has been committed to clean energy for a long time. They will power 100% of their operations with renewable energy by next year. But the company understood that they could not stop there and needed to think about the carbon footprint of their network of sellers shipping products to buyers. And so they have taken the next step of offsetting all of the carbon emissions related to shipping on Etsy. This initiative comes at no additional cost to Etsy buyers or sellers. To celebrate the launch of carbon offset shipping on Etsy, they are going to do something tomorrow to make a splash. To jumpstart our efforts and celebrate this milestone, tomorrow (February 28), we will also offset shipping emissions for the entire US ecommerce sector for the day. In the US alone, every day approximately 55,000 metric tons of CO₂e are emitted into the atmosphere by delivering packages from online orders. Offsetting this impact for one day is the equivalent of protecting 100 square miles of US forests for one year. <https://blog.etsy.com/news/2019/on-etsy-every-purchase-makes-a-positive-impact/> I am a believer in doing well by doing good. There is a lot of that across our portfolio at USV and across our personal investments in tech and real estate. One of the good things we need to do for our world right now is reduce our carbon footprint. And we need to do that urgently. So I am thrilled and proud of Etsy's leadership and work here. Well done Etsy.

Progress Is Ugly

URL: <https://avc.com/2019/02/progress-is-ugly/>

Date: 2019-02-26T12:26:18

Content:

I walked out of my house in LA this morning and was greeted with this sight: I thought “ugh” and debated picking it up and putting it where it belongs. I am all for progress and understand that there are costs and benefits with everything. This post explains how electric scooters can and likely will result in massive reductions in carbon emissions (and that Steve Jobs was a big fan of electric scooters). With that electricity subtracted, the net amount of mitigated carbon equals 17,130 metric tons. Let's reduce this number by 20% for people who would have walked and for chargers picking up scooters in their cars. Now we're looking at a total amount of 13,700 metric tons of CO2 mitigated by not driving a car. That's the equivalent of taking 105,000 cars off the roads around the world, each day .

<https://medium.com/cleantech-rising/the-environmental-impact-of-electric-scooters-8da806939a32> That is a big deal. It is really hard for me to be against electric scooters when I see people riding them to work instead of driving or being driven in cars. But the way electric scooters have been rolled out here on the west side of LA leaves a lot to be desired. I have counted at least five suppliers of electric scooters in my neighborhood. There seems to be no limit on new entrants. And the big product market fit innovation that unlocked electric scooters, the dockless network (which I've been a fan of on this blog), is also the cause of much of the “ugliness” of them. I have no doubt that the electric scooter providers will innovate on the model and the product and figure out how to alleviate many or possibly all of this ugliness over time. But until then we will be picking up scooters from our lawns and sidewalks. It is no wonder that large swaths of society are getting tired of tech companies, startups, and disruption and are starting to say “no mas.” We in startup land have learned that the winners beg for forgiveness instead of ask for permission. And you won't find a bigger fan of and promoter of permission-less innovation than me and my colleagues at USV. If we wait for those in power to grant permission to innovate we won't get anywhere. Most everyone understands that. So we end up with ugliness. And that is a big challenge for innovators. Can we innovate a little more beautifully? I don't know but I hope that we can try. If we don't, we will see even more backlash than we are seeing now.

How To Be A Good Board Member

URL: <https://avc.com/2019/02/how-to-be-a-good-board-member/>

Date: 2019-02-25T08:44:19

Content:

Mark Suster wrote a post this weekend laying out some rules for being a good board member before the meeting, in the meeting, and outside of the meeting. It is a very good list. I particularly like his rules for outside of the board meeting and agree with him that is the most important part of being a board member. I try to follow these rules except "let others speak." That is a joke but I am known for taking up a lot of airtime in meetings, not only board meetings. It is something I've been working on for thirty-five years and something I expect I will be working on for the rest of my life. I just get so into it and can't help myself. Which leads me to my rule for being a good board member. It comes down to one word. Care. If you care, really care, deeply care, like the way a parent cares for a child, you will be a good board member. Of course, you have to do a lot of work; preparation work, people time, relationship work, reading, studying, etc to be good at this job. But all that comes easy if you just deeply care about the company, the people running it, and everybody in and around it.

The "Doubling Model" For Fundraising

URL: <https://avc.com/2019/02/the-doubling-model-for-fundraising/>

Date: 2019-02-24T09:25:00

Content:

I was talking to a friend this past week who is looking at an early stage company and trying to figure out how to value it. He pointed to a similar company that has a public market cap of \$250mm. I asked him how many rounds of financing or how many major milestones does this early stage business need to accomplish before it can get to the same place the similar publicly traded company is at. He said he thought it was going to take three big steps after this financing to get there. So I said, "it is worth roughly \$30mm after this round." He said "how did you determine that?" I said "If you assume the value will double from round to round or milestone to milestone, and after three more of those it will be worth \$250mm, then it should be worth \$30mm after this one." I then said "work back from \$250mm, to \$125mm, to \$62mm to \$31mm." I call this the doubling model and I've used it as a framework for thinking about value appreciation in startup financing for over thirty years. Here is a simple spreadsheet that shows how this works . It does not include the impact of employee equity grants in it so the numbers would change a bit if I added that. Assume the employees would own 20% of the company at exit. This is just a framework, nothing more. But I find it is very helpful in thinking about what is fair and reasonable at various stages of a companies development. You can also scale this back. If a company only needs ~\$20mm to get to positive cash flow, but only has \$150mm of potential value at exit, you would get something like this: The two big assumptions that drive this framework is that a company should always target to double valuation round to round and never dilute more than 20% per round. That minimizes dilution and also gives the existing investors the comfort and confidence that things are going roughly to plan. If things are going great, you can take valuation up more than that from round to round, but in my experience that often catches up to you and the next round is flat as a result, which is not a great thing for anyone. And everything is ultimately governed by the total size of the opportunity (TAM), how the market will value that at time of exit, and the capital requirements to get there. Those are the fundamental drivers of value in startup land and this framework attempts to respect them.

Video Of The Week: The Currency Of Trust

URL: <https://avc.com/2019/02/video-of-the-week-the-currency-of-trust/>

Date: 2019-02-23T12:07:41

Content:

Trust is rising as a central issue in tech and the Internet. We spend a lot of time at USV thinking about trust and talking about trust. It is part of our current investment thesis . Rachel Botsman is a writer who focuses on trust and her talk at DLD last month was quite good.

Funding Friday: Sphero RVR

URL: <https://avc.com/2019/02/funding-friday-sphero-rvr/>

Date: 2019-02-22T08:48:46

Content:

This is such a cool project . I backed it the minute I saw it.

NYC Is Savills' Top Tech City

URL: <https://avc.com/2019/02/nyc-is-savills-top-tech-city/>

Date: 2019-02-21T08:42:58

Content:

Savills World Research , a global property agent, has been ranking the world's top tech cities based on a bunch of criteria for years. In this year's rankings , NYC tops SF to become the number one tech city in the world. This is just one survey and I am certainly not going to assert that NYC has surpassed the bay area in terms of the best place to start a tech company. But the bay area is absolutely struggling with some challenges. Labor and real estate costs have skyrocketed in the last decade. And from what we are seeing it is easier to convince someone to leave the bay area and move to LA or NYC than it has been in the past. The bay area is not an easy place to live and work anymore. Truth be told, NYC has some of those same issues, but it has the benefit of five boroughs, a mass transit system that even with all of its problems moves 5.5mm riders a day , and a vibrant business community that is diverse and talented. Another truth is that any of those thirty cities would be a fine place to start a company. Tech has gone global and so has tech talent. And investors are eager to fund innovative tech companies in many places around the globe. USV has portfolio companies in about a dozen of those top thirty cities and, while we limit our investments to North America and Western Europe, we certainly hope to increase that number in the coming years. But regardless of all of that, I am proud of what NYC has been able to accomplish over the last twenty-five years. In the mid 90s, I doubt NYC would have been a top ten city on this list. And now it is number one. Well done Gotham.

SoundCloud Premier Distribution

URL: <https://avc.com/2019/02/soundcloud-premier-distribution/>

Date: 2019-02-20T08:46:33

Content:

Our portfolio company SoundCloud launched an important new feature today. Distribution . There are plenty of services a musician can use to get their music onto the major streaming music services. There has been CDBaby, TuneCore, DistroKid, and many more. So why do musicians need another option? Because if you grow up on SoundCloud, starting in your bedroom or parent's basement, and you have all your music there, it is nice to be able to send some of it, or all of it, to Apple Music, Amazon Music, YouTube Music, Spotify, Tencent, and many more. This service is free if you have a SoundCloud Pro or Pro Unlimited account. Here's the value proposition (from SoundCloud's blog post): With the first and only distribution tool built directly into a streaming platform, you can think of your SoundCloud account as mission control for your music: the only place where you can share tracks instantly, connect with your fans, manage your content, and get paid for your plays – everywhere. Simply choose from your uploaded tracks and albums and distribute to all major music services while keeping 100% of your rights and payouts (we take nothing) and getting streamlined payments directly from SoundCloud. I am excited to see this launch as it is a key piece of SoundCloud's position in the market, as the place creators go to start sharing their music, and stay to manage it as they grow their fan bases and careers.

The Weekly Email

URL: <https://avc.com/2019/02/the-weekly-email/>

Date: 2019-02-19T08:53:49

Content:

One of my favorite moves that I have seen founders do in the early stages of their company (think pre-seed, seed, and possibly into the Srs A stages), is the weekly email. This can take a number of forms; a weekly email to the team, a weekly email to the investors, a weekly email to everyone, even a weekly email to yourself! It matters a bit who the audience is for the weekly email because it determines what the founder can put into the email. But I am not sure it matters that much who the audience is. What matters more is a weekly cadence of what is on the founders mind, what happened in the last week, and what the objectives are for the coming week. Early stage startups are hyper-changing environments. The founder needs to keep everyone aligned and on-board as he or she weaves and bobs around product market fit, the positioning of the company, the composition of the team, and a lot more. The weekly email does a good job of accomplishing that. But more than anything, writing the weekly email is a tool for the founder to collect themselves, get grounded for the week ahead, and articulate what they and the company are doing and why. I like Sunday evening for the timing of the weekly email best. It sets up the week to come. But any time over the weekend, or even monday morning, works fine. If you are starting something new and want a routine that can help you get into a rhythm and stay there, consider the weekly email. It's a great one.

A Small Change To The Comments

URL: <https://avc.com/2019/02/a-small-change-to-the-comments/>

Date: 2019-02-18T09:14:23

Content:

David Steinberg, founder and CEO of Zeta Global , the owner of Disqus, saw my blog post last week expressing a desire to make this blog easier to manage. He reached out, asking how Zeta/Disqus could help. I explained my frustration with the comments here at AVC and he asked the Disqus team to see if they could help. And less than a week later, we have the first result of that assistance. AVC is running an experimental feature that Disqus is working on called “collapsed comments”. One of the things that I find challenging with the comments is when a group of people decide to have a conversation with each other and it results in dozens of replies, one after another. I don't want to stop them from doing that, but I also don't want that conversation to take up a ton of space on the page. It is also the case that it is often in those rapid reply discussions where the flames come out. So we are going to collapse the replies on multiple reply conversations here at AVC and it has been live since late yesterday. It looks like this: Behind that “Show More Replies” link are sixteen more comments, taking up four pages of screen real estate. I am not saying that those conversations aren't valuable. They are and people can still dive into them. But they are not longer going to be the primary thing people see when they wade into the comments here at AVC. I think that is a good thing and a small step to making it a bit easier to manage the comments here.

The Convergence Of The Phone And Laptop

URL: <https://avc.com/2019/02/the-convergence-of-the-phone-and-laptop/>

Date: 2019-02-17T11:23:16

Content:

The Gotham Gal wanted to get a new laptop. Her late 2015 Macbook has started to fade on her. So yesterday we made a visit to the local Apple Store and checked out the options. We looked at the Macbooks, the Macbook Airs, and we also looked at the iPad Pros. We debated the choice and she ended up deciding to go for the iPad Pro. We work with a few people who have iPad Pros and love them. And she noticed how much I am using and enjoying my Pixel Slate. One of the most interesting things about these hybrid tablet/laptop devices is that they run operating systems that are designed for the tablet or phone. They are touch devices like our phones vs mouse devices like our laptops. A good example of this is how I do email on my Pixel Slate. I could run Gmail in the browser on my Pixel Slate. But I have found it much more pleasing to do email in the Gmail Android App on my Pixel Slate. I swipe emails away like I do on my phone. But I also have the keyboard when I want to write a long response. It is literally the best of both worlds. I am writing this post on my Pixel Slate (in the WordPress web app in Chrome). When I want to go back up to the start of the post and re-read/edit it, I just swipe up. No messing around with the touchpad, up button, or down button. It is so much more natural, although it took me a while to get used to it. I am helping the Gotham Gal set up her iPad Pro this morning and we are downloading all of the mobile apps she likes to use on her iPhone. I think that is how she will want to use her new "laptop". So if this is the future we are heading into, where the user interfaces and applications our computing devices and our phones use start to converge, it suggests that there is a bit of an opening for new applications that are designed from the ground up to work in this way.

Audio Of The Week: Reimagining The Well Woman

URL: <https://avc.com/2019/02/audio-of-the-week-reimagining-the-well-woman/>

Date: 2019-02-16T12:34:14

Content:

One of the areas we have been investing a lot in at USV is women's healthcare (Clue , Modern Fertility , Nurx). Another interesting company in women's healthcare, that USV is not an investor in (at least not yet), is Tia , which calls itself "The Women's Health Clinic." In this discussion with the Gotham Gal, the founder of Tia, Carolyn Witte , talks about her inspiration to start Tia and how she has evolved the business over the last couple years.

Funding Friday: Young Women Teaching Coding To Others

URL: <https://avc.com/2019/02/funding-friday-young-women-teaching-coding-to-others/>

Date: 2019-02-15T08:48:27

Content:

First of all, I'd like to say that I have a number of connections to this project that I am highlighting today. The young women who are behind this project are the same ones I mentioned at the tail end of the talk I posted last Saturday. I have been inspired by these young women and their teacher since I met them at the Annual CS Fair a few years ago. And in this project, they are "modeling our curriculum and teaching practices on NYC's Computer Science initiative (CS4ALL)", which is a project that I helped start and am leading the fundraising effort for. So this project is very close to home and heart for me. OK, on to the project. This summer six young women will travel to Mendoza Argentina to teach coding curriculum to teachers and students in an effort to get computer science classes into the schools in Mendoza. Here is a video that explains the project: This morning I helped launch their GoFundMe campaign with a \$5000 donation. Their goal is to raise \$15,600 to fund their summer trip to Mendoza. Hopefully some members of the AVC community will join me in backing this project on GoFundMe and help them make this trip a reality.

The Amazon Backlash

URL: <https://avc.com/2019/02/the-amazon-backlash/>

Date: 2019-02-14T06:40:33

Content:

NY State Senator Michael Gianaris is leading the efforts to stop Amazon from opening up a large presence in the borough of Queens in NYC. I get that this makes for good politics at some level. Standing up for the taxpayer and expressing outrage at a massive tax giveaway to the one of the wealthiest companies in the world, run by one of the wealthiest people in the world, makes for great stump speeches. But there is one problem with all of that. The voters and taxpayers in Queens, particularly the minority voters and taxpayers, approve of Amazon's move to Queens by very large margins. The very people that Gianaris and others like Ocasio-Cortez represent and are "standing up for" want Amazon in Queens by large margins. What the voters and citizens of Queens seem to understand is that this is a once in a decade type opportunity to change the face of a borough and a city. As historian Kenneth Jackson explained in this excellent NY Times Op-Ed piece yesterday, history shows that the economic fortunes of cities change quickly with once dominant industries moving on and new ones arriving. This is a fantastic opportunity for NYC to cement its role as a leading tech sector and one that should not be missed. There is no guarantee that the NYC of tomorrow will be as vital as the NYC of today. We have to work to make it so and this effort to recruit Amazon to NYC is exactly the kind of work which will make it so. My friend Kathy Wylde also penned an important argument in favor of Amazon in yesterday's Daily News. Kathy explains that Queens has been planning for this sort of thing in Long Island City for over a decade and many of the issues that the rabble rousers are raising have been considered, planned for, and are already being worked on. In my view, politicians like Gianaris and Ocasio-Cortez are being irresponsible and reckless in their opposition to Amazon while playing politics with something that is without question good for NYC, good for Queens, and good for their voters. Their voters know it and so should they.

The Seed Slump

URL: <https://avc.com/2019/02/the-seed-slump/>

Date: 2019-02-13T07:10:41

Content:

I have written a bit about this topic in recent years, at the end of 2017 , and again when the 2018 numbers started showing up . What has happened over the last five years in venture capital is the seed boom stalled out, the late stage market exploded, and the traditional venture capital business (Series A and Series B) largely remained the same except round sizes, valuations, and fund sizes have all gone up. Mark Suster posted a great analysis last night of why the seed stage market has stalled out . It comes down to the fact that the traditional venture capital market has not changed much so creating more supply has not resulted in materially more demand. This chart tells the story well: As Mark explains, the seed market remains alive and well, but it has grown so large that it can't continue to grow unless the traditional venture capital market grows too and that has not happened, at least not anywhere near the rate that the seed stage market has grown. In a companion post , Mark lays out the new architecture of the startup capital markets: In the first five years of this decade, we saw the seed portion of the market explode. In the last five years of this decade we saw the growth portion of the market explode. But over those last ten years, the middle part, the traditional venture capital market, has not changed much. That's an interesting observation in and of itself and something that makes me wonder if that is the next shoe to fall.

Feedback

URL: <https://avc.com/2019/02/feedback/>

Date: 2019-02-12T07:50:53

Content:

Thanks for all of the feedback on yesterday's post . There have been about 250 comments to date and a similar number of email replies. Not surprisingly the feedback from the email replies was overwhelmingly supportive of removing the comments. It seems that most of the people who read via email don't wade into the comments. And they email me directly with comments which often leads to a one to one private conversation. The feedback in the comments was overwhelmingly to keep them. And there were lots of strong arguments for that. I did get one email from a reader who told me the ability to engage in the AVC comments helped him get through a difficult time in college. That got my attention. I also got a ton of suggestions on how to modify the comments to make them more manageable (limiting the number and length of comments, limiting the time allowed to post one, charging people to comment, etc). I like that line of thinking a lot but I am limited in terms of what I can do by the Disqus feature set. I will ponder all of this for a bit and let it all sink in. Thanks for taking the time to tell me what you all think.

Rethinking AVC

URL: <https://avc.com/2019/02/rethinking-avc/>

Date: 2019-02-11T08:35:00

Content:

I read a lot of email newsletters and I love the simplicity of them. Receive, read, forward, maybe reply, delete. If I was starting AVC all over again, I'd head over to TinyLetter, which my daughter uses, and start writing. But I've got legacy issues to consider. I've got an archive, a three letter URL with a lot of Google Juice, an RSS feed, a community, and a number of other things that I've built up over the years. Many AVC readers don't bother with any of that and simply subscribe and read via email. For them, AVC is an email newsletter. The number of readers who engage that way has been growing a lot in recent years and it is now the majority of readers. That speaks volumes to me and suggests that is how most people want to get this content every day. So I've got an email newsletter with a lot more overhead. The community requires moderation and maintenance. We have to actively manage spam. I need to keep up with WordPress, which introduced a new UI that most people dislike (I'm mostly fine with it). I have a hosting service to deal with. And the email and RSS feeds are powered by third parties who do a great job for me but need some level of staying on top of. That is a fair bit of technical debt that I've built up over the years and would go away if I was using a modern newsletter service like TinyLetter. So I am going to experiment with simplifying AVC a bit in the coming months. One thing I am going to do for sure is cut back on the comments. I have seriously thought about shutting down comments and I have done that for a few posts. I am either going to shut them down for a week and see how that feels. Or shut them down except for a few posts a week (like Sunday and Tuesday). The truth is comments are used by a very small portion of the AVC readership. But the people who use the comments are very active and engaged. So removing comments won't impact a lot of readers, but it will impact the most loyal readers. So I want to tread lightly here. But I also want to lower the overhead of writing and managing AVC and comments are the highest overhead feature on AVC. I'm interested to hear what people think of the overall goal and objective of simplification and how I'm thinking about it. And I'm specifically interested in feedback on cutting back on comments. How I go about doing this is still a bit of a work in progress in my mind and I appreciate the feedback as I think this through.

The Free And Open Internet

URL: <https://avc.com/2019/02/the-free-and-open-internet/>

Date: 2019-02-10T09:17:39

Content:

I realize that publications need to have a business model to stay afloat. And the past month has seen a number of online publications (and offline publications) layoff a large number of employees. So it isn't even clear that all of these hard paywalls, soft paywalls, and advertising based models are going to make the online publishing business work. But the cost of all of this business model exploration and extraction is a continued degradation of the clean and fluid user experience that made the early free and open Internet so compelling. A few days ago I saw a link on my phone that said "John Dingell's Last Words For America." I thought it was worth reading what a lifelong public servant had to say on his deathbed. So I clicked on the link and got this: I never got to read what a lifelong public servant's last words for America were. Sure I could have purchased a subscription to the Washington Post, but I don't believe opinion pieces should be behind a paywall and I certainly don't believe that something like Dingell's last words should be behind a paywall. So I'm not going to reward the Washington Post for bad behavior with my money. The truth is Dingell's family should never have asked the Washington Post to publish his last words. Even the Washington Post's owner Jeff Bezos knew to publish his words that he wanted everyone to read on an open platform like Medium. The mainstream publications, like Washington Post, have ceded their role as the public square to places like Twitter and Medium that remain open and free. That further limits their relevance. In search of a business model they cede the very thing that made them what they once were. So what is my point? That paywalls are bad? No, I think subscriptions have their place in the publishing business. But the way paywalls are implemented today stinks. Some content should never ever be put behind one. And paywalls should federate, like the early ATMs did, so that joining one means joining them all. That won't get us all the way back to the free and open Internet that sucked us all in twenty plus years ago, but it will get us a lot closer to it.

Video Of The Week: My Talk At Yext Onward 2018

URL: <https://avc.com/2019/02/video-of-the-week-my-talk-at-yext-onward-2018/>

Date: 2019-02-09T15:11:09

Content:

Last fall, the folks at Yext offered to let me have some stage time at their Onward Conference to talk about the K12 CS Education work that I've been doing for the last ten years. I didn't realize that the talk was online until I saw it today. So here it is. It's just under ten minutes.

Funding Friday: Wavelength

URL: <https://avc.com/2019/02/funding-friday-wavelength/>

Date: 2019-02-08T06:49:07

Content:

Tabletop games (or party games) is one of the top categories on Kickstarter (a USV portfolio company). There has been a real resurgence in these sorts of games in recent years and most of the innovation in this category is happening and being funded on Kickstarter. Today's project is Wavelength , a guessing game that looks super fun.

Optimism

URL: <https://avc.com/2019/02/optimism/>

Date: 2019-02-07T09:05:18

Content:

I was talking with my friend Jerry today and he said “everything is possible.” I told him I don’t think I am going to be able to dunk on a regulation height rim. But I subscribe to Jerry’s mantra of optimism. I posted Albert’s reasons to be optimistic this past weekend and if you haven’t watched it, I highly recommend it. As Albert states at the start of his talk, you have to be optimistic in the venture capital business. But I think you also have to be optimistic in life. My favorite coffee shop near my office closed recently. But a new one opened and I’m optimistic that it will become my new favorite. The Knicks traded our franchise player last week. But I’m hopeful that we will get some good young players with the picks and sign some great free agents with the cap space. My knee has been bothering me and my doctor tells me he needs to do arthroscopy on it. But I’m hoping more yoga and strength exercises will be sufficient. Of course none of what I’m hoping and expecting to happen may come to pass. I may get shit coffee going forward, more losing seasons at MSG, and a scar on my knee. But I’m not counting on any of that. Why would I?

Routines

URL: <https://avc.com/2019/02/routines/>

Date: 2019-02-06T17:18:03

Content:

I am often asked for advice on productivity. People want to know how I get things done. The truth is I am not well organized, I don't use any productivity tools. I work hard but I don't work all of the time. I have a decent work life balance. My secret, if I have one, is routine. I try to do the same things at the same times every day or every week. Some examples: – I like to meditate first thing after I wake up. – I like to handle personal financial matters on Saturday mornings (something I learned from my Dad). – I need to blog before I leave home or I have a hard time getting that done. – I work out before breakfast. When I stick to my routine, I seem to be able to get a lot done. When I get out of my routine, things fall apart quickly. It is like dominoes. One falls down and knocks down all of the others. There are challenges with relying on routine. Lots of traveling, for example, makes it hard to stay in a routine. But I have not found any organizing principle more powerful than routines and I try to apply them to as much of my life as I can.

Early Liquidity

URL: <https://avc.com/2019/02/early-liquidity/>

Date: 2019-02-05T19:04:27

Content:

Ever since I got interested in crypto, I have looked at the emergence of the commercial Internet in the 90s as a roadmap for what to expect. And while that has largely been useful as a frame of reference, I've struggled with the huge bubble of 2017 which felt to me like it came too early relative to the maturity of the sector. Yesterday I read this post which has a great explanation for that: The bubble came early because blockchain technology enabled liquidity earlier in its life cycle. That makes a ton of sense to me and reframes the timelines in my mind. Phew. Some of you may have noticed that I waited until very late in the day today to post. I'm struggling a bit with adjusting to time zones, a head cold, and today was just one of those days where nothing went as planned. I'm not planning on making early evening eastern time my regular routine.

Raising A SAFE Or Convertible Note In Between Rounds

URL: <https://avc.com/2019/02/raising-a-safe-or-convertible-note-in-between-rounds/>

Date: 2019-02-04T09:08:06

Content:

A trend we've seen in the financing of startups in the last five years is the "SAFE between rounds" which means raising a convertible note (or SAFE) to provide more capital and runway in between financing rounds. It often comes in the form of an offer by an investor who missed the last round and doesn't want to miss the next round. It is a tempting offer because there is no immediate dilution from the capital and it usually converts at the next round price or a small discount to it. Most founders look at the offer and think "why not?" Here is why you might not want to do this. The SAFE or convertible note can "crowd out" new investors in the next round and make it very hard to find a lead investor or any high quality investors. Let's do some math to show how this happens. Let's say you did a seed round of \$1mm where you sold 15% of the company and you did a Series A of \$3mm where you sold 20% of the company. Your last round valuation was \$15mm post-money and you've now sold ~35% of the company to investors. These investors will typically have "pro-rata rights" to participate in the next round. Which means 35% of the next round will go to your existing investors. Let's say you hope to double your valuation on your next round and raise a Series B at \$30mm pre-money or more in a year to 18 months. Then someone comes along and offers you a \$2mm convertible note or SAFE which converts into the next round. You think "free money, that sounds great." But if you take the note, then you have a fair bit of the next round already committed for. Let's say the next round is \$5mm. The existing investors take 35% of \$5mm (or \$1.75mm), the note takes \$2mm, and you are left with \$1.25mm to offer a new investor. It is very hard to find a lead investor who will price the round for only \$1.25mm of a \$5mm round. And if that round is at \$30mm pre-money, \$35mm post-money, you are only offering that new investor 3.6% of the company which is not a lot. Let's say the next round is \$7.5mm, a reasonable amount to raise at \$30mm pre-money (20% dilution). The existing investors take \$2.625mm, the note takes \$2mm, and so you have \$2.875mm to offer a new investor to lead and price the round. That is a fairly small number as well and would only purchase 7.7% of the company. You'd have to raise a \$10mm Series B before you'd be able to offer a sizable allocation to a new lead if you have 35% of the round committed to pro-rata rights and a \$2mm note converting into it. And even then the new investor can only purchase ~11% of the company and the round will be 25% dilutive at \$30mm pre-money. As you can see, taking a SAFE or convertible note between rounds can make it hard to create enough of an allocation in the next round to attract a high quality lead who will price the round. So, if taking a SAFE or convertible note between rounds is not a great idea, what should a founder do? I like to see if the investor who wants to do the SAFE or convert is interested in catalyzing a "Series A1" where you take their money and the pro-rata (or slightly more) from the insiders and price it at a significant markup to the Series A. If they are willing to do that, it often is better for everyone to do that. That tends to be less dilutive, creates even more runway to get to an attractive B round and it avoids the issue of crowding out money in the next round.

Understanding Your Investors

URL: <https://avc.com/2019/02/understanding-your-investors/>

Date: 2019-02-03T12:38:04

Content:

To some extent, this blog has been about demystifying venture capital and in particular me and the firm I work at, USV. There are many reasons why I think that is a useful exercise. When I got into the VC business in the mid 80s, it was a fairly opaque business and that did not change a lot over the next 15 years. When the Internet came along, it promised more transparency and I thought that using the Internet to help facilitate more understanding about VC was a good idea. But also it was, and is, a self interested move. I believe that entrepreneurs are more likely to take money from a firm that they feel like they know, like, and trust. And in the hyper-competitive world of startup finance, being an open book can pay huge dividends. We have seen that to be true again and again. So understanding your investors is important and reading VC blogs is a good way to increase your understanding of the people who may invest or have invested in your company. One area that entrepreneurs should take some time to understand is the way that VC funds are structured. The economic terms (management fee and carry) and the durability of the capital (investment period, fund life) are particularly important as they will influence the behavior of your investors. I have written a fair bit about these issues here at AVC as have others like Brad Feld. One area where fund structures are different is in the crypto sector. Because crypto tokens become liquid much more quickly than startup equity, and because investors in the crypto sector will want to own publicly traded crypto tokens, the hedge fund model has been adopted by many of the investors in the crypto sector. Joel Monegro, co-founder of Placeholder.vc and a former USV team member, wrote a good crisp comparison of the venture fund model and the hedge fund model on the Placeholder blog yesterday. USV is an investor in Placeholder. Joel writes: The effect of these differences is that hedge fund managers have a greater incentive to maximize short-term profits, as they can be severely affected if the fund underperforms in any given period, while VCs are incentivized to maximize long-term, realized value in order to increase their payout. And this is reflected in how each type seeks profits: in general, hedge funds will tend to trade around market fluctuations, while venture funds tend to build and hold investments to optimize for long-term value. USV has invested in a half a dozen token funds, often as an initial LP to help the fund get going, and most of the funds we are invested in use the hedge fund model. Placeholder uses a VC model. So we don't have a strong point of view about which approach is best. Certainly in terms of maximizing our liquidity, the hedge fund model is best. But for entrepreneurs who want patient stable capital, it may be true that the VC fund model is preferable. This is something to watch over the next five to ten years as this sector matures and we learn about which structure is preferable for entrepreneurs, fund managers, and fund investors. We already see hybrid models emerging where a hedge fund structure is used but long lockups are required for investors. It will be interesting to see if the way management fees and carry payouts will evolve as well. One thing is for sure. Entrepreneurs need to understand how the capital they are taking into their company is structured and what expectations and requirements the suppliers of that capital have negotiated with the fund managers. If you aren't asking those questions of your investors, you should be.

Video Of The Week: Reasons For Optimism

URL: <https://avc.com/2019/02/video-of-the-week-reasons-for-optimism/>

Date: 2019-02-02T11:35:26

Content:

My partner Albert gave this talk at DLD 2019 a couple weeks ago.

Funding Friday: Make 100

URL: <https://avc.com/2019/02/funding-friday-make-100-2/>

Date: 2019-02-01T09:14:09

Content:

Kickstarter has a tradition of starting January with the Make 100 campaign, which asks creators to make 100 of something and put it up on Kickstarter for funding. I backed this Make 100 project earlier this week: You can see all of the Make 100 projects here . Check them out. They are fun and fascinating.

Mark Leslie On Entrepreneurship, Leading, and Selling

URL: <https://avc.com/2019/01/mark-leslie-on-entrepreneurship-leading-and-selling/>

Date: 2019-01-31T10:30:36

Content:

I have had the pleasure of sitting on a few higher education boards with Mark Leslie . He's a very accomplished and wise person. I respect him a lot. In this talk with Peter Levine, Mark talks about some of the most important concepts in starting, leading, and building companies. Listen to him. He's knows what he's talking about.

Funding Female Founders

URL: <https://avc.com/2019/01/funding-female-founders/>

Date: 2019-01-30T08:55:40

Content:

As a follow up to yesterday's post, I asked Zach to calculate the percentage of teams with at least one female founder in our last two core funds. Yesterday, I wrote "I don't have the exact data on me and it would take more time than I have right now to calculate it, but my guess is that over the last four years, about thirty to fifty percent of the teams we have funded have had at least one woman founder on them". Well I am pleased and proud to let you all know that my guess was correct. Here is the data: Percentage of investments with at least one female founder: USV 2014 Fund: 33% USV 2016 Fund: 43% Certainly we have more work to do, the female founder ratio is not 50/50 yet, and we have work to do on other areas like people of color, etc. But I am quite pleased that USV is female founder friendly.

Changes In VC and Startups Take Time

URL: <https://avc.com/2019/01/changes-in-vc-and-startups-take-time/>

Date: 2019-01-29T08:49:15

Content:

Starting and investing in startup companies is a long lead time business. It takes on average seven to ten years for the seed and early stage investments we make to turn into something. So looking at data across the entire VC landscape can be confusing. Important trends can be lost in the noise. Look at these two charts from the All Raise and Pitchbook analysis of the funding of female founders: The first one tells a troubling story. Female founders are getting a tiny amount of the supply of venture capital and the percentages are not changing much. The second one tells a promising story. The percentage of teams getting funded that are all male founded is declining and the percentage of teams that have women founders on them, or are all women founders, is rising. The first chart is dominated by late stage companies (think companies that are 5-10 years old) and the second chart is dominated by earlier stage companies. Let's look at this data in five or ten years. I think we will see a different story. I don't have the exact data on me and it would take more time than I have right now to calculate it, but my guess is that over the last four years, about thirty to fifty percent of the teams we have funded have had at least one woman founder on them. The times are changing in venture, thanks to the hard work by a number of women founders, women angels (like The Gotham Gal), venture capitalists, and some men too, and it is having a big impact. We just can't see it in the aggregate funding numbers yet. We will.

The Send To All Mistake

URL: <https://avc.com/2019/01/the-send-to-all-mistake/>

Date: 2019-01-28T10:07:14

Content:

I believe I've written about this before but I see it made so often that I feel compelled to write about it again.

Entrepreneurs, VCs, and others in the startup ecosystem often send an email introducing a company to all of the partners (or most) at our firm. And that email is addressed to all of us, not one of us. The result is that none of us feel ownership in the introduction and though we generally figure out who should reply, it can result in the email going unanswered for a while or longer. On the other hand, if an email is sent to one partner, with possibly a copy to others, then the recipient feels a responsibility to reply and the email is generally answered. I send emails to busy people a lot. And what I have learned is that I need to address them directly, write the note personally so that it is obvious that I have written it myself, and then copy someone (usually their assistant, but often a colleague as well) to make sure they see it. Email is such a challenging medium to operate in that when using it, you must be very careful to optimize the chances of a reply. Sending an email to all is generally not a form of optimization that works.

Funding Films, Continued

URL: <https://avc.com/2019/01/funding-films-continued/>

Date: 2019-01-27T13:17:09

Content:

The Gotham Gal and I have been at the Sundance Film Festival this weekend. We've seen a nice mix of documentaries and feature films. And in the feature film category we've seen mainstream crowd pleasers like Mindy Kaling's *Late Night* which Amazon bought for a bundle and indie films that may struggle to find a mainstream audience. We tend to prefer the latter and among the best of the indie variety that we've seen was a film called *Ms Purple* that we saw yesterday morning at its world premiere. *Ms Purple* raised almost \$75k on Kickstarter (a USV portfolio company) a few months ago which funded much of the post-production costs and licensing expenses. A total of 373 patrons invested an average of \$200 each (some way more, some way less) to help this film come to life. From my experience yesterday morning, I would say it was a fantastic investment. *Ms Purple* is about the challenges that immigrant families navigate in the US, and about the tensions that exist in sibling relationships, particularly when a parent is dying. *Ms Purple*'s filmmaker (writer and director) Justin Chon is exactly the kind of artist that Sundance and Kickstarter exist to serve. While I hope his stories can and will go mainstream, they need to be heard even if they don't. And funding mechanisms outside of the studio model/system insure that they will.

Video Of The Week: From Agile To Immutable

URL: <https://avc.com/2019/01/video-of-the-week-from-agile-to-immutable/>

Date: 2019-01-26T09:20:22

Content:

Two weeks ago, my colleague Nick traveled to Hong Kong to attend a Blockstack event (Blockstack is a USV portfolio company) and deliver this talk, which covers some important questions/issues in the crypto sector. This short tweetstorm sets up the video well, so I will start with that and follow with the video which is 17mins long. In a nutshell: On the one hand, we have the "agile" approach to building apps: start small and iterate quickly. On the other hand, we have "immutable" decentralized systems, which are — by design — stable and hard to change. — Nick Grossman (@nickgrossman) January 24, 2019 This presents a challenge when trying to find product-market-fit. Being agile means prioritizing user experience, but retaining control. Being decentralized means prioritizing security and handing over control — Nick Grossman (@nickgrossman) January 24, 2019 Both at the application layer (e.g., cryptokitties, numerai, augur) and at the blockchain layer (bitcoin, ethereum, eos, etc), this tension is playing out, and it will be interesting to see what will ultimately become a new paradigm for developing platforms and apps take shape — Nick Grossman (@nickgrossman) January 24, 2019

Funding Friday: Funding Films

URL: <https://avc.com/2019/01/funding-friday-funding-films/>

Date: 2019-01-25T08:37:59

Content:

The Gotham Gal and I are at the Sundance Film Festival this weekend and we are going to watch all sorts of films, from features, to documentaries, to short films, and more. It is a blast to see such a variety of films and the filmmakers who made them. We will see a few of these films that were funded on Kickstarter . So I'm featuring a documentary about surf culture in the 60s that needs another \$30k (ish) to finish the film and show it at an upcoming film festival. I backed it this morning and maybe some of you will too.

The Founder's Commitment

URL: <https://avc.com/2019/01/the-founders-commitment/>

Date: 2019-01-24T08:19:32

Content:

The people who start companies are special people. We call them founders in the startup world and I have had the opportunity to work with many of them over the years. They bring all sorts of important things to the companies they start (or help to start). One of those things is a level of commitment, responsibility, and care that others rarely bring to a company. I was reminded of that today when I saw what Eric Wahlforss, one of the two founders of our portfolio company SoundCloud, wrote about his decision to step away from the company after 11 years: After 11+ years of building SoundCloud, it is time for me to take a break, reflect and think about what's next. I will be stepping back from day-to-day operations and into an advisory role on March 1st. I am incredibly proud of what we have achieved and deeply grateful. pic.twitter.com/71DQ8h0Sjv — Eric Wahlforss (@ericw) January 24, 2019 Eric did pretty much every job in the company at one time or another, including being the CEO for a three month period in 2016. He gave SoundCloud everything he had for eleven years. Startups are incredibly chaotic organizations with a lot of change. Very few people can make it through all of that chaos for a decade or more. But founders can and do. Eric is an example of that and I am incredibly grateful to him, and his co-founder Alex, for the level of care and responsibility they brought to SoundCloud (not to mention the original idea and the original product!) We meet with founders all the time and a few times a year decide to back them with our firm's capital. One of the things we look for is that commitment, responsibility, and care, the "founders commitment." It has to be there or it isn't going to work. Because building a company is really hard. But also incredibly rewarding.

Capitalism and Inequality

URL: <https://avc.com/2019/01/capitalism-and-inequality/>

Date: 2019-01-23T09:19:03

Content:

I was talking to a friend about AOC's proposal to increase marginal federal rates to 70% to fund investments in fighting climate change. My friend said he was disappointed that she didn't propose a top federal rate of 83.25% so that the marginal rate in NYC would be 100%. He was joking but his remark is important because it speaks to the nuance of the marginal rate, something AOC and her followers don't really understand as much as they claim. It reminds me of a heated conversation I had with my kids and their friends during our family ski trip over the year end break. Our kids, like most millennials I know, are struggling with the notion of capitalism at any cost and the massive income and wealth inequality that we are witnessing. This headline I came across on Twitter today kind of sums it up well: . @AOC : Economic system that allows billionaires is "immoral" <https://t.co/qINA2oXiwu> pic.twitter.com/Z3mSVRXuti — The Hill (@thehill) January 22, 2019 I am in the business of helping founders start companies which results in some of them becoming billionaires. Contrary to what some think, my wife and I aren't in that club ourselves. But I know a fair number of billionaires and I have had a front row seat to the process of them going from not having a penny in their pockets to billions on their balance sheet. And we are participants in the "economic system that creates billionaires." I do not think it is immoral and I do not think billionaires are immoral. I do think the inequality that we allow in our country is immoral. To me, these are two different things. And that is the gist of the discussion I was having with my kids and their friends over the year end holiday. They asked me why I don't believe in massively raising taxes on the rich to pay for all of these new social programs that the candidates on the left are proposing. I am a fan of many of these social programs, like medical care for all, like more affordable education for all, like new approaches to what we once called "welfare" and now is taking shape as Universal Basic Income. I have been called a communist, a socialist, a liberal, and more on this blog and all of those labels could be accurate in someone's mind. I believe that society must find ways to support the basic needs of everyone, which include wellness, knowledge, and income. That we do not is immoral. That we allow billionaires is not. I am a capitalist and a business person. I understand that increasing taxes on the wealthiest leads many of them to move their income and assets to lower tax jurisdictions and can be counter productive, particularly when you go beyond a certain threshold. I also understand that government is bloated and there are many places where we could cut spending to fund these new innovative programs that could help counter the immoral wealth imbalance we have in our country. I believe that technological revolutions, like the industrial revolution and the information revolution, create opportunities for entrepreneurs to reimagine how the economy should operate. Those entrepreneurs, like Rockefeller, Carnegie, Morgan, Bezos, Page, Zuckerberg, build very powerful monopolies and amass billions. As these revolutions reimagine how the economy should operate, many people lose jobs, can't find jobs, find themselves in lower paying jobs, and there is real dislocation that results. And you get this "immoral wealth imbalance." The one part of the economy that seems immune to re-imagination is the government. If we were to force it to go through the same technological revolution that the private sector is going through, we would see massive efficiencies, and massive job losses, that would free up a huge amount of capital that could be used to pay for things like medical care for all, affordable education for all, and some amount of income for all. That is what I am for. That is what I explained to my kids and their friends that I am for. Times of change are times of change. And we can't change some things but not everything. I will end with a story from a book I read a few years ago. The book is called The Prize that was written by Dale Russakoff and is about the effort by Chris Christie, Cory Booker, and Mark Zuckerberg to fix the broken Newark NJ public school system. The story takes place at an anti-charter school rally. Dale meets a woman who is protesting against the charter schools that are replacing the district schools. As she is talking to this woman, she explains that she is late to the rally because she had to spend all morning in line trying to get her child into the new charter school in her neighborhood. Dale is perplexed. Why would she be protesting charter schools if she is that committed to getting her child into one? The woman explains that most of her family works in the district schools and will lose their jobs if the city moves to charter schools. And that's where we are. We are not willing to move away from the things of the past to get the things of the future. So our elected officials decide to try to give us both and we struggle with how to pay for it all. I am not for the emerging progressive Robin Hood narrative. I am certainly not for the entrenched conservative Let Them Eat Cake narrative. I am for a new narrative that understands that everything must change if we are to find ways to support everyone in our society.

What Kind Of Coach Do You Want?

URL: <https://avc.com/2019/01/what-kind-of-coach-do-you-want/>

Date: 2019-01-22T07:44:20

Content:

My colleagues and I are asked all the time for recommendations for coaches, mostly for the founders and CEOs we work with, but often for others on the senior team. I am a huge fan of coaches. I think they can be game changing for leaders and their teams. I always ask a bunch of questions to find out what kind of coach someone wants before making suggestions. A key question is whether you want answers or questions from your coach. My partner Andy wrote a bit about this , in a very different context, the other day. I've spent a large portion of my career investing in early-stage companies. Part of that job is to advise and counsel, to assist a company in reaching its potential. I try to ask for feedback on how I am doing in that job. A constant thing I hear is to provide more direct answers to problems posed to me. Typically, I am told, I answer their questions with further questions. Yet, I think it's important to tolerate ambiguity. Maybe there isn't a direct answer. Maybe I don't know the answer. Maybe I want to assist others in coming up with their own answers. I have to confess that I am more of a "why don't you try this?" sort of advisor. Andy is more of a "why do you want to do that?" sort of advisor. Both can be very valuable but it really depends on what you want/need in an advisor. Getting answers when you want questions can be frustrating. Getting questions when you want answers can be equally frustrating. So think about what it is you want from a coach before going out and finding one. Getting the fit right is important.

MLK Day Quote

URL: <https://avc.com/2019/01/mlk-day-quote/>

Date: 2019-01-21T09:00:39

Content:

Martin Luther King Jr. was a man of words. He used them to inspire, to rally, and to ultimately bring change. The change he brought is the reason we remember him on this day every year. Many of his words are broadly applicable, well beyond the worlds he occupied. This quote strikes a nerve for me as we work with many founders and leaders: A genuine leader is not a searcher for consensus but a molder of consensus. Martin Luther King Jr. Leading is knowing where you want to go and working to get others to want to go there too. That could be your team, your board and investors, your customers, or the entire world. Molding is the word I like most in that quote. It describes the work of leading correctly. You can't will people to follow you. You can't expect people to follow you. You need to work to get them there.

Screen Time Tracking/Management

URL: <https://avc.com/2019/01/screen-time-tracking-management/>

Date: 2019-01-20T08:42:23

Content:

In my “ What Happened in 2018 ” post I wrote this: And the usage of screen time management apps, like Screentime on iOS, is surging. We know we are addicted to tech, we don't want to be, and we are working on getting sober. I wrote that based mostly on anecdotal data but we have been looking for better data and have not found it. So Dani and I worked on a survey that she ran last week and we got these results from a survey of 1,000 adults in the US using Google Surveys: 24% use an app to track their screen time. 34% of iOS users use an app to track screen time vs 19% of Android users. iOS users are twice as likely to use the default screen tracker app than Android users. People across age groups are equally likely to use an app to track their screen time. Here is a graphical representation of that data that Dani put together: What we don't know is what these numbers looked like a year ago, but I am fairly confident that we are seeing a surge in the usage of these tools to manage screen time. We will run this survey again mid-year and again at the end of the year to see if this trend continues. This is a good trend in my view but it does mean that there is a governor on the amount of usage time that consumers have on their mobile apps and that will make it a bit harder for new mobile apps to gain traction and market share. It will be interesting to see if usage of mobile apps, including the most popular ones like Instagram, show any signs of slowing down.

Video Of The Week: Our Partner Rebecca Kaden

URL: <https://avc.com/2019/01/video-of-the-week-our-partner-rebecca-kaden/>

Date: 2019-01-19T10:39:54

Content:

Rebecca Kaden , who joined USV in late 2017, was on Bloomberg last May. Somehow, I had never seen this. So I am running it today. If you don't know Rebecca, you should meet her. She's leading our efforts in a bunch of areas that she talks about in this interview.

Funding Friday: Return To Sender

URL: <https://avc.com/2019/01/funding-friday-return-to-sender/>

Date: 2019-01-18T11:00:11

Content:

I love short films. I think they are a great way to tell a short story on a shoestring budget. I have seen some great ones over the years. So when I saw this Kickstarter project this morning, I backed it instantly.

Executive Sessions and Continuous Feedback

URL: <https://avc.com/2019/01/executive-sessions-and-continuous-feedback/>

Date: 2019-01-17T11:05:29

Content:

I've written about these two related but different topics before but I've been doing a lot of board meetings as we kick off 2019 and I am reminded of how important both are. At the end of every board meeting, the board should meet alone with the CEO in an executive session, followed by a session without the CEO, followed by a session where at least one director, but possibly all of the directors, meet again with the CEO. This requires a fair bit of time to do right. These three back to back sessions will easily take thirty minutes to do right and could take as much as an hour. When a board meeting goes three or four hours, it is tempting to wrap when everyone has "hard stops" and punt on these executive sessions. But that would be a big mistake. CEOs need to know where the board stands on the meeting, the big issues, the team, the strategy, and most importantly the performance of the CEO. And CEOs need to know that in real time and all the time. The big problems that I have run into with companies over the years often have to do with misalignment between a management team and the board, and most acutely misalignment between a CEO and the board. A process by which the CEO gets real time, regular, in person feedback from the board will alleviate many of these issues. These can be hard conversations and they can be difficult for the CEO to understand and process. None of this is easy stuff. But when people know where they stand and can react to it, things go better. It is when people don't know where they stand and are grasping for straws when things go most badly off the rails. The executive session/feedback process is also used by audit committees to manage the relationships between the board, CFO, and external auditors. I have found that they are incredibly important in that setting too. If you aren't doing executive sessions with your board, start doing them. And if you do them, but you skimp on them frequently due to time issues, shorten your board meetings and protect your executive session time. These sessions need to come last and that makes protecting them challenging but I believe a board meeting without an executive session is a bad board meeting.

"If The Train Is Delayed, Find Another Way Home"

URL: <https://avc.com/2019/01/if-the-train-is-delayed-find-another-way-home/>

Date: 2019-01-16T11:34:20

Content:

I worked for a man named Bliss McCrum (and his partner Milton Pappas) in my mid 20s. They taught me the venture capital business. They were in their 50s, around my age, at that time. Bliss one time gave me this business travel advice. He said, if the train is delayed or stops at a station and can't move, get off the train and find another way home. His experience told him that once delays start happening, they tend to get worse, and you are better served by ditching plan A and finding a plan B. I have used that advice many times over the years, and while it is not perfect, it has been on point more often than off point. Today I had a 6:30am flight to SFO from LAX. When I picked up my phone as I was leaving the house for the airport, I saw a text from Alaska Airlines that my flight had been cancelled and they were booking me on the next flight. Bliss popped into my head and I thought, "I'm going to get to LAX and get on the 7am flight that I usually take." I had wanted to get to SF super early today so I booked the first flight out of LAX to SFO instead of my usual 7am flight. Once I got to LAX, I was able to get onto the 7am flight, and then headed to the gate where my new flight was leaving from. That required getting on a bus and heading to a new terminal. This is what the guts of LAX look like at 6am. Once I got to my gate, I learned that my 7am flight was delayed into SFO by 90 minutes, thus pushing my arrival back two hours from when I wanted to be there. Again Bliss entered my head and I thought "what about San Jose?". So I went to the board and saw that there was a 7:30am flight getting into San Jose at 8:50. I went to the service desk and asked if there were any delays getting into San Jose this morning and was told there were not. So I swapped my SFO ticket for a SJC ticket and got basically the same seat on a similar plane. I'm in the air to SJC right now and hope to land in about 30 minutes and then get in a car and be taken the hour+ that it will take to get to into San Francisco. But at least I can call into the start of my meeting instead of missing the first couple hours completely. I have to thank Bliss for the inspiration to scramble today instead of just taking what the airlines were giving me and being chill about it. I think it worked out well and I'm going to be able to participate in the entirety of my meeting today. Thanks Bliss.

The Daily Dose

URL: <https://avc.com/2019/01/the-daily-dose/>

Date: 2019-01-15T11:57:16

Content:

At the bottom of the first post on this blog is a widget that contains links to recent blog posts by other USV team members. Many USV folks blog regularly and this widget surfaces those posts to all of you and everyone who visits the various blogs of the USV team members. Other than me, there are a few other USV team members who blog regularly; Albert , Nick , and Bethany are the most prolific writers at USV. Andy and Brad are the best writers but we don't get a lot of production out of them. Since the start of the year, Bethany , who runs USV's portfolio network, has produced a dozen blog posts, on topics like Hamilton In Puerto Rico , Nostalgia Creep In A High Growth Company , How To Measure A VC Firm's Platform Efforts , and a lot more. I am just one window into USV and the VC/startup world in general. I encourage those who are interested in this stuff to seek out other voices as well. Right now, Bethany is one fire. You should check her blog out.

More Data On VC's Big Year In 2018

URL: <https://avc.com/2019/01/more-data-on-vcs-big-year-in-2018/>

Date: 2019-01-14T09:21:25

Content:

Last week I wrote about and linked to the PWC/CB Insights round up of venture investing in 2018. Well less than a week later Crunchbase is out with its own data on 2018 . The Crunchbase numbers are much bigger, they report about \$330bn of global deal volume. But otherwise the trends are roughly the same. Flattening deal volumes and amounts raised in the early stage market with massive expansion in the late stage market. Make no bones about it, there is a lot of money in the venture capital ecosystem right now.

Cause Or Effect?

URL: <https://avc.com/2019/01/cause-or-effect/>

Date: 2019-01-13T11:16:22

Content:

In the wake of Erin Griffith's piece in the NY Times suggesting that venture capital is toxic for some entrepreneurs, there has been a fair bit of debate about the causes of that situation. Dan Primack tweeted this yesterday: One thing that I think gets lost in the VC vs. non-VC discussion is that VCs don't need a company to become a "unicorn." At least not the early-stage VCs. They might want it, but unicorns weren't really a thing until a few years back, and VCs "settled" for much shorter home runs — Dan Primack (@danprimack) January 11, 2019 I pushed back on that notion in a series of tweets yesterday morning: I think the truth is somewhere in between. Ownership levels have been coming down in VC over the last thirty years. When I got into VC in the mid 80s it was very typical for a VC to want 25% of the company. Then it became 20%. Then 15%. Now we ask ourselves if we can get to 10% — Fred Wilson (@fredwilson) January 12, 2019 It is tempting to look at what is going on in the startup/tech landscape and say that the growing amount of capital under management is the problem. But the capital market for startups is a complex system and I don't think it is as simple as that. It may well be that as entrepreneurs have had more negotiating leverage over the last twenty+ years, they have pushed valuations up significantly and the capital markets (ie VCs) have reacted to that by accumulating more capital so that they can try to buy the same amount of ownership at the higher prices. That hasn't really worked and the VC industry typically owns a lot less of a company at exit and the founders and team own a lot more versus 25 years ago. We have seen that clearly in our own portfolios over the last fifteen years and I would assume that is true across the industry. So while it is tempting to suggest that big bad VCs are the reason for all the problems in the startup sector, I would caution everyone from coming to that conclusion. Like all relationships, it takes two to tango, and both sides have had something to do with where we are right now.

Audio Of The Week: Marc Andreessen and Ben Horowitz

URL: <https://avc.com/2019/01/audio-of-the-week-marc-andreessen-and-ben-horowitz/>

Date: 2019-01-12T13:42:46

Content:

I listened to this 40min interview of Marc and Ben earlier this week. I enjoyed it. Marc and Ben are smart and witty and know how to work off each other. I got a few really good laughs too, which is always a bonus with these things. I hope you enjoy it as much as I did.

Funding Friday: Pigzbe

URL: <https://avc.com/2019/01/funding-friday-pigzbe/>

Date: 2019-01-11T08:22:33

Content:

A friend sent me this Kickstarter project earlier this week. I took a look and thought “wow, that’s so great. a digital piggybank for kids with its own cryptocurrency, a mobile app, and educational games teaching them to earn and save.” I backed it this morning and though I don’t normally take the rewards on Kickstarter, I did this time. I can’t wait to give this to a kid when I get it this summer.

The Hinman Test

URL: <https://avc.com/2019/01/the-hinman-test/>

Date: 2019-01-10T11:06:41

Content:

For most companies and projects in the crypto sector, a big issue has been how to design their token and how to get it in the hands of users, validators/miners, and investors. As Joel explained in this post, you need all three stakeholders to create a well functioning crypto-token. There is the Bitcoin approach, which is to allow anyone to mine the protocol and earn tokens. There is the Ethereum approach, which is to do a pre-sale. And there are many other approaches. The last time I looked there were over 2,000 crypto-tokens that are trading on various exchanges around the world and many more that are not yet trading. There are plenty of considerations when you design a crypto-token but certainly one of them is figuring out how to avoid having it deemed to be a security in the US. Securities are highly regulated in the US, can only be traded on regulated exchanges, come with significant disclosure requirements (many of which make no sense for an open source project), and there are limits to whom you can sell them to and how. Most token projects and companies look at Bitcoin and Ethereum and say "we want to be like them." So when William Hinman, director of the SEC's Division of Corporation Finance gave a speech at the Yahoo Finance All Markets Summit on June 14, 2018 suggesting that Bitcoin and Ethereum were not securities and laid out an argument that they were sufficiently decentralized, it got a lot of people's attention in the crypto sector. The basic reasoning behind the decentralization framework is that if a project is truly decentralized and there is no central actor or actors, then there really is no "issuer" and there is no possibility that the central actor(s) can act on insider information or otherwise have information asymmetry. The crypto industry has been pressing the SEC to codify this logic in a set of rules that projects and companies can follow. But the SEC has to date been unwilling to do so. So the Blockchain Association has stepped in and taken a stab at codifying the Hinman Test. In a post they published today, they have laid out the basic arguments of Hinman's Framework and then outlined how one could determine if a token project was sufficiently decentralized. This is not as helpful as an SEC published set of guidelines, but until we get that (soon I hope), this will have to suffice.

Fewer And Larger

URL: <https://avc.com/2019/01/fewer-and-larger/>

Date: 2019-01-09T08:49:55

Content:

Those are the two words that come to mind when I looked at the Q4 2018 PWC/CB Insights Money Tree Report . 2018 saw the venture capital business moving to larger and larger deals. There were roughly 200 deals around the globe in 2018 where \$100mm or more was raised. And yet the number of total transactions declined slightly from 2017. This trend is much more obvious if you look at the six years from 2013 to 2018. Total deal activity has increased less than 10% while total capital investment has almost tripled. These trends are unsustainable. It is certainly attractive to de-risk by moving upstream to invest in more mature companies, larger rounds, etc. But if we don't reseed our fields there won't be as many of those mature companies in the future. And that is why USV remains a small fund/firm which allows us to invest in Seed, Srs A, and Srs B rounds. It may not be fashionable to do that right now, but I am certain that it is and will continue to be profitable.

The Tortoise And The Hare

URL: <https://avc.com/2019/01/the-tortoise-and-the-hare-2/>

Date: 2019-01-08T09:51:08

Content:

Aesop has some great fables but my favorite is The Tortoise and The Hare. I was reminded of it yesterday when I saw this chart in my colleague Nick 's deck for a talk he is giving this week in Hong Kong : That is the installed base of iOS phones vs Android phones globally over the last decade. I have been a long and loud fan of Android's open (or at least more open) model and an equally long and loud detractor of Apple's closed model. I've taken a lot of heat and ridicule for it over the years and still do . But to me, there is no way to win long term with a closed model. It is a lot like The Tortoise and The Hare. Closed allows you to build a better user experience and get out of the gate quickly. Open takes longer, the user experience is poor initially and for quite a while, but when open gets going, it is unstoppable.

Take Your Lumps

URL: <https://avc.com/2019/01/take-your-lumps/>

Date: 2019-01-07T08:51:27

Content:

The Gotham Gal and I went through our (actually her) angel investments yesterday and figured out which ones went under in 2018 so we could take the tax write-offs on our 2018 returns. It is an odd exercise. Kind of like reading the obituaries. But it is an important exercise for several reasons. First, taking the write-offs against the gains shelters the gains so they can be re-invested in full. Over her first six years of investing (2007-2012), she has realized a bit more than she invested and the losses have sheltered the gains so all of that capital can be reinvested. And the investments that remain unrealized from that cohort are all solid now and will likely produce another 2-3x on invested capital. But it also a nice "post mortem" process to go through the ones that didn't work and think a bit about what went wrong. We don't obsess about the losses, but taking some time to run through them is helpful. Sometimes failed investments turn into the "living dead" in which you end up a tiny investor in another company by virtue of an acqui-hire, a distressed sale, or some other such transaction. It is generally a smart idea to sell your stock back to the company or another shareholder or abandon your interest and take the loss on those kinds of investments. The tax loss is often worth more than the stock you own. A regular process of going through the losses will surface opportunities like that too. The bottom line is that angel investing is risky business. Super early stage investing, like the kind the Gotham Gal does (she is most often the first check into the company), will produce loss ratios of 50% or higher. The winners eventually bail you out and super early stage investing ought to produce 3x on capital or better (or you shouldn't be doing it). One nice advantage of this model is the losses come early and the wins come much later. Taking your losses, getting the write-offs, and sheltering your gains is an important part of the model and it is best to have a regular process to make sure you are taking the losses when you can.

Stakeholders In A Cryptonetwork

URL: <https://avc.com/2019/01/stakeholders-in-a-cryptonetwork/>

Date: 2019-01-06T09:17:08

Content:

Joel Monegro , who is one of the Partners at Placeholder and a former USV analyst, has written an important post that outlines the relationships between the three primary stakeholders in a cryptonetwork; users, miners/validators, and investors. Joel calls it the Cryptoeconomic Circle , although it sure looks like a triangle to me ■ The most important “aha” that this post generated for me was the role of capital/investors in a cryptonetwork. Maybe because I come from the world of venture capital, where the role of capital is to fund the cost of developing the technology and business, I had always seen the role of capital in a cryptonetwork similarly. But as Joel points out in his post, that is one of two roles of capital in a cryptonetwork. The other role is to support and sustain the network by supplying financial capital to the validators who do the work in the system. As Joel explains in his post: There are short-term investors (traders), and long term investors (holders). Traders create liquidity for the token so miners can cover operational costs, while holders capitalize the network for growth by supporting token prices. The former is a direct form of value transfer where miners sell earned tokens in the open market to cover their costs and reinvest profits, and the latter is an indirect transfer of value that shows up in miners’ balance sheets rather than their income statements. Like Joel’s post on Fat Protocols two and a half years ago, I think this will be an important post in helping people understand how these networks actually operate and exchange/capture value. As Joel says at the end of the post: it helped me see cryptonetworks as systems for exchanging labor for capital (vs. currency), the fundamental concepts of network capital , and what the different roles are for investors like us in the development of these new economies

Audio Of The Week: Flip's Susannah Vila

URL: <https://avc.com/2019/01/audio-of-the-week-flips-susannah-vila/>

Date: 2019-01-05T10:56:51

Content:

Flip is a USV portfolio company. They provide a suite of services to renters that allow them to easily flip out of leases and move when they need to with the cooperation of landlords. Before Flip was a USV portfolio company, it was angel funded by the Gotham Gal and Flip's founder Susannah Vila went on the Gotham Gal's podcast last month to talk about how she got the idea to start Flip and how she has gone about building the company. It is a great listen.

Funding Friday: Music Labs For Kids

URL: <https://avc.com/2019/01/funding-friday-music-labs-for-kids/>

Date: 2019-01-04T09:55:53

Content:

I saw this project this morning and backed it instantly. It checks a lot of boxes for me.

Scratch 3

URL: <https://avc.com/2019/01/scratch-3/>

Date: 2019-01-03T11:18:50

Content:

As many of you know, I have been spending a fair bit of my time on K12 Computer Science Education over the last decade. The good news is that over that time period, there has been massive progress in getting computer science into our K12 schools in the US. And if I had to pick one single thing that has been the biggest catalyst for that, I'd point to Scratch, the brainchild of Mitchel Resnick and his Lifelong Kindergarten lab at MIT's Media Lab. Yesterday was a big day for Scratch, and therefore, for K12 CS Education around the world. The Scratch team launched Scratch 3, a major release which brings a number of important new features and functions to Scratch. Here is the Scratch Team's blog post on Scratch 3. The three big improvements to Scratch in this new release are: 1/ Scratch everywhere. It used to be that you could only run Scratch in a browser. Now you can run it on touch devices like tablets. This is a big deal as many early elementary school classrooms tend to use tablets not computers. 2/ Extensions. The Scratch team has made Scratch extensible via a new element called Extensions. Examples of Extensions are the Lego Mindstorms Extension, or the Google Translate Extension, or the Amazon Text to Speech Extension. I am excited to see all of the amazing Extensions that will get built using this new feature. 3/ New characters, sounds, and backgrounds. Most kids use Scratch to build games, animations, and other fun experiences. Scratch is fun!!! So Scratch 3 brings a massive expansion of creative elements that kids can use to create the things they want to make. Obviously Scratch can't and won't be used to make things like operating systems, machine learning models, transaction processing systems, etc, etc. But the people who will be building those things in the next ten years will have likely gotten into programming via Scratch. Scratch is the on-ramp to computational thinking, coding, programming, and whatever word you want to describe the essence of computer science education. It makes something that seems so daunting really fun and approachable. And that is why I think it is the single biggest catalyst for K12 Computer Science Education. And it just got a lot more fun and a lot more powerful.

Taking A Stance

URL: <https://avc.com/2019/01/taking-a-stance/>

Date: 2019-01-02T10:39:59

Content:

As is always the case, I got a lot of feedback on yesterday's predictions post . Most of it was constructive . Some of it was fawning (yuck). And some of it was snickering . That's how it goes when you stick your neck out and take a stance, make a bet. I am used to it. I am surprised at how few people are willing to do this sort of thing. They have opinions, for sure, but they don't put them out there and get the reactions that help shape those views going forward. I would encourage everyone to share your views, opinions, and predictions publicly. It is a practice that produces great value for me and I think would produce similar value for others. Speaking of predictions, this one on crypto from Arjun Balaji is quite good (and quotes me too ■ Today is a back to work day, so I am going end this now and do that.

What Is Going To Happen In 2019

URL: <https://avc.com/2019/01/what-is-going-to-happen-in-2019/>

Date: 2019-01-01T09:56:21

Content:

Hi Everyone. Happy 2019. Today, as is my custom on the first day of the new year, I am going to take a stab at what the year ahead will bring. I find it useful to think about what we are in for. It helps me invest and advise the companies we are invested in. Like our investing, I will get some of these right, and some wrong. But having a point of view, a foundation, is very helpful when operating in a world that is full of uncertainty. I believe and have been telling those around me that I think 2019 will be a "doozy." I think we will see major dislocations in the leadership of the United States, a bear market in stocks, a weakening economy, a number of issues with the global economy including a messy Brexit and a sluggish China. All of this will lead to a more cautious stance by investors in the startup economy. And crypto will not be a safe haven for any of this although there will be signs of life in crypto land in 2019. Let's take each of those in the order that I mentioned them. I believe that we will have a different President of the United States by the end of 2019. The catalyst for this change will be a devastating report issued by Robert Mueller that outlines a history of illegal activities by our President going back decades, including in his campaign for President. The House will react to Mueller's report by voting to impeach the President. Which will set up a trial in the Senate. That trial will go so badly for the President that he will, like Nixon before him, negotiate a resignation that will lead to him and those close to him being pardoned for all actions, and Mike Pence will become the President of the United States sometime in 2019. I believe this drama will play out through most of 2019. I expect the Mueller report to be issued sometime in the late winter/early spring and I expect an impeachment vote by the House before the summer, leading to a trial in the Senate in the second half of the year. The drama in Washington will have serious impacts to the economy in the United States starting with our capital markets. The US equity capital markets enter 2019 on shaky ground. Though the last week of the year brought us a relief rally, the markets are dealing with higher rates, some early indications of a weaker economy in 2019 (possibly due to higher rates), and, of course, the potential for the drama in Washington that we've already discussed. Here is a chart of the S&P 500 over the last five years: I expect the S&P 500 to visit 2,000 sometime in 2019 and then bounce around that bottom for much of the year. This would represent a decrease in the S&P's trailing PE multiple to around 15x which feels like a bottom to me given the recent history of the equity markets in the US: S&P PE Multiple (source <http://www.multpl.com/>) Interest rates have been rising gradually in the US for the last three years. The Fed has taken its Fed Funds rate from essentially zero three years ago to almost 2.5% today: Source: <https://www.macrotrends.net/2015/fed-funds-rate-historical-chart> The rates that are available to consumers and businesses have followed and I expect that to continue in 2019. Here is a chart of the interest rates on the three most popular mortgage products in the US: Source: <https://www.amerisave.com/graphs/> When it gets more expensive to borrow, marginal projects don't get funded. And what happens at the margin has a much larger impact on the economy than most people understand. No wonder the President wants to fire the Fed Chairman. I expect the combination of higher rates, uncertainty in Washington, and storm clouds globally (which we will get to soon) will cause business leaders in the US to become more cautious on hiring and investment. Consumers will make essentially the same calculations. And that will lead to a weaker economy in the US in 2019. The global picture is not much better. The eurozone is about to go through the most significant change in decades with some sort of departure of the UK from the EU (Brexit). It remains unclear exactly how this will happen, which in and of itself is creating a lot of uncertainty on the Continent. I don't expect most businesses in Europe to do anything but play defense in 2019. Probably the biggest unknown for the global economy is the resolution of the ongoing trade tensions between China and the US. It seems inevitable that China will make some concessions to the US to resolve these trade tensions. But, of course, what happens in Washington (first issue) may impact all of that. In the meantime, the uncertainty around trade and exports hangs over the Chinese economy. China's GDP has been slowing in recent years as it achieved relative parity with the US and the Eurozone: Source: <https://tradingeconomics.com/china/gdp> Any significant trade concessions from China could impact its growth prospects in 2019 and beyond, which will take the most powerful engine of global growth off the table this year. So all of that is a pessimistic take on the broader macro environment in 2019. How will all of this impact the startup/tech economy? The startup/tech economy is somewhat immune to macro trends. Many startups and big tech companies were able to grow and expand their businesses during the last financial downturn in 2008 and 2009. Some very important tech companies were even started in those years. The tech/startup economy is driven first and foremost by technical and creative (ie business model) innovation. And that is not impacted by the macro environment. So I expect that we will continue to see big tech invest and grow their businesses and do well in 2019. I expect we will see IPOs from big names like Uber/Lyft/Slack, although I also expect those deals will get priced well below the lofty expectations they have in mind right now. Some of that will be because of weak equity markets in the US, but it is also true that most of the IPOs in 2018 also priced below the lofty "going in" expectations of founders, managers, boards, and their bankers. The public markets have been much more sanguine about value than the late stage private markets for a long time now. However, I do think a difficult macro business and political environment in the US

will lead investors to take a more cautious stance in 2019. It would not surprise me to see total venture capital investments in 2019 decline from 2018. And I think we will see financings take longer, diligence on new investments actually occur, and valuations to come under pressure for even the most attractive opportunities. But all of that is going to happen at the margin. I expect 2019 to be another solid year for the tech/startup sector as we are in a possibly century-long conversion from an industrial economy to an information economy and the tailwinds for tech/startup vs the rest of the economy remain in place and strong. Any set of predictions for 2019 from me on this blog would not be complete without some thoughts on crypto. So here is where my head is at on that topic. I think we are in the process of finding the bottom on the large, liquid, and lasting crypto-tokens. But I think that process could take much of 2019 to play out. I expect we will see some bullish runs, followed by selling pressures taking us back to retest the lows. I think this bottoming out process will end sometime in 2019 and we will slowly enter a new bullish phase in crypto. I think the catalyst for the next bullish phase will come as the result of some of the many promises made in 2017 coming to fruition in 2019. Specifically, I think we will see some big name projects ship, like the Filecoin project from our portfolio company Protocol Labs, and the Algorand project from our portfolio company Algorand. I think we will see a number of "next gen" smart contract platforms ship and challenge Ethereum for leadership in this super important area of the crypto sector. I also expect the Ethereum open source community to ship a number of important improvements to its system in 2019 and defend their leadership in the smart contract space. Other areas of crypto where I expect to see meaningful progress and consumer adoption happen in 2019 are stablecoins, NFT/cryptoassets/cryptogaming, and earn/spending opportunities, particularly in the developing world. There will also be pressure on the crypto sector in 2019. The area I am most concerned about are actions brought by misguided regulators who will take aim at high quality projects and harm them. And we will continue to see all sorts of failures, from scams, hacks, failed projects, and losing investments be a drag on the sector. But that is always the case with a new emerging technology that allows anyone to set up shop and get going. Permissionless innovation produces the greatest gains over time but also comes with the inevitable bad actors and actions. So that's where my head is at on 2019. Do I sound pessimistic? I suspect I do, but I am not. I am incredibly optimistic, like my partner Albert and can't wait to get going and make things happen in this new year. It is going to be a doozy.

What Happened In 2018

URL: <https://avc.com/2018/12/what-happened-in-2018/>

Date: 2018-12-31T09:57:13

Content:

Continuing the year end theme, it is time for my annual recap of what happened this year, to be followed by a look forward tomorrow on the first day of the new year. Last year I was not particularly confident in my look forward. I thought Trump would be President at the end of 2018, I thought the Republicans would lose control of the House, I thought the “techlash” would escalate, and I was worried about crypto. Those all turned out to be correct. But I had less clarity about the direction of the economy and the tech sector. What actually happened was that 2018 was a year that we lost trust in tech, government, and a lot more. Let’s start with tech. This chart I saw in Recode’s year end wrap-up says it well: While much of the distrust is currently aimed at Facebook, the “I don’t trust you” numbers are growing for many other big tech companies. I have always felt that search traffic on our portfolio company’s DuckDuckGo’s search engine is a great proxy for distrust of Google and that curve looks like it is going parabolic: 2018 also brought us GDPR, the first of what I expect will be multiple regulatory efforts to control the large tech companies’ use of our personal information for their gain and our loss. But more important are our personal decisions about the technology we use and what we use less or stop using altogether. In 2018, we saw social media usage in the US flatten out and possibly even start to decline a bit. Here is another chart from that Recode year-end wrap-up: And the usage of screen time management apps, like Screentime on iOS, is surging. We know we are addicted to tech, we don’t want to be, and we are working on getting sober. All of this lost trust is challenging for big tech, and the tech sector in general, but is also a huge opportunity for new companies and new technologies that can offer different products and business models that we can trust more, or don’t need to trust. This loss of trust in 2018 was not limited to the tech sector. In the US, and also in many places around the world, we are losing trust in our institutions and our elected officials. In the midst of the most charged political moment of 2018, the Kavanaugh hearings, I was talking to my mom who is 88 years old and has seen a lot and she said to me “I don’t know who to trust.” Neither do I. And I suspect most of us don’t either. In the US, we have a President who is not trustworthy and may well be a criminal. We will get to that tomorrow when we look forward. And we have a Congress that no more than 20% of us trust and haven’t for over a decade. We also see the decline of democracy and the rise of autocracy around the world. These are worrisome trends. But I am an optimist. See a problem, find a solution. Which takes me to crypto, naturally. On the surface, one would say that 2018 was a horrible year for crypto. This is the Bitcoin price chart from our portfolio company Coinbase : Native (token sale) fundraising for crypto is also way down: But the truth is that 2018 was a year that the crypto market continued to prove its resiliency. Trading volumes declined massively but the underlying blockchains did not collapse. This is a chart from Coinmetrics.io which shows the transaction volume of the top ten crypto-tokens by market cap over the years: What this very busy chart tells me is that there are now many public blockchains that are supporting daily transaction volumes in the ten of thousands to hundreds of thousands. I think this chart of Bitcoin transaction volume from Blockchain.com tells the story of 2018 well: Crypto took a big hit in the first half of 2018 with the collapse of trading volumes. But the underlying strength of native blockchain transactions picked up the slack and it won’t be long until transaction volumes make new all time highs. Token Prices? Well that is another story, and more appropriate for the look forward tomorrow. In summary, 2018 was a tough year for our institutions, including the big tech companies that are our new institutions. We are losing trust in them. And looking for new things to trust. Which also creates an opportunity for a post trust society. More on that tomorrow. Happy New Year everyone.

Songs That Stayed With Me In 2018

URL: <https://avc.com/2018/12/songs-that-stayed-with-me-in-2018/>

Date: 2018-12-30T09:23:49

Content:

As is my tradition as the end of the year nears, here are the songs that stayed with me in 2018. It is a mix of songs everyone knows, like the marvelous All The Stars from the Black Panther soundtrack (which will be a 30sec sample unless you are a paying subscriber to SoundCloud) to little known gems like the starter track and the ending track. It features the biggest musical stars of the moment like Childish Gambino, Cardi B, Kendrick Lamar, Arctic Monkeys, and lesser known artists that I love like Doja Cat, Little Simz, Sampa The Great, and Grapetooth. It has a healthy dose of SoundCloud rap, in the middle of the playlist, because I probably listened to more of that this year than anything else. But I've included a number of genres, from hip hop, to electronic, to R&B, to alternative/indie, and a few tracks that defy categorization. With that, here are the songs that stayed with me in 2018:

Video Of The Week: Brad Burnham on This Week In Startups

URL: <https://avc.com/2018/12/video-of-the-week-brad-burnham-on-this-week-in-startups/>

Date: 2018-12-29T09:58:40

Content:

My partner Brad Burnham recently went on Jason Calacanis ' This Week In Startups . It is a longish (just over an hour) conversation and they cover a lot of territory.

Missing The Forest Through The Trees

URL: <https://avc.com/2018/12/missing-the-forest-through-the-trees/>

Date: 2018-12-28T09:42:00

Content:

At the tail end of the post that I wrote on how USV (me in particular) missed the first round for Airbnb, I wrote: We made the classic mistake that all investors make. We focused too much on what they were doing at the time and not enough on what they could do, would do, and did do. But we sometimes get it right when others get it wrong. When Henry Ward, founder and CEO of Carta (then known as eShares) wrote about their Series A round, he said: I used to try explaining that \$20 stock certificates were an entry point into something bigger. It never worked. Same issue. Most investors looked at the business of selling \$20 electronically issued stock certificates and missed that it was simply the entry point to moving the entire private securities market to the cloud. Investors have figured that out now and Carta is one of the fastest growing SAAS companies out there. But missing the forest through the trees is a common mistake that early stage investors make. I make it. We make it. Everyone makes it. My partner Brad Burnham has the best framework for thinking about this issue that I know of. He calls it "finding the narrow point of the wedge." The analogy is trying to hammer a piece of metal into a block of wood. If the metal is large and flat, you can't do it. But if it is narrow and thin, you can. And, of course, once you get the narrow point of the wedge into the block of wood, you can hammer it all the way in. So, that's what we all have to think about. Is there a large market out there that can be fundamentally changed with technology (like moving the private securities market to the cloud, or turning empty real estate into places to stay when you travel)? And what is the simplest and easiest way to get into it (like selling \$20 electronic stock certs or putting air mattresses on living room floors)? We try to keep Brad's framework in our heads at USV, but we forget it frequently. And it is often the costliest mistake we make in the VC business. Because high impact companies do not come along that often, and when they do, we have to find a way to say yes.

Guest Commenting Has Been Suspended

URL: <https://avc.com/2018/12/guest-commenting-has-been-suspended/>

Date: 2018-12-27T09:05:47

Content:

We have been dealing with a lot of comment spam here at AVC over the last few weeks. Most of it is “guest commenting” where the spam is being posted by an account that is not registered to Disqus (which hosts the AVC comments). So I am trying something new and different in the hopes that we can dramatically reduce comment spam. We are suspending the guest commenting feature on AVC. This may be temporary or it may be permanent. I hope and expect that regular commenters who are registered with Disqus will not be impacted. I realize this may reduce the number of comments by people who are new to AVC. It may also reduce the total number of comments and the opportunity for new voices to come and participate. None of this is good in my view. But I want the AVC comments to be a “clean and well lit” place and I also want the maintenance of this blog to be minimal. So that's why I'm doing this. We will see how it goes.

The Profit Motive

URL: <https://avc.com/2018/12/the-profit-motive/>

Date: 2018-12-26T08:58:49

Content:

I had an interesting conversation with a friend who operates a traditional business (not tech, not venture backed, not “growth”) last week. He buys a lot of software from tech companies and he observed that not one of them operates profitably. And that makes him a bit uncomfortable as he has always operated his businesses profitably. He mentioned to me that when he has taken capital from investors he has paid them back in full in less than a year each time, from the profits that the business is generating. It got me thinking that there is something about tech, particularly venture capital-backed tech, that allows us to operate for what seems like forever without a need to generate self sustaining profits. This can be a fantastic way to generate value when the opportunity is large enough (Google, Amazon, Facebook, Twitter, etc). But it is not a fantastic way to generate value when the opportunity is constrained, either by a smallish market size (TAM) or by a ton of competitors (little to no barriers to entry) or a number of other factors. Value is generated when the capital required to get a business to sustainability (usually positive cash flow, but I will include exits here) is meaningfully less than what the business is worth when sustainability is reached. As the capital requirements go up, because of sustained losses year after year after year, the business needs to become worth ever more money at sustainability. The mistake I think we make in the startup/tech/VC sector is that we look at things like Google/Amazon/Facebook/Twitter, or more recently Uber/Airbnb/Slack, and we think that every business can execute the same playbook. The sad truth is that not every business can execute that playbook and, as a result, many startups consume way too much capital on the way to sustainability and value is lost, not created. The never ending question that founders and management teams and boards face is whether to invest for growth (aka lose a ton of money) or work towards profitability (but constrain the growth of the business). It seems like every board I am on and every company in our portfolio is always asking this question. Where I come out on this issue, and always have, is that the growth has to be responsible (positive unit economics on growth spend) and that the path to profitability needs to be well in sight. I would add to those two constraints that a management team ought to be able to get a business profitable in a pinch without killing the business, if necessary. Clearly these “rules” should not apply to very early stage companies. They become relevant and possible once a business has a growing customer base and revenue stream. I think very few companies in our portfolio and any VC firm’s portfolio will pass these tests right now. Some do but not many. We have a few companies in our portfolio that are operating profitably. We have a few more that are in operating with profitability well in sight and could get there in a pinch without hurting the business too much. But the vast majority are burning money like its water and there is plenty more where it came from. Perhaps it is true that there will always be money to fund burn. Or perhaps it isn’t. But even if there is endless capital, many founders and teams will wake up one day and realize that all of that burn they accumulated is now a hurdle they have to overcome. And many won’t overcome it. The profit motive is what makes capitalism work. Businesses are ultimately valued as a discounted set of future cash flows. Positive cash flows. If you can’t generate profits in the future, your business will not be worth anything. So profits are key. And yet we don’t seem to value them in the tech/VC/startup world very much. Maybe we should.

Merry Christmas

URL: <https://avc.com/2018/12/merry-christmas/>

Date: 2018-12-25T09:46:49

Content:

To all of those who celebrate Christmas, I wish you a wonderful day filled with family and friends. To those who don't celebrate Christmas, I wish you a day of rest and relaxation.

Pocket

URL: <https://avc.com/2018/12/pocket/>

Date: 2018-12-24T10:47:15

Content:

I recently wrote about my new Pixel Slate . There is a lot I like about it and plenty more that I'm getting used to. I touched on most of that in my blog post. I am writing this post on my Slate using the Slate Keyboard (you can see it in the left of the photo below. One thing that I am totally smitten with is reading web content on it. The screen is big and crisp and it feels great in the hands. It's like a huge phone, which is the device that I have been doing most of my reading on. If you look at the bottom of the screen, you will see four icons; Chrome, Calendar, Gmail, and the fourth is Pocket. I have just started using Pocket . It used to be called Read It Later and it was developed by Nate Weiner. Pocket was bought by Mozilla in 2017. I selected Pocket because both of my daughters use it and several colleagues at USV do too. While I have mostly been reading web content on my phone, I come across it in many places (email, twitter, google discover, reddit, hacker news, techmeme, etc) on all of my various devices . Believe it or not, I have typically stopped what I was doing and read it when I saw the link, or I would email the link to myself and read it later in my mail client on my phone. But now that I have this Slate where I want to try and read all of my web content on, I am drawn to a service that exists on all of my devices (phone, desktop, laptop) and can collect all of the links and let me read them in one place. So I am going to finally try and make the switch to a "read it later" service, something many of you have been doing for years now. I do have some questions for those of you who use Pocket already: 1/ How do you save to Pocket links you come across in Twitter? 2/ How do you save to Pocket links you come across in Google Discover? 3/ Is there a way to save to Pocket directly in Gmail vs clicking on the link and launching in the browser and saving there? So that's one of the things I am up to on this year end holiday break. I appreciate all of your help in quickly making me a power Pocket user.

Gone Skiing

URL: <https://avc.com/2018/12/gone-skiing/>

Date: 2018-12-23T10:48:12

Content:

We arrived in paradise (as this photo shows) last night and we will be here with our family and friends for the next ten days. I plan to write daily but maybe not about tech and startups as much as I usually do. It has been an eventful year and next one is shaping up to be a doozy. So I am looking forward to some time to relax and reflect and recover before things get crazy again.

Video Of The Week: Chris Dixon and Brian Armstrong

URL: <https://avc.com/2018/12/video-of-the-week-chris-dixon-and-brian-armstrong/>

Date: 2018-12-22T09:37:04

Content:

Brian Armstrong, founder and CEO of USV portfolio company Coinbase , sat down with Coinbase Board Member Chris Dixon and talked about how Brian started Coinbase, how the company grew, and where crypto is today. It's about 40mins and it's a great conversation to listen into.

Funding Friday: A Grab Bag

URL: <https://avc.com/2018/12/funding-friday-a-grab-bag/>

Date: 2018-12-21T06:52:34

Content:

I went onto Kickstarter today to find, fund, and then feature a project on my regular Funding Friday post. I found so many great projects that I backed all of them and I have listed them below. Check them out, they are all great. And back a few of them too if you are so inclined. SoundMachine Seadrift: Vietnamese Refugees, Texans, and the KKK Black Flags Over Brooklyn 2019 Pizza, A Love Story – grab the final slice of the pie! Netflix vs. the World – Feature-Length Documentary The Making Of BEETLEJUICE Reach for the Rooftop

The NYC Transit Mess

URL: <https://avc.com/2018/12/the-nyc-transit-mess/>

Date: 2018-12-20T06:33:42

Content:

When Governor Cuomo and the state legislature passed last year's budget, they formed a committee to address the growing crisis in the NYC metro area transportation systems. That committee was chaired by my longtime friend Kathy Wylde, who runs and has run the NYC Partnership for many years. Anyone who knows Kathy knows she is all business and does not mince words. The world could use more people like Kathy, particularly in public service. The committee released their report this week and you can read it [here](#). The NY Times also covered the release of the report [here](#). The bottom line is that the MTA which controls much of the transit and tunnel and bridge infrastructure for the NYC metro area transit system needs between \$45bn and \$60bn over the 2020-2024 five year capital planning window. That compares to \$33bn over the prior five year period from 2015-2019. How does the city and state and region come with up to \$60bn? Well, one of the ideas is to implement congestion pricing in the "central business district" in Manhattan. That is an idea that has been proposed a number of times over the years, most notably by Mayor Bloomberg during his tenure. It is a good idea and long overdue. A dense urban environment should have excellent mass transit and incentives to use it and should have disincentives to drive cars. Taxing cars in Manhattan and using the revenues to maintain and improve our subways seems like an obvious thing to do. Congestion pricing in the central business district in Manhattan should produce upwards of \$1bn a year in new revenues. If a surcharge was applied to "for hire vehicles" (taxis, Uber, Lyft, etc) in the same central business district, another \$400mm a year could be generated. If you bonded the \$1bn, that could produce \$15bn. If you bonded the for hire vehicle surcharge, that could produce another \$9bn. Those are big numbers and would go a long way to funding the 2020-2024 capital plans. But as Bliss McCrum, who taught me much about venture capital and recently passed away, would say "don't put good money after bad without first making some changes." And the changes Bliss was talking about was the team, the operating model, and the strategy. So the other recommendations from the committee should be taken seriously before fully funding the 2020-2024 plan. Breaking up the MTA is at the top of the list. It is a monstrous bureaucracy which is wasteful and badly mismanaged. If it were a privately held company, it would have been bankrupt and reorganized long ago. We should treat it as bankrupt and reorganize it now. There is very little that can't be fixed by good management, a business minded operating model, and a responsible investment plan. Unfortunately government is not rich with any of those. But our transportation systems should be and those in government can and should make that a priority. Nothing less than the future of our city is at stake.

A Conversation With Tushar Jain

URL: <https://avc.com/2018/12/a-conversation-with-tushar-jain/>

Date: 2018-12-19T06:20:00

Content:

USV is an investor in Multicoin Capital , one of the leading token funds. In late October I attended their Multicoin Summit and spent about 45mins on stage with Tushar Jain , one of the two managing partners at Multicoin. It's a pretty good wide ranging conversation about how we think about investing in crypto right now (although it is a couple months old now).

A Trip Down Memory Lane

URL: <https://avc.com/2018/12/a-trip-down-memory-lane/>

Date: 2018-12-18T06:21:05

Content:

With the news of Google and Amazon's huge expansions into NYC, many people are asking "how did NYC tech get to this place?" Well, I am going to post a 25 minute video history lesson at the end of this blog post that explains that. But first, I'd like to talk about how I ended up doing that history lesson, which in and of itself is a history lesson. When the Internet sector started to emerge from its nuclear winter in the late 2003/early 2004 (which is also when Brad Burnham and I went out and raised the first USV fund), those of us who were still working in the Internet sector were looking around for a narrative and a rallying cry. Tim O'Reilly and John Battelle came up with it. They called the re-emergence of the Internet/web sector "Web 2.0" and they launched a conference called Web 2.0 Summit in the fall of 2004. It became the hub of the renewed vitality of the tech/internet sector and we went out to SF every year to attend it. By 2008, it was clear that NYC was increasingly an important part of the Web 2.0 story, by virtue of companies like Etsy, Tumblr, Delicious, and other important "web 2" companies started in NYC (and funded by USV). So John and Tim decided to host a Web 2.0 Summit in NYC in 2008 and to celebrate that, they asked me to give a history lesson in the emergence of tech in NYC in the mid 90s. I did that and it remains one of my favorite talks I have given. Here it is. I hope you enjoy watching it as much as I enjoyed doing it.

Supersize Your DJ Set

URL: <https://avc.com/2018/12/supersize-your-dj-set/>

Date: 2018-12-17T06:10:43

Content:

Our portfolio company SoundCloud just launched a pretty cool thing. If you are a DJ and use one of the popular DJ software products, you can plug SoundCloud into it and make your mixes right from the cloud . Here's a 15 second video advertisement for this new feature: SoundCloud has announced that this feature is coming to all of the popular DJ software products soon. It is great to see SoundCloud, a company that got its start with DJs, bringing all that it has built over the years back to its early users.

Negotiating: Drawing A Hard Line or Building A Negotiating Cushion?

URL: <https://avc.com/2018/12/negotiating-drawing-a-hard-line-or-building-a-negotiating-cushion/>

Date: 2018-12-16T09:25:09

Content:

I believe that negotiating is more of an art than a science. There are certainly strategies and skills that one can develop that make for better outcomes. But the art comes into play in figuring out what the person or people on the other side are optimizing for and adopting a strategy that reflects that. I have found that a single style and strategy rarely works well for every situation. Let's take the important question of whether you should make a "take it or leave it" offer and then draw a hard line on that offer or whether you should make an offer that has a fair bit of negotiating cushion in it. Some people like to negotiate and expect to negotiate. If you make a hard line offer and refuse to negotiate with them, they will be frustrated with you and may seek out other offers. Or if they do end up transacting with you, they will feel burned by the negotiating process and you will be starting off the relationship on the wrong foot. If you make an offer that has a lot of room for negotiating, they may actually enjoy the experience and come away feeling like they got a good deal from you. I like to shake hands at the end of a negotiation with both parties pleased with where they ended up. That is particularly important when you are entering a long term relationship like a venture capital investment. It is also critical to know what your "must haves" are going into a negotiation and what you can give on. Another form of negotiating art is how you reveal your must haves and where you are flexible. I have found that it is not helpful to a negotiation to lay all of that out at the start. There is a lot of value in a discovery process. It is a bit like dating. Each side reveals a bit about themselves to the other and that is also very helpful at the start of what might be a long relationship. All that said, there are times when drawing a hard line is appropriate. If the other side has all of the leverage then it is often best to make your best offer and say take it or leave it. If, for example, the other side has used a process to drive price discovery and possibly discovery around other key terms and has multiple offers, you are not going to win the deal with the low ball offer with negotiating room. You have to give it your best shot and then walk if you can't win on that basis. Like most art, it takes some time to learn all of this. You can take a class or a workshop on negotiating tactics and learn the fundamentals. I would strongly recommend that for young folks just getting started in business. But when it comes to learning how to size up the other party, well that takes time. You have to mess up some negotiations, lose some deals, and possibly win some on terms you later regret. It is that last bit, living with the terms you negotiate, where the greatest learnings come. I have found that a very powerful argument in a difficult negotiation is when you say "I did that once, I deeply regret it, and I'm never doing it again."

Audio Of The Week: Mythology Was The First Science Fiction

URL: <https://avc.com/2018/12/audio-of-the-week-mythology-was-the-first-science-fiction/>

Date: 2018-12-15T08:35:10

Content:

I loved this A16Z podcast featuring Adrienne Mayor who recently authored “ Gods & Robots: Myths, Machines, and Ancient Dreams of Technology “. Early in this podcast Adrienne states that mythology was the first science fiction and then she goes on to explain why. It’s a fun and educational listen. My favorite kind.

Feature Friday: Plan A Trip

URL: <https://avc.com/2018/12/feature-friday-plan-a-trip/>

Date: 2018-12-14T06:21:10

Content:

I don't really use Waze that much. My trips are typically a combo of walking, biking, subways, and driving and Google Maps does a great job of offering all of those options. Waze is made for driving. So I am more of a Google Maps user than a Waze user. But Waze has one feature that I am increasingly addicted to: the "plan a trip" later feature. I am going to Brooklyn this morning for a Board Meeting and then I need to be in my office later. So I pulled out my phone, launched Waze, and figured out when I need to leave by (if I am going by car). It looks like this: Given that Google (which owns Waze) has this data, I would love to see Google add this feature to Maps and apply it to subway trips as well. I would also like Google to add this data to scheduling a meeting in Google Calendar. Imagine if this feature was available in Resy and Open Table, when you are deciding when to book a table . Imagine if this feature was available any time that you are selecting a time for something and need to travel to it. We are living in a time when our phones and the services we use know so much about us and the world around us. That is problematic and getting more so. But it is also true that can offer magical experiences that makes our lives so much better. This plan a trip feature and other places it can be applied is an example of the latter.

Down Time

URL: <https://avc.com/2018/12/down-time-2/>

Date: 2018-12-13T06:25:00

Content:

Yesterday I upgraded to a higher tier of hosting service from my hosting provider (Bluehost). AVC is now running on a “virtual private server” vs a “shared server” in the past. That upgrade was processed in the middle of the night last night and after it completed, AVC went down. Anyone who tried to access AVC in the last six hours was served this error message: Account Suspended Which is mildly embarrassing, as it appeared as though I have not been paying my bills ■ The issue has been corrected and AVC is working properly again. We may have also fixed the nasty “error establishing a database connection” issue that has plagued AVC for years and has been particularly bad in the last few days. That was one of several reasons I did the upgrade. The particular reason AVC was not reachable for the last six hours is that my new server has a new IP address and I needed to change that in my Cloudflare account. It is little things like that which cause many of the problems that happen in tech. I changed the IP addresses at Cloudflare and AVC was back up and running immediately. Oh well. Sorry about the downtime. And here's to hoping that AVC is more reliable for all of you now.

Pixel Slate

URL: <https://avc.com/2018/12/pixel-slate/>

Date: 2018-12-12T08:09:47

Content:

My Chromebook journey has led me to the Pixel Slate. As I wrote here a few months ago , I have wanted to move to a Chromebook for a while and I finally decided to do it. I started with the Pixelbook, and I have been using it for about three months as my only machine at work. I wrote a bit about what I like about it and what I don't like about it . The lack of a biometric login (face or finger recognition) is a real limitation for me with the PixelBook because you have to use your Google login to unlock the device and I've got a very strong password on my Google account. So when the Pixel Slate came out and offered fingerprint login, I bought one. I got it this week and have set it up and started to use it at work. It's a really interesting device. I bought it as a Pixelbook replacement as it has a keyboard that turns it into a laptop (sort of). It works a lot like the Microsoft Surface in that regard, although I have never used a Surface so I can't really compare them. But the thing that really kind of turned me upside down on the Slate is when I started installing Android apps on it. Once I had the native Gmail, Calendar, and other Android apps on it, the Slate started to feel like a massive phone to me. So now I am really trying to understand this device and how best to use it. I am intrigued by the hybrid nature of it, part laptop, part tablet, part phone. I may very well start taking it with me when I travel, instead of my MacBook Air. In any case, I am now in full discovery mode with this device. And very excited to see all that it can do for me. The one thing that took me some time to figure out is the biometric login. If you login to the device with your work Google login, the fingerprint login may not be available to you (that's what happened to me). With the help of my colleague Nick, I figured out that I could install the device with my personal Google login, then add my work Google account to it, and then I was able to use the fingerprint login. I don't really understand why Google deprecates the fingerprint login for work accounts as they allow that on the Pixel phone. But in any case, I got all of this working and I am now going to see how far this Pixel Slate can go with me. I am pretty optimistic that I am really going to like it.

When Markets Overcorrect

URL: <https://avc.com/2018/12/when-markets-overcorrect/>

Date: 2018-12-11T06:28:27

Content:

When capital markets change direction, to the upside or to the downside, they often go too far before finding the right balance. When they overshoot to the downside, you can find some real values. Back in the financial crisis of 2008, I was blogging about that as it related to the big tech stocks (Apple, Amazon, Google). The market hated everything and you could buy the big three tech franchises at crazy low prices as it related to their fundamentals (revenues, profits, cash flow, etc). And so I did and a lot of other people did too. And when the market came back in 2009 and beyond, those who bought at those bargain prices were rewarded. So, it may be time to start thinking this way in crypto land. The reason I say “may” instead of “is” has to do with the fact that really bad bear markets take a while to find their footing and start moving up again. I worry that it will take crypto a while before it can make a move upward again. I wrote about that in this post a few weeks ago. But nevertheless, I think it is time to at least start looking for fundamental value in crypto land. Ethereum is trading below \$10bn. There are some traditional businesses in the crypto sector that are valued at almost that level. And if you believe in the fat protocols thesis, as I do, that gets my attention. But there are more rigorous ways to think about fundamental value in crypto and one of the best known fundamental value thinkers in crypto is Chris Burniske, a partner in Placeholder, a crypto venture firm that USV is an investor in and I am an investor in too. Chris posted a bunch of charts and analysis yesterday comparing Bitcoin and Ethereum to a bunch of measures of the fundamental value of their networks. This chart from that post is the most telling in my view: The green line is the use of gas to pay for smart contract execution on the Ethereum network. The blue line is the market cap of Ethereum. The growing gap between the green and blue lines represents, to me, the sign of market overshooting itself. There remain some important fundamental questions about Ethereum so it is not like Apple, Google, and Amazon back in 2008. There is still existential risk in Ethereum. It could fail as a protocol and go to zero. So there are many reasons not to go all in on Ethereum right now. But if you view Ethereum as a call option on the possibility that it will retain its role as the leading decentralized smart contract execution platform, then I think it is starting to look pretty compelling. And analysis like the work that Chris is doing is really helpful in determining things like that.

Leadership and Self Care

URL: <https://avc.com/2018/12/leadership-and-self-care/>

Date: 2018-12-10T06:57:12

Content:

I saw this tweetstorm by Jack Dorsey on Saturday evening and thought “Good, Jack is taking care of himself.” For my birthday this year, I did a 10-day silent vipassana meditation, this time in Pyin Oo Lwin, Myanmar ■■■. We went into silence on the night of my birthday, the 19th. Here’s what I know ■■■ — jack (@jack) December 9, 2018 I guess I was the only one who reacted that way given the amount of abuse and vitriol that has been thrown at him on and off Twitter for that tweetstorm. I understand the frustration that users feel about the things that don’t work right on Twitter, particularly the abuse and hate and the other unpleasant stuff that the Twitter platform attracts, including our horrible President and his nonsense. I also understand that the country Jack visited and made a number of positive comments about, including suggesting that others visit there, is a place where the government and military has done all sorts of bad things, including genocide. Certainly the comments that Jack’s tweetstorm was “tone deaf” are accurate. But I would like to take the other side of the argument here and make a few important points. Say what you want about Jack Dorsey, he came up with the ideas for two hugely impactful products that I use every day and many others do too. Those products are Twitter and Square. Not only did he come up with the ideas for those products, he has breathed life into them with his work and his passion and they are two of the best products brought to market by the tech sector in the last decade. Jack is not a conventional CEO. He does “run” two companies. But he has very strong teams who operate both companies underneath his leadership. And since he came back to Twitter full time in the summer of 2015, Twitter has slowly but surely addressed much of what was ailing it. The stock has doubled in the last 18 months and user growth has stabilized. And, most importantly, the company is addressing many of the most troubling aspects of the service, certainly not as quickly as its critics would like, but the service is undeniably dealing with the abuse issues more seriously than it has in the past. Square is a company that Jack has run since day one. And as Jack tweeted out the other day, the Square cash app is doing great. ■■ pic.twitter.com/g9ZhUCpxAx — jack (@jack) December 8, 2018 And here is Square’s stock price since going public: Even with the recent pullback, Square is up 5x since its IPO in late 2015. So, it’s not like Jack hasn’t been doing his job. He is leading not one, but two companies, and from the outside, I would argue that he is doing a pretty solid job at that. I am not on the inside at either Twitter or Square, so I don’t really know how things are going at these companies, but from where I sit, I would say he’s doing well. So, with all of that backdrop, I want to make a point about the toll leadership takes on someone and the need for self care, particularly in high stress jobs like running public companies. Leadership is a burden. You are the one everyone looks to for inspiration and direction. The things that land on your desk are the things that nobody else wanted to or could deal with. Leadership is lonely, stressful, and takes a toll on people. Just take a look at the faces of every President on the day they took the job and the day they left the job. You will see the burden and toll of leadership right there. And so, it is very important for leaders to take care of themselves. That can take many forms, but here are some things that I recommend to the leaders I work with (in no particular order): Vacations Sabbaticals Eating Healthy Drinking Less Exercise Meditation Coaching Working On Your Marriage Spending Quality Time With Your Family And yet, for some reason, we criticize our leaders for doing these things. Like taking a vacation, or doing a workout, or going on a meditation retreat is some abandonment of their duties. I think it is exactly the opposite. It is their duty to take care of themselves. Because if they don’t take care of themselves, they can’t take care of their companies and all the stakeholders who rely on them. I am glad Jack went on a meditation retreat. I am glad he is taking care of himself. I understand why that tweetstorm was tone deaf, but let’s not get carried away here. Leaders are humans too. Let’s be decent humans to them. Disclosure: My wife and I own shares in Twitter and I was on Twitter’s board a decade ago.

Thinking Ahead To 2019

URL: <https://avc.com/2018/12/thinking-ahead-to-2019/>

Date: 2018-12-09T07:46:26

Content:

In the last week, we have learned that Uber, Lyft, and Slack plan 2019 IPOs. I am sure that a few more highly valued private companies are also planning to go public in 2019. It is something that I have been expecting and predicting for a few years now. Eventually these companies that have raised a ton of capital in the private markets will choose to go public and generate liquidity for the shareholders who plowed all of that capital into them. And yet storm clouds are on the horizon for the capital markets in 2019. Rates have risen significantly in the last eighteen months, pulling capital out of the equity markets and into the fixed income markets. There are some leading indicators that suggest a business slowdown is on the horizon, which would be the first one in the US in a decade. And, of course, the situation in DC is getting dicey and that will weigh on markets as well. Good companies can go public in bad markets so I am not saying that the long delayed IPO plans of juggernauts like Uber will be squashed by a bear market in 2019. But what I am saying is that 2019 is shaping up to be a very interesting year for the capital markets that power the startup economy. There is a big difference between the private markets and the public markets. They do not move in lockstep. For years now, the late stage private markets have been trading at valuations that are well in excess of their public market comps. That is true for a number of reasons. First, private market investors have longer time horizons and are looking for a three to five year return, not an immediate one. Second, private market investors get a liquidation preference which in theory protects them from losses. Finally, deals in the private markets clear in an auction like environment where the highest bidder wins the deal. All of these factors mean that a hot company can raise capital in the private markets at valuations well in excess of where they can raise capital (and trade) in the public markets. But the public and private markets are connected to each other. If the Nasdaq falls significantly, and it is down roughly 15% from its highs in the late summer/early fall, then it will eventually weigh on the private markets. And, if Uber, Lyft, and Slack do go public in 2019, where they price and where they trade will impact startup valuations, both late stage, and ultimately early stage too. These markets, public, late stage private, and early stage private, feed off each other and the participants in one look to the others for supply of deals and liquidity. So while they may appear to be disconnected, and often are, they do ultimately sync up. And so I'm wondering if 2019 is the year they start to sync up again, after quite some time being out of sync. And if that comes to pass, what it means for our portfolio companies and their financing and liquidity options. Fortunately for most of our portfolio companies, and most companies in the startup sector, we have had a number of years of very flush capital markets and many companies have strong balance sheets and a lot of staying power. The same is true of most venture capital firms as the past few years have been a great time to raise capital. So if things slow down in 2019 and I am not predicting they will, but I think they might, the startup sector is in good shape to weather it. But at some level, the startup capital markets are a game of musical chairs and you don't want to be the one who can't find the chair when the music stops.

Video Of The Week: The Shifting Funding Landscape

URL: <https://avc.com/2018/12/video-of-the-week-the-shifting-funding-landscape/>

Date: 2018-12-08T08:46:26

Content:

Our friend and USV Limited Partner Beezer Clarkson hosted a panel at the recent Slush Conference in Helsinki talking about the shifting landscape for startup funding. My partner Rebecca participated on the panel along with several others. It's a roughly 30min conversation and covers the big topics in startup finance.

Funding Friday: Signal Problems

URL: <https://avc.com/2018/12/funding-friday-signal-problems/>

Date: 2018-12-07T07:43:47

Content:

One of the most vexing issues facing NYC right now is our transportation mess and at the heart of it is the subway system. My favorite chronicler of the subway mess is Aaron Gordon and his Signal Problems blog/newsletter. If you want an example of the quality and clarity of Aaron's analysis and writing, I would point you all to his post on Amazon HQ2 and the transportation issues it presents. So what does all of this have to do with Funding Friday? Well, I am glad you asked. Aaron is offering regular readers the opportunity to subscribe for \$50/year and help support his efforts to shine a bright light on the MTA and all of its issues. I think we need more journalism like the kind that Aaron is providing and so I signed up for the \$50 today. If you are a NYC resident and ride the subways regularly and want to stay on top of what's going on, I strongly suggest subscribing to Signal Problems and while you are at it, you might consider helping to fund this effort with an annual (or monthly subscription). You can do that here .

Google Photos Feature Request

URL: <https://avc.com/2018/12/google-photos-feature-request/>

Date: 2018-12-06T13:17:39

Content:

I think Google Photos is awesome. It is one of my favorite Google products. The photo search is amazing. And the sync from my Pixel phone to Photos works beautifully. But there is one thing that bugs me about Google Photos that I would love to see the Photos team address. When I post a video to YouTube, and then want to share it, one of the options I have is to embed the video with an embed code. I would love to have the same option in Google Photos. If this feature exists, I can't for the life of me find it. If it doesn't, I would love to see them add it. I can assure you that if this feature existed, I would be sharing a lot more photos here at AVC. Update: A reader shared with me this third party solution to the embed issue.

Quizlet Premium Content

URL: <https://avc.com/2018/12/quizlet-premium-content/>

Date: 2018-12-05T07:13:43

Content:

Our portfolio company Quizlet is one of the top mobile apps out there with over 50 million people a month using it to learn something . Quizlet has existed for over a decade as a wikipedia style learning community with its users creating and sharing study sets on pretty much everything and anything. There are over 300 million of these study sets on Quizlet and that number grows larger every day as more people join Quizlet and create and share their study sets. This week Quizlet announced that premium content creators are now joining the Quizlet community to share, and sell, study sets that they have created. Premium content creators include publishers like Kaplan and Pearson , digital learning platforms like Babbel and Kenhub , and individual experts like Rob Swatski and Miriam Gutierrez . If you want to become a Quizlet Verified Creator and publish your premium learning content as a Quizlet Study Set, you can go here and do that . None of this changes the basic Quizlet experience that 50 million people experience every month. As Quizlet wrote in the blog post announcing Premium Content: You can continue to create study sets and study user generated content to practice and master what you're learning for free — just like you always have. Quizlet Premium Content doesn't replace the parts of Quizlet you know and love; it's adding to it, giving you new ways to use the games and activities on Quizlet to study content you don't have to create yourself (or rely on other users to create!). I am excited to see Quizlet add premium content to its massive library of learning material. It allows learners to find new content that may meet their learning needs better than the content they or others have created. It allows teachers and other professional learning content creators to get compensated for their premium content on Quizlet. And, of course, it creates a third revenue stream, in addition to advertising and subscriptions, to diversify Quizlet's business model. Quizlet is an amazing learning community. Now professionals can join it and add value while getting compensated for that. I am confident that this new premium content will make Quizlet even better.

La Hora del Código

URL: <https://avc.com/2018/12/la-hora-del-codigo/>

Date: 2018-12-04T06:53:59

Content:

It is Computer Science Education Week . This is a worldwide movement to get schools everywhere doing an hour of code . It started in 2009 and nine years later it is one of the largest learning events in the world. I celebrated CS Ed Week yesterday morning by visiting PS24 with NYC Schools Chancellor Richard Carranza and Brooklyn Borough President Eric Adams . PS 24 is a dual language (English and Spanish) PreK-5 elementary school in Sunset Park Brooklyn. The school is led by Jacqueline Nikovic and the student population is 88% Hispanic and 45% are English Language Learners. We started in a kindergarten that was a dual language integrated co-teaching classroom. That means these students are being supported in their effort to acquire a second language (English). The students were using cards with Spanish words on them like Empieza (start), B rinca (jump), and others to create an instruction set. They then followed the instructions. Here's a photo of one of these instruction sets (those are my shoes on the lower left). This is a student showing the Chancellor and Borough President her instruction set. By the time they get to fifth grade at this school, the students are doing Scratch programming in the computer lab. In this photo below, the Chancellor was pair programming with a young man and a young woman (who unfortunately is blocked in this photo). Let's just say the kids were doing the teaching and the Chancellor was doing the learning. PS 24 adopted NYC's CS4All program this year so it is the first year that teachers in the school are getting professional development in computer science education. Everybody I met at the school, the Principal, the teachers, and the students, seem incredibly excited about getting computer science in their school. I was particularly impressed how PS 24 has made CS accessible to english language learners. The whole idea of CS4All is that we need to make these skills accessible to all learners, regardless of gender, race, age, neighborhood, language, etc. Though the teachers and students made it look easy yesterday, none of this is easy. The NYC Department of Education, and the private sector supporters of CS4All, are doing something very hard, introducing an entirely new subject into a curriculum that has largely been stale for the last fifty years. Sometimes I struggle with how hard this work is. But when I go out to the schools, which I have done twice in the last month, I get totally energized. Seeing the excitement on the student's faces makes it all worth it.

Litigation

URL: <https://avc.com/2018/12/litigation/>

Date: 2018-12-03T06:41:10

Content:

Litigation is something I try to avoid. It is way better to work out differences by sitting down and negotiating a reasonable deal for both parties. But litigation is a fact of life in business. You cannot avoid it all of the time. Companies and people will sue you even when you have done nothing wrong. So you need to have a framework for thinking about litigation. Here are some of the things I have learned over the years: 1/ Litigation is expensive and can go on for a very long time. There is no sense of urgency in litigation. You can easily spend more money litigating than settling. If you can settle for less than the likely litigation expense, even if you have done nothing wrong, it is usually better to hold your nose and do that. There are some people who argue that regularly settling for less than litigation costs will give you a reputation as someone who does that and it will make you a target for lawsuits, often baseless ones. I understand that argument, but I still think settling for less than likely litigation costs is generally the right approach. 2/ You can lose in litigation even when you have done nothing wrong. I have a friend who is a litigator and he advised me a long time ago that "assume you have a 50/50 chance of losing, no matter how strong your case is, and then you will tend to make the right business decisions." His point is that you should not fall back on the comfort of a "strong case." Life is not fair. You can lose when you should win. Plan for that. 3/ Litigation expense is leverage in litigation. Early on at USV, we ended up in some minor litigation. We spent a lot of money on discovery and the other side figured out how to spend very little. We got very far over our skis on the case and we ended up settling on very favorable terms for the other side. We let the other side use expense to their favor. I promised myself I would never do that again. But I see companies we work with do that all the time. It is very easy to want to "lawyer up and fight" and often that is not the best strategy. It can be better to do the rope-a-dope and let the other side spend all of their money and get over their skis. 4/ There are times when you have to fight even if you can settle. If settling a case would materially harm your business, to the point that you would have a hard time operating it, then you must fight. These are existential cases. They are very rare, but they do come along once or twice in a career. When one like this comes along, "lawyer up and fight" is the right strategy and you should amass the best legal team money can buy and you must do everything you can to win. Figuring out when something is existential is the key. Often things feel existential when they are not. That is where the mistakes are often made. 5/ There are lawyers who are great business advisors. I like the term consigliere for them. And there are lawyers who are great litigators. Make sure you have both of them working for you in a litigation. If you can get a consigliere in your company as your General Counsel, you will be way better off in litigation. If you can't afford that, have one on your board or in your life. The consigliere will help you manage the business side of the litigation and the litigator will manage the legal side of the litigation. It is hard for a business person to manage a litigation without a lawyer at your side. Those are few of the things I have learned over the years. But my first rule of thumb is to avoid litigation if you can. It really sucks. PS – I realized after re-reading this post that I left out something very important. Arbitration is an excellent replacement for litigation. Think of it as "litigation light." It is very important to have arbitration clauses in your everyday contracts (employment, construction, sale of software, provision of service, etc). Arbitration clauses require arbitration in lieu of full blown litigation in the event that there is a dispute over the contract. Arbitration is like litigation in that you can lose even though you did nothing wrong, but it will cost you a lot less time and money to reach a resolution and if you lose, the damages are often a lot more reasonable.

Centralization vs Decentralization

URL: <https://avc.com/2018/12/centralization-vs-decentralization/>

Date: 2018-12-02T09:05:20

Content:

Decentralization is one of, if not the most, discussed features of the crypto tech stack. In a decentralized system, no single body controls the system. We have most certainly not reached the era fully decentralized systems, but that is what most of the world-class technologists working in the crypto sector are focused on getting us to and I believe we will get there in the not too distant future. If you are a student of tech history, you will not be surprised that decentralization is also the right technology arriving at the right time to solve some of the most challenging policy problems facing the tech sector right now. Before I elaborate on that, I want to show you a slide from my colleague Nick's deck on crypto that he uses to talk to policymakers and elected officials. I believe he borrowed it from our friends at Placeholder and they are credited at the bottom of this slide. Here is my quick explanation of that slide. IBM had a near monopoly on computing by virtue of their domination of the mainframe, mini-computer, and, it seemed, the PC computing platforms. But the open PC hardware standard allowed Microsoft to develop an operating system that could run on any computer built to the PC hardware spec and they eventually unseated IBM, only to become a near monopoly themselves. But just as we were wringing our hands about what to do about Microsoft's monopoly, an open source operating system (Linux), the internet protocols, and the free distribution of the world wide web undid that monopoly and we got Google, Facebook, Amazon, and other big tech platforms. And now we are wringing our hands about these near monopolies and their market power and the ability of bad actors to manipulate them. And around the same time, the technology to architect and scale a completely decentralized system emerges. The other thing that is true of these moments of hand wringing is that just as the technology is emerging to unseat the near monopolies, regulators and elected officials try to put the genie back in the bottle using traditional regulatory techniques that often end up more deeply entrenching these near monopolies. To give you an example of how this might happen, I am going to suggest you all go read my partner Albert's post from yesterday on Twitter and how one might approach addressing some of the vexing problems that platform is dealing with right now. Albert points out that: On the minus side the calls to treat Twitter as a traditional publisher are growing. That is how elected officials and regulators often think. They look backwards to find a model of regulation that has worked in the past and try to apply it to a new thing. But as Albert explains: The idea that there could or should be a single central institution, let alone a commercial company, which as a benevolent dictator resolves all of these issues to everyone's satisfaction is a complete non-starter. Instead he proposes a few ideas that are steeped in decentralization: my preferred go to answer is to shift more power to the network participants by requiring Twitter (and other scaled services) to have an API. That would allow endusers to programmatically create the best version of Twitter and would also make it easier to simultaneously use Twitter and new decentralized alternatives. And Twitter should significantly expand the features that let individuals and groups manage the visibility for tweets for themselves. There are already useful features such as muting a conversation or blocking an individual. These could be expanded in ways that allow for delegation. For instance, users should be able to say that they want to subscribe to mute and block lists from other individuals, groups or organizations they trust. One example of this might be that I could choose to automatically block anyone who is blocked by more than x% of the people I follow (where I can choose x). Ideally these features could be implemented at the tweet/conversation level and not just the account level. So you can see that by decentralizing the power to the edges of the network INSTEAD of further concentrating it by requiring the network owner to further centralize power is the right answer, both from a technology perspective and a regulatory/policy perspective. Sadly, I think we are in a race with ourselves in this centralization vs decentralization debate. We need the decentralized tech stack to evolve more quickly and show the world how decentralized technology works in a mainstream way at scale before policy makers and regulators force the tech sector to go the wrong way. And, most disturbingly, the regulators and elected officials are taking actions, well intended of course, to slow the decentralized sector down, not speed it up. Which is why we at USV have been spending a lot of time with public servants of all kinds, educating them, imploring them, and desperately trying to get them to understand where we are, why it is an important moment, and why we need to this new technology to succeed.

Video Of The Week: The Sorkin-Clayton Interview

URL: <https://avc.com/2018/12/video-of-the-week-the-sorkin-clayton-interview/>

Date: 2018-12-01T06:43:56

Content:

One of the big issues facing the crypto sector is the regulatory question, both in the US, where it looms largest, and elsewhere around the world. In the last few weeks we have seen the SEC reach settlements with several crypto projects and decentralized exchanges, all of which were the subject of enforcement actions or threatened enforcement actions. As I alluded to in this post last week, I fully expect to see the SEC continue to look hard at the crypto sector in an effort to rein in what it sees as violations of its rules on the offering and sale and trading of securities. In the wake of all that, The New York Times hosted an event last week in which Andrew Ross Sorkin interviewed SEC Chairman Jay Clayton. This is a recording of that interview. The conversation is about an hour long. You can/should fast forward to 11 1/2 minutes in to bypass all the introductions.

Funding Friday: Who Is She?

URL: <https://avc.com/2018/11/funding-friday-who-is-she/>

Date: 2018-11-30T06:13:08

Content:

This Kickstarter project has been popping up in my various notification channels this past week and I finally got around to backing it. It seems like the perfect gift for a girl who you want to inspire to be everything she can be. Sadly all of the Christmas 2018 rewards are sold out. You can back it [here](#).

The Pitch Meeting Setup

URL: <https://avc.com/2018/11/the-pitch-meeting-setup/>

Date: 2018-11-29T07:48:07

Content:

We've known for a long time that one of the most stressful things for entrepreneurs when they pitch us and other VCs is the initial setup of the meeting when they need to be meeting and greeting the folks in the room and, at the same time, figuring out how to connect their laptop to present their deck. That combo is a real challenge. Some entrepreneurs navigate it with grace and some really struggle with it. But it is a pain for everyone. We used to have a cable that the entrepreneur could connect their laptop with but that had its own set of problems as not every laptop would work with the cable. We use Zoom now and we ask the entrepreneur to get on our guest wifi (no password) and then fire up zoom, join our room, and share their screen. That works better, particularly when we let the entrepreneur know in advance that is the way we do it so they can download zoom onto their laptop before the meeting. But even with all of that, we still have this awkward few minutes where the meeting is getting set up. I am curious to hear from all of you about the best meeting setup situations you have run into in your careers. We do not subscribe to the theory that making it hard on the entrepreneur shows us something. We do subscribe to the theory that making it easy on the entrepreneur is in everyone's interests.

Track Record

URL: <https://avc.com/2018/11/track-record/>

Date: 2018-11-28T13:17:41

Content:

I've had a few conversations in the last few days about a VC's track record, which is a schedule of investments over the years with the wins, losses, and everything else. I was seeing an old friend who has been in the VC business as long as I have yesterday. We got to talking about the notion of a track record. I told him that what is most valuable in a track record to me is not the gross returns, IRRs, or even big winners. What is most interesting and valuable to me is the cumulative experience you can see by looking at the track record. You can see how long someone or some firm has been at it, their mistakes, their successes, how they have evolved as investors, style changes, risk appetite, and a lot more. Then this morning, I was talking with one of my partners about USV's track record and we both were cringing at some of our big mistakes. Neither of us were focused on the winners. We were just stung by the mistakes. And I think that's important. We should not stare too much at our big winners. We don't learn that much from them. We should stare at our big mistakes, because we do learn a lot from them. I am proud of USV's track record. We have produced fund after fund of strong performance, something that is not easy to do. But I don't think that is what differentiates us in the market. And we rarely talk about it with entrepreneurs. We do talk about the difficult lessons we have learned over the years and how those lessons may allow us to help them avoid a similar fate. And, ironically, maybe that is what allows to produce the track record we have.

Giving Tuesday

URL: <https://avc.com/2018/11/giving-tuesday/>

Date: 2018-11-27T06:07:24

Content:

I don't care about or participate in Black Friday or Cyber Monday. But Giving Tuesday is awesome and I never miss the opportunity to participate in a day of collective giving. I love it. This morning I went on to DonorsChoose and fully funded a project that is near and dear to my heart, teaching early elementary school kids how to write code on tablets with visual programming languages. And in this case, the kids are from a high need neighborhood in the Bronx. I would encourage everyone to take a few minutes today and give what you can to a cause that is near and dear to your heart. I promise you that it will make you feel great. It really isn't about how much you give. It is about finding something that matters to you and supporting it with whatever you can afford. Here are some great resources to find something to support today: DonorsChoose – Find A Classroom To Support GoFundMe – Support Holiday Gift and Food Drives Across the US Twitter – the #givingtuesday hashtag has some excellent giving opportunities on it I hope you take a few minutes today to give.

My Amicus Brief

URL: <https://avc.com/2018/11/my-amicus-brief/>

Date: 2018-11-26T08:21:22

Content:

The Supreme Court is going to start hearing arguments today in a case where consumers are challenging Apple's distribution monopoly on iPhone apps. These consumers are represented by the attorney generals of 30 states including California, Texas, Florida and New York. I just heard about this case today and it is too late to file an amicus brief, so I am simply going to share my thoughts on this case here. 1/ Apple argues that consumers cannot bring suit against them as it is the app developers who are the harmed party if there is one at all. I don't agree with that for two reasons. First, developers pass the increased costs on to the consumer. Second, the developers are not going to attack Apple because they are their only way to get to market. 2/ Apple argues that a decision against them will harm the broader e-commerce market. I don't agree with that either. If anything, opening up the distribution system for mobile applications would massively increase the e-commerce market which is artificially constrained by Apple and Google's mobile app store monopolies. I wrote a bit about that earlier this year . 3/ The US Chamber of Commerce did write a brief in support of Apple in which they argued that "The increased risk and cost of litigation will chill innovation, discourage commerce, and hurt developers, retailers and consumers alike." I cannot disagree with that statement more. Innovation flourishes when there is an open market where no one party can control what can be sold. Apple routinely prevents innovative new apps from being sold in their app stores. A good example of that right now are crypto-based games and other applications that threaten Apple's 30% take rate on digital goods business model. Apple and Google have constrained the distribution system for mobile apps in many parts of the world and the result is higher costs for consumers, less choice, and ultimately less innovation. None of this is good for the economy. It is high time for the courts to weigh in here and open up the opportunity for third party app stores to exist on Apple and Google phones. I encourage the Supreme Court to rule in favor of the consumers in this case in hopes that it will lead to that.

What Bear Markets Look Like

URL: <https://avc.com/2018/11/what-bear-markets-look-like/>

Date: 2018-11-25T08:17:20

Content:

It's hard to look at the price charts of the big crypto assets and not cringe. But it helps to look back to an earlier time, when a new sector was emerging, and understand what can happen. Amazon peaked in the Internet bubble in late 1999 at around \$90/share. Almost two years later, at the trough, you could briefly buy Amazon at \$6/share. And then it took until late 2007 for Amazon to trade above the highs it reached in 1999. But of course, all of this is ancient history and if you look at Amazon's chart today, all of that turbulence is hardly even visible. But for those of us who were investing in tech and tech startups back in 1999-2002, that time will forever be etched in our minds. It was a brutal period during which our belief in the Internet and its potential was sorely tested. Many friends and colleagues left the sector and never returned. So while crypto asset prices are down 80-95% in USD terms over the last year, they could and probably will go lower. Amazon was down 80% a year into the post-bubble bear market and it got cut in half again before it made a bottom almost two years after it peaked. What we have yet to see in crypto land is when they kick you when you are down. And that is certainly coming. Regulators came after the Internet sector in a big way post the bubble and that seems likely to happen in the crypto sector too. And most everyone in big companies wrote the Internet sector off, cancelling their Internet efforts as a fool's errand. That seems likely to happen in crypto too. And many talented people left the sector. That seems likely to happen in crypto as well. But those who stayed were rewarded, although it took a long time for that to happen. We didn't see meaningful paydays in the Internet sector until the 2007-2008 period and the big paydays didn't start coming until 2010 and beyond. The thing to look for in the downturn is signs of life. There were little projects that turned into big ones. Blogger was started in late 1999, almost shut down many times in the next few years, and was picked up by Google in 2003. Myspace, LinkedIn, and Facebook all emerged in the 2002-2004 period, as the Internet was finally coming to life again. So that is my framework for thinking about where we are with crypto and where we are going. I think some crypto asset (and possibly a number of crypto assets) will have a price chart like Amazon's current one in 18 years. But we will have to do what Amazon did, hunker down and build value and survive, for quite a while to get there. And I think things will get worse before they get better.

Video Of The Week: The End Of The Beginning

URL: <https://avc.com/2018/11/video-of-the-week-the-end-of-the-beginning/>

Date: 2018-11-24T08:38:27

Content:

This is a talk that Benedict Evans gave at the A16Z Summit earlier this month. If it were possible to watch YouTube in 2/3 speed, I would love to do that with this video. Otherwise, I think it is terrific in it's ability to capture where we are in "tech" and where we are going. It is about 25mins long.

Funding Friday: Ski Maps

URL: <https://avc.com/2018/11/funding-friday-ski-maps/>

Date: 2018-11-23T07:11:46

Content:

This coffee table book of ski maps looks awesome. I backed it today and also got one for our coffee table. You can do the same here .

Giving Thanks

URL: <https://avc.com/2018/11/giving-thanks-3/>

Date: 2018-11-22T06:54:03

Content:

Happy Thanksgiving Everyone. I appreciate the annual ritual of surrounding ourselves with family, making a big dinner, and enjoying all of that. I also appreciate taking some time to look back on things and be thankful for what we have. I am most thankful for what I have around me today, my wife, who makes everything better for everyone around her, and our three fantastic children. But I thought I would also talk about something that has helped me a lot in the past year – taking a more meditative posture to life. I started meditating last fall and have now been doing it every day since then. But that's only part of what I am talking about. I am also talking about doing yoga two to three times a week, and making the most out of those sessions. And then taking all of the experiences and sensations and feelings that those things give me and introducing them into the rest of my day. I have always been high strung. I throw myself at the world and keep throwing myself at it until I am exhausted. That personality has made me who I am and produced much of the success I have enjoyed. But it is also the source of the anxiety and worry that I have experienced regularly and, at times, acutely. Breathing, deeply and repeatedly, and taking it down a notch and sitting with that feeling is something I wish I had learned as a child. I am sure that there were people who tried. But it took me until my mid 50s to really get it. But now that I do, I have found a balance to the “go go go” way of life that I still live and enjoy. I am very thankful for that.

Bleeding

URL: <https://avc.com/2018/11/bleeding/>

Date: 2018-11-21T07:19:37

Content:

The Nasdaq is down almost 15% from its labor day highs. Apple is down almost 25% in the last two months. Facebook is down about 40% since July. Bitcoin is down about 80% from its highs last December. Ethereum is down about 90% from its highs in January. All of those are examples of bleeding, if you happen to own any of them. So what do you do? Close out your position? Buy the dip? Sit on your hands? It all depends on your fundamental views on these various investments. Here are mine. Apple is the easiest one for me. They aren't going anywhere, although growth is slowing as they are close to saturating the high end of the mobile phone market. It will be a value stock at \$120/share. If it gets there, load up on it. Facebook is harder. They own some incredible assets like Instagram but the outlook there is cloudier given likely regulation and it won't be a value stock for another \$100 of losses. The Nasdaq is even harder. Are we in a bear market now? Or just a painful correction? A bull market that is almost ten years old feels long in the tooth and I can see the arguments for a bear market more clearly than a correction. Bitcoin will form a bottom at some point and is a buy when it does. But where is that bottom? Probably not \$4500. Ethereum feels like the easiest one to make a bull case for right now. It is hated. Everyone has lost their shirt on it by now. Nobody other than developers want to know about it. It feels like time to start nibbling on it but not loading up on it. But the thing to understand more broadly about what is going on right now is that big sophisticated investors are reducing their risk exposure across all asset classes and have been doing that for some time. The pace of the "risk off" trade is accelerating. Which means a flight to safety is going on. And when that is happening, you really need conviction to be buying.

The Kickstarter 2017 Public Benefit Statement

URL: <https://avc.com/2018/11/the-kickstarter-2017-public-benefit-statement/>

Date: 2018-11-20T05:31:19

Content:

Our portfolio company Kickstarter is a Public Benefit Corporation. One of the requirements of a Public Benefit Corporation is that they publish an annual benefit statement outlining how they are doing living up to their PBC charter. This is Kickstarter's PBC Charter . And this is their 2017 Public Benefit Statement , which was published yesterday. Here is a page from the 2017 statement, which shows how much funding they provided to creative projects across the categories they support. That is a lot of economic activity, almost 20,000 creative projects were brought to life by Kickstarter PBC and its creator and backer communities. Innovation takes many forms. Innovation in governance and business model is particularly important right now. And Kickstarter PBC is exploring a new way of running a for profit business and showing the way for others who might want to do the same.

The Overpay Critique

URL: <https://avc.com/2018/11/the-overpay-critique/>

Date: 2018-11-19T06:33:12

Content:

It is so easy to look at a headline announcing a deal and say “they overpaid.” I have done that myself plenty of times. It’s a natural emotional reaction. But what I have learned is that you can’t really critique an investment until you know how it plays out. Some things that look so expensive turn out to have been bargains in hindsight. And, of course, some overpays are just that. Prices that nobody can make money on. The current debate raging in NYC about the Amazon deal that the Governor and Mayor made reminds me of that. Everyone is saying “they paid billions of taxpayer dollars to the richest company in the world” as an argument that they overpaid for the deal. But this line in the Mayor’s OpEd yesterday in the Daily News got my attention: New York City alone will net \$13.5 billion in tax revenue from the new headquarters, and the state another \$14 billion. That’s a nine-fold return on our investment. If these numbers are correct, the billions NYC and NYS spent to incentivize Amazon to come to NYC, will have been a great investment. We would take 9x on our money any day at USV. It is easy and natural to critique an investment on the headline number. But the headline number is only half the story. You really need to see how it pans out to know if it was an overpay.

Pivot or Fail?

URL: <https://avc.com/2018/11/pivot-or-fail/>

Date: 2018-11-18T06:57:09

Content:

The Pivot is celebrated in startup land. Huge successes like Twitter and Slack are all the results of pivots. So surely pivoting is a good thing, right? Well, I am not so sure. And I certainly don't want entrepreneurs to think that pivoting is the right thing to do when their original idea fails. It may be better to let the failing startup fail and start over again from scratch. I am not talking about the slight pivot; making a change in business model with the same product, selling a slightly different product to the same customer, going up market to a different customer. Those are not really pivots, they are evolutions that every startup company goes through. I am talking about the hard pivot. Changing the product, market, and business entirely. Essentially starting over from scratch. And I am not sure hard pivots are good for anyone. Here is why. If you raise funding for a startup idea, you will take some dilution and you will have a bunch of investors who backed you and your idea and are believers in it. You will have assembled a team that you built with the original idea in your mind. If that idea fails and you pivot into a new idea, you will take all of those investors, team members, and dilution with it, whether or not they are excited about it. You can always swap out old team members for new ones, and so the team issues are real but probably not as significant as your investor and dilution issues. If you choose the pivot approach, you will have investors for the life of the pivot who did not choose to back your new business and may have no interest in it other than their financial interest. But the bigger issue is the dilution you take into your next startup. I have never understood why entrepreneurs would want to use a company and a cap table that they no longer own 100% of to do a new startup. They are just carrying baggage that they don't have to and probably should not carry. I understand the argument that starting a new company by pivoting with cash in the bank and a team that is already built is attractive and giving those back and starting over from scratch is harder. But the harder path is often the best path. And the easy path is often the harder one. If you were able to do a startup from scratch once, I would imagine you can do it again. And doing it again allows you to keep a lot more of the new company and custom build it from scratch, putting together the ideal team and the ideal investor group. I have always suspected that entrepreneurs also choose the pivot over some sort of loyalty to their investors. If that is the case, I would like to say that this investor does not want any of that misguided loyalty. The truth of seed and early stage investing is that the failure rates are very high. We write off investments in failed companies in every one of our funds at USV, usually multiple times. The Gotham Gal, who invests much earlier than USV, writes off investments at an even higher rate. So early stage investors are used to failing. It is built into our business model. What we want in return for accepting this high rate of failure are the spectacular successes that we get when everything clicks; the right idea, at the right time, with the right team, the right investor group, and the right execution. And while pivots can deliver all of the "rights", I am not sure that they do that at the same percentage as the startup from scratch, given all of the baggage that they are carrying. And there is nothing I dislike more than carrying on with something when I've lost interest, and worse, the founders have lost interest. So my view is if you've failed, accept it, announce it, and deal with it. Shut the business down, give back the cash, and rip up the cap table. Then do whatever you want to do next. If it is another startup, do it from scratch and keep as much of it as you can. If it is something else, well then do that too. Startups are not indentured servitude. And I have been around some that feel like it. That sucks. I would encourage everyone in startup land to reject that approach and focus on a better one. There are so many options for things to work on that everyone should make sure they are working on the right thing and excited about it. Anything that gets in the way of that is suboptimal in my view.

Video Of The Week: Setting A Holiday Table

URL: <https://avc.com/2018/11/video-of-the-week-setting-a-holiday-table/>

Date: 2018-11-17T09:27:29

Content:

It is that time of year when we are having our families and friends over and celebrating holidays with a big meal . And there is no better way to create that personalized one of a kind table than going to Etsy and getting the stuff you need . This video/advertisement showcases that so well. Disclosure: I am the Chairman of the Board and a large shareholder of Etsy.

Feature Friday: Wireless Charging

URL: <https://avc.com/2018/11/feature-friday-wireless-charging/>

Date: 2018-11-16T06:32:52

Content:

One feature of the Pixel 3 that I really like is the return of wireless charging, something earlier Google phones had but went away. I bought a Pixel Stand and set it up where I charge my phone when I come home. I just place my phone on the stand and it charges. No cords involved. You can set up all sorts of cool things like a screensaver of your recent photos and photo albums, Google Assistant so you can ask your phone questions when it is charging, and a display of your upcoming appointments. I am still playing around with the right choices for me but I think there is a lot of interesting things one can do with this charging stand I quite like it and just got one for my office too.

Crypto Explorers Goes On The Road

URL: <https://avc.com/2018/11/crypto-explorers-goes-on-the-road/>

Date: 2018-11-15T06:09:55

Content:

The Crypto Explorers community was seeded right here on AVC . It is a community of over 200 people who are working in the crypto sector, interested in the crypto sector, and/or are invested in the crypto sector. They have taken five group trips to Zug Switzerland (Crypto Valley) and built friendships, learned a ton, and had some fun too. I found out yesterday that they are going global now, with planned trips to other crypto hot spots around the world. The next trip is in a couple weeks to Singapore on November 26-27. And spots like Korea, Hong Kong, Malta and eventually the Americas are also on the roadmap. If you want to join this community of crypto travelers and join the trip to Singapore, you can do that here .

Economic Development

URL: <https://avc.com/2018/11/economic-development/>

Date: 2018-11-14T06:44:05

Content:

On the west side of Manhattan, from the west village, where we live, to the Javits Center on 34th Street and the west side highway, runs an abandoned elevated train track called The Highline. Eleven years ago, the Gotham Gal and I took a walk on the old Highline with Joshua David, one of the two founders of Friends Of The Highline, and I wrote this post about what was going to happen. The Highline cost something like \$400mm to renovate. Some of the funds came from the city and state, but most came from private donations, like the one the Gotham Gal and I made after taking that walk. And then we got to watch what happened. The neighborhood exploded and is still exploding. There has to have been tens of billions of dollars of investment in real estate along The Highline over the last ten years and it is still going on. I am not including Hudson Yards, which sits at the northern end of The Highline, which is another economic development story but not the one I am telling. This is a photo of the northern spur of The Highline I took about a year ago from the top floor of one of the buildings in Hudson Yards And into those buildings move companies and people. New homes get created. Then the coffee shops and grocery stores and restaurants come. And the local economy expands, by a lot. The city and the state taxes this economic activity and its coffers fill up a bit more as a result. When we took that first walk on The Highline, I asked Joshua if there was some way to tax the land owners along The Highline to fund the renovation of it. It was obvious to me that the value of that land was going to go up a lot. He told me there was not. That seemed like a missed opportunity to me back then and still does. I suspect the increased land values along The Highline are an order of magnitude higher than the total investment in The Highline. That is the power of economic development. It is a virtuous circle. You invest, you grow, you produce economic returns, you invest, you grow. Rinse and repeat. Why am I telling you this story today? Well I got this tweet in my timeline sometime yesterday: Amazon Is Getting \$1.5 Billion to Come to Queens <https://t.co/B4ITzuSXmj> <- Why? @fredwilson Did NYC really need to pay Amazon \$1.5B to come there? Will they get it back? — Peter Radizeski (@radinfo) November 13, 2018 It is a great question. And some economist should do the work. The city probably already has. My bet is that the City will get a return on this investment. Possibly a very large one. Twenty-five thousands jobs and all of the economic activity those jobs create are going to do a lot for Long Island City and all of NYC. The annual salaries for those 25,000 employees will be more than the \$1.5-2bn that the city and state are committing to this project. When you add to that the real estate that will be constructed and renovated, all of the new homes that will be created for people, and the salaries for all of those construction workers, the local commerce (coffee shops, grocery stores, restaurants, etc) and the salaries that all of those employees will take home, etc, etc, I think it is a “no brainer” to be honest. You can all tell from the posts I have written on this subject over the last week that I am a big fan of economic development. I think it is one of the things that makes a city vital and allows a city to retain its vitality. In the thirty five years we have lived in NYC, we have seen much of Manhattan and Brooklyn rebuilt. Now we are seeing Queens do the same thing. The Bronx and Staten Island are not sitting idle either. It is a magnificent thing to see and I pinch myself every time I think about it.

Welcome Amazon

URL: <https://avc.com/2018/11/welcome-amazon/>

Date: 2018-11-13T06:39:58

Content:

The New York Times is reporting that Amazon has officially chosen NYC and DC as the locations for its big planned expansion , known as HQ2. This is big news for NYC, as I wrote about last week . I would like to welcome Amazon to NYC. I think this is going to work out great for Amazon and for NYC. I know there are plenty of “not in my back yard” opponents to this idea and folks who think growth is bad and we should not grow until we fix things that are straining under the load. I appreciate all of those concerns. They are valid at some level. But I am a fan of grow, prosper, invest, fix, grow, prosper. And we are doing that in NYC right now.

Mementos

URL: <https://avc.com/2018/11/mementos/>

Date: 2018-11-12T07:17:13

Content:

I keep little things that remind me of events over my career in venture capital. And I have been doing that for most of those thirty plus years. I keep them on a bookshelf I have in my office at USV. It started with the lucite “tombstones” that bankers would make up when a deal closed. I started collecting them in the late 80s and had them on my bookshelf until recently. I finally got rid of them. Over time, I moved onto more interesting things and started putting them on the bookshelf. I moved offices at USV this fall and I had to put my bookshelf back together. I did that on Saturday afternoon this past weekend. The new configuration looks like this: The third shelf has my collection of useless consumer electronic devices that were a big deal at one time. I have a Apple Newton there, a first generation Blackberry pager style device, and a whole lot more. I have a bunch of family photos and things my kids made for me over the years. The peace sign painting on the left of the third shelf was made by my daughter when she was ten. I love it. I put my old Mac desktop on the right corner of the second shelf. I plan to put some digital art on there but have not yet gotten to that. It took me about three and a half hours to put everything back on the bookshelf on Saturday. I had to wipe stuff down to get the dust off. Dusting off memories, literally. There are a few gems that I had forgotten about. The lighter that Jerry and Dan brought back from Beijing when they did the diligence on Sina.com in the late 90s. The matchbox Porsches that Mark Pincus sent me when we exited Freeloaders. The “move to NYC” booklet that Rob Kalin made to convince engineers to leave Silicon Valley and move to the greatest city in the world and work for Etsy. The Dick Costolo mask (partially hidden on the upper left) that the entire Feedburner board put on before he walked back in for exec session. I chuckle every time I look at that one. I have a ton of stuff that did not make the cut this time. Including all of the lucites. I can't throw them out so they will collect dust in a closet somewhere and drive the Gotham Gal crazy. Memories are important. A career of memories is a blessing. And I like to live with mine. It reminds me why I do this work and why I love it so much.

What Happens When A Founder Is Fully Vested?

URL: <https://avc.com/2018/11/what-happens-when-a-founder-is-fully-vested/>

Date: 2018-11-11T06:51:10

Content:

Let's say you are the founder and CEO of a startup and you have now been at it for four years. The company is doing great, you've raised several rounds of financing, you have a product in the market that is solving a real problem, you have a bunch of customers, you have a growing team, and things are stressful but largely great. And you realize that you are now fully vested on your founder's stock which means if you were to leave the company tomorrow, you get to keep all of it. What do you do about that? This is a common question I hear from founders. They ask me what is standard in this situation. And I tell them that not only is there no standard answer, that this is one of the most emotionally charged issues to come between founders and their investors and boards and companies. This situation also exists for other founders who are not the CEO, and the issues are very similar, but for the purposes of keeping this post as simple as possible, I am going to focus on the founder/CEO role. Here are some, but not all, of the issues that come into play in thinking about this: 1/ If a founder/CEO were to leave their company after they become fully vested on their founder's stock, the company would have to go out and hire a new CEO and that new CEO would get an equity grant that would be between 2.5% and 7.5% of the Company, depending on the value of the business. So one could certainly argue that the founder CEO ought to get similarly compensated. 2/ But that argument about how a new CEO should be compensated essentially puts on the table the question of whether the founder CEO is actually the best person to run the Company right now or if there is someone better suited to do that who could be recruited for a new market equity grant. It is often not in everyone's best interests to have that conversation. 3/ Many founder CEOs four years in still own a lot of their companies. A typical range would be between 10% and 40% depending on if there are co-founders and how much capital had to be raised in the early years and at what valuations. For most situations, an equity grant that would be made to a new CEO is actually a relatively small percentage of the overall equity ownership of a founder CEO and in the context of that, it is not as valuable to the founder CEO as many other things. 4/ However, the founder CEO is subject to additional dilution in subsequent rounds so a new grant would at least partially offset future dilution and that is quite attractive to founder CEOs. 5/ One of the most valuable things to a founder CEO is having a large unissued equity pool from which to hire talent into their company and any allocation of that pool to the founder CEO reduces that asset. 6/ It is generally a good practice to have all executives vesting into some equity compensation. It standardizes the executive compensation program and aligns incentives. 7/ Refresh grants for executives are not usually equal to their sign-on grants. They are usually some percentage of the sign-on grant. So the same should be true of a founder CEO getting a refresh except that they never got a sign-on grant. 8/ Investors bet on the appreciation of the equity they already own not the issuance of new equity. A founder is aligned with the investors when they too are focused on making the equity they already own more valuable. 9/ When founders get diluted below double-digit ownership, they begin to see themselves as employees, not owners and that is bad for the company, the team, and the investors. For some founders, they start to feel that way at below 20% or 15%. 10/ It is hardly ever the case that what happens after a founder is completely vested is negotiated ahead of time, during the various rounds of financings, and priced in by the investors. If a founder was to pre-negotiate a new "market grant" for themselves once they are fully vested, and that was included in the size of the option pool that is set aside and baked into the pre-money valuation, investors could model that future dilution and build that into their valuation models and price that into a round. But nobody does that because founders want to maximize valuation in the financing rounds and investors assume that the founders will be happy with their initial grant or will not be around to earn it. Both parties either naively or purposefully kick the can down the road until the issue rears its head and then the emotions come out. So what happens in practice? It depends entirely on the situation at hand. If the founder CEO owns a large percentage of the business, a new grant is rarely made because the value of it pales in comparison to the annual value that their founder's equity is increasing organically. If the founder CEO has been massively diluted and owns a small percentage of the business, a new grant is often made. If the business is performing very well, the likelihood of a new grant is higher. If the business is performing poorly, the introduction of the idea of a new grant can be very destabilizing and can actually precipitate a larger conversation about who should be running the company. A common area for compromise is a new grant to the Founder CEO that is some percentage of what a "market" grant to a new CEO would be and that percentage ranges from 20% to 50% depending on the situation. The less a founder owns of the company, the higher the percentage will be and the more a founder owns, the less that percentage will be. If a Founder owns more than a quarter of the business, this is almost never done. I certainly have never seen it done for founders who own more than a quarter of the business. I have two suggestions for how entrepreneurs should handle this issue. The first suggestion is that you might want to raise this issue with all of your investors before you take money from them, and understand how they feel about this issue and what their expectations are so that you know that ahead of time. Do not wait until the moment to find that out. The second is that if you wait to raise this issue once you are fully vested, do it carefully and delicately. If it is seen as a demand, it will not go well. If it is seen as a discussion about what is in the best interests of the company, it will go better. But most of all, remember

that there is no “one size fits all” solution for this situation and that you and your board will have to figure it out on a case by case basis.

Audio Of The Week: Turning Buildings Into Power Plants

URL: <https://avc.com/2018/11/audio-of-the-week-turning-buildings-into-power-plants/>

Date: 2018-11-10T08:04:29

Content:

The Gotham Gal and I are investors in Blueprint Power , a company that helps landlords turn their buildings into mini power plants. Robyn Beavers, the CEO of Blueprint, was on the Gotham Gal's podcast this past week. They talked about how Robyn spent fifteen years working in the tech, energy, and real estate industries and took all of those work experiences and combined them into the idea for Blueprint. They also talk about how the changing supply and demand for energy is opening up new revenue streams for property owners and how Blueprint enables that.

Funding Friday: Women in STEM Holiday Cards

URL: <https://avc.com/2018/11/funding-friday-women-in-stem-holiday-cards/>

Date: 2018-11-09T05:49:25

Content:

I backed this project the minute I saw it. Maybe you might like to back it too and get some holiday cards that might inspire the girls in your life to grow up and be like these amazing women.

The Anchor Tenant

URL: <https://avc.com/2018/11/the-anchor-tenant/>

Date: 2018-11-08T06:12:17

Content:

Malls need anchor tenants. These are the stores that bring the folks to the mall so that they can discover all of the other amazing places to shop that sit between the big tenants. Cities need the same. Particularly cities that are trying to develop new industries. NYC's tech sector has had an anchor tenant since the early 2000s in Google. I wrote a bit about this a few years ago and cited my partner Albert's line that 111 8th Avenue (Google's NYC HQ) is the "gift that Google gave NYC." Big anchor tenants to a tech ecosystem provide all sorts of benefits but the biggest impacts are that they are both talent magnets (they attract people to relocate to the region) and talent sources (you can recruit from them). Rumor has it that NYC is going to get a second anchor tenant as Long Island City is apparently a strong candidate to be one of two locations for Amazon's HQ2. This would result in something like 25,000 new jobs for the NYC tech sector. And another rumor is that Google is going to purchase the massive St John's Terminal in the West Village and take its NYC workforce up to 20,000 over the next few years. If both of these things happen, and that is still a big if, then NYC's tech sector would have two large and well known anchor tenants. Together they would speak for about 10% of the jobs of the entire NYC tech sector. I have had a front row seat to watch the emergence of the NYC tech sector over the last thirty years. It started as a trickle, then a stream, then a river, and it's feeling more and more like an ocean. NYC has responded well to the challenges of supporting a rapidly growing new industry with investments in infrastructure (real estate, connectivity, etc) and talent/education (CS4All, Cornell Tech, NYU Tandon, etc). Some areas have been lacking like transportation where we need better subways, better airports, and better regional rail systems. I am hopeful that the continued growth of the NYC tech sector and the overall regional economy will give our elected officials and permanent bureaucracy the will and the resources to address these deficiencies and allow the NYC region to continue to develop into one of the most important tech sectors in the world.

TYWLS Digital Dance

URL: <https://avc.com/2018/11/tywls-digital-dance/>

Date: 2018-11-07T07:45:36

Content:

I blogged about this in the spring of 2017 but I am back with more. TYWLS stands for The Young Women's Leadership School, which is located in Astoria Queens in NYC. A few years ago the students decided to show off their computer science coding skills by making a "digital dance." I posted the first one they did at the link above. I just saw a video about their most recent digital dance and I just had to post it here. I love this digital dance thing so much. It shows that coding skills can be used creatively. It shows that young women, particularly young women of color, can be coders and be proud of it. And it shows that technology is everywhere. I have met some of these young women and they are impressive and I can't wait to see what they are going to do when they grow up.

If You Do Just One Thing Today, Vote

URL: <https://avc.com/2018/11/if-you-do-just-one-thing-today-vote/>

Date: 2018-11-06T06:24:07

Content:

Today is Election Day. Polls are open in every state in the US. It is time to stop the incessant back and forth, and do the one thing that counts – voting. There is very little on my ballot here in NYC that matters much to me. The races are not close. The ballot referendums are not on issues that matter a ton to me. It would be easy for me to blow off voting today. But I am not going to do that. I plan to go to my polling place, stand in line for however long it takes, and fill out the ballot and submit my choices and be counted. I hope everyone who reads this blog that lives in the US and is a citizen will do that today unless they have already done it via early voting. I feel that voting is not only our right, it is our responsibility. Let's do it.

Pixel 3 XL

URL: <https://avc.com/2018/11/pixel-3-xl/>

Date: 2018-11-05T06:29:12

Content:

I spent a fair bit of time this weekend moving phones from the Pixel 2, which I have loved using, to the Pixel 3 XL . It is drop dead simple to port over all of my accounts, data, and apps from one Pixel to another. Google has made that as easy as moving from one iPhone to another. You just connect both phones with the cable that comes in the Pixel 3 box and in about ten minutes the new phone has everything that was on the old phone. But getting all of my security set up on a new phone (2FA, passwords, etc) and then logging into all of my apps (because I don't like to log in with Google or Facebook or anyone else) is a massive pain. But at least I feel more secure. After using the Pixel 3 XL for the last couple days, I cannot say that it is a meaningfully different experience than using the Pixel 2. Everyone says the camera is better. I have not noticed that yet but I am also not hugely particular about my phone camera. One new feature of the Pixel 3 that I am using is wireless charging. I also bought the Pixel Charging Stand and when I get home, I just put the phone on the stand and it charges wirelessly. That's nice. I used to charge my earlier Pixels wirelessly but they got rid of that in the recent models and now it is back. I like that. I am excited about getting the Pixel 3 to screen my calls. That is another new feature it comes with. But I have not yet set that up. I will report back on how that is working for me. The biggest disappointment for me is the lack of facial recognition on the Pixel 3. I like using my fingerprint to log into my phone, but I think I would like facial recognition even more. The iPhone has had that feature for a year or so now and I can't understand why Google can't match that. Anyway, my big takeaway from spending a fair bit of my time this weekend moving from Pixel 2 to Pixel 3 is that not much changed for me. That's fine. A new phone is always a nice thing to have. But I am not sure it was worth all of the setup time I put in this weekend. It's pretty much the same phone I have had for the last year or so.

Broken Syndicates

URL: <https://avc.com/2018/11/broken-syndicates/>

Date: 2018-11-04T09:18:45

Content:

One of the most challenging situations in startup/venture capital land is the broken syndicate. It is not a topic that is talked about much, but it is fairly common, particularly for companies that succeed in building a business but falter at achieving escape velocity. A syndicate is a group of investors that come together to support a startup financially. They tend to be built over time. Some investors get involved with a company in its seed round. Others get involved in a company in the Series A round. And some get involved in the Series B round. By the time a startup has raised three or four rounds of venture capital, it is likely to have built a syndicate of between three and five venture capital firms and other investors (corporate, strategic, individuals, family offices, etc). The idea is that the syndicate supports the company financially until it no longer needs capital. That can happen via a sale of the company, an IPO, or achieving profitable operations. And that is typically what happens in the best situations, when the company executes well and finds that happy financial chart that goes up and to the right with a steepening slope. In companies like that, the syndicate almost always sticks together and more investors clamor to get into it. And then there is the company that never really figures out how to build a business. In those situations, everyone around the table, including the founders, figure out how to wind things down, either through a sale of the business, an acquihire, or a wind down. This happens all the time and is generally not a particularly painful process. But there is a middle ground, where the team figures out how to build a business with customers, revenue, and lots of employees. But often the business stumbles and revenues flatten and losses pile up and more capital is needed, often a lot more than the existing syndicate is prepared for. This is when there are often management changes, founders depart, and there is a lot of drama. And holding a syndicate together during the "stumble" is very hard. Some investors are managing huge funds and need exits that will produce hundreds of millions to their fund. When they see that a company will not do that, they often move on. Some investors have small funds and don't have the capacity to fund a company round after round. Corporate and strategic investors can lose interest when a company stumbles and they no longer believe the business is strategic to them. Those are the "rational" reasons that syndicates break. But there are other reasons. There is a fair bit of churn inside venture capital firms right now. Younger partners leave to start their own firms. Or are asked to leave because they are not producing the expected returns. When a partner who leads an investment inside a venture capital firm leaves, the investment is often "orphaned" and the other partners will pretend to support it but they really don't want to and don't. Or even more upsetting is when a venture capital firm finds another company in the same sector that they like more and they lose interest in your company and stop supporting it. All of these things happen to companies who stumble and they happen way more frequently than anyone talks about. It really doesn't benefit anyone to go public with these situations. So they are worked out quietly. Often broken syndicates lead to early exits, when the founder(s) and remaining investors realize that they are screwed and decide to find a home for the business before they run out of gas. Many times these exits are disappointing outcomes relative to the opportunity and they can make for fantastic acquisitions. Another thing that happens with broken syndicates is the recapitalization. This is when the remaining investors reset the valuation in order to bring in new capital, either from their funds or ideally from fresh sources of capital. The losers in this situation are the early investors, founders, and investors who walked away. And sometimes what happens is the business shuts down, leaving people scratching their heads. Why did that company which had lots of customers, revenues, and employees suddenly close up shop? Well the answer is often that their syndicate broke and they could not put it back together. At USV, we have worked through these stumbles and broken syndicates many times over the years. We often find ourselves in the position of trying to put Humpty Dumpty back together again. We have managed to do that many times. But we don't manage to do it every time. It is incredibly difficult work, probably the hardest work we do in the venture capital business. And we often are asked why we bother. We have found that we can make excellent returns when we stick to our conviction around an opportunity and work to restructure the team, the operations, and the syndicate (and the valuation). We also have found that we are rewarded reputationally in the market as investors who are supportive when times get tough. And we believe that it our job to support companies and the founders who create them. We wish everyone in venture capital land saw things the way we do, but they do not. And that is the reality of the world we operate in. Founders need to understand all of this when they put their syndicates together. You should ask around about the investors who want to put money in your company. Look for companies that have stumbled and get to the people who know what happened in those situations and ask about how their investors behaved. That will tell you a lot. The bottom line is that syndicates are fragile things. They break. And putting them back together is hard. So figure how to build one that is strong and will stay strong. The best way to do that is to under promise and over deliver on the business plan. But you can also do yourself a lot of good by finding resilient investors and getting them into your cap table. So do that too.

Video Of The Week: Ethereum 2.0

URL: <https://avc.com/2018/11/video-of-the-week-ethereum-2-0/>

Date: 2018-11-03T06:47:33

Content:

I just watched Vitalik Buterin's keynote at Devcon 4 in Prague last week, on Halloween and on the tenth anniversary of Satoshi's whitepaper. In this keynote, Vitalik explains what has taken so long in getting from Ethereum 1.0 to Ethereum 2.0, what Ethereum 2.0 will include, and how we are going to get there. It is a bit geeky, I can't say that I understood everything, but if you own Ethereum, or if you believe that a scaled decentralized smart contract platform is important, and I can say yes to both of those emphatically, then this is worth watching. It is 30 mins long.

Funding Friday: Misen Non Stick Pan

URL: <https://avc.com/2018/11/funding-friday-misen-non-stick-pan/>

Date: 2018-11-02T05:58:00

Content:

Earlier this week, I talked about the D2C consumer products sector and how it has exploded over the last decade. Another contributor to that explosion are crowdfunding services like our portfolio company Kickstarter that allow entrepreneurs to launch their products and quickly get feedback and funding for them. The Gotham Gal has made a number of these D2C investments and one of my favorite of hers is Misen , a D2C manufacturer of cooking products. They launch their products on Kickstarter and then take them to market direct to consumer over the Internet, thereby taking out the cost of the retail channel which allows them to sell high end products at mid-level prices. They have a product launch on Kickstarter right now called the Misen Non-Stick Pan . I backed it earlier this week and the project funding ends this weekend.

Dapper

URL: <https://avc.com/2018/11/dapper/>

Date: 2018-11-01T07:44:00

Content:

Back in March of this year, I wrote a post on the USV blog announcing our investment in Cryptokitties . A lot has happened since then. The company that made Cryptokitties is now called Dapper and it has raised a couple rounds of financing which will allow it to do a number of things: Continue to invest in Cryptokitties, which remains a vibrant game experience and is the world's most used consumer blockchain application outside of exchanges, with 3.2-million transactions and tens of millions of dollars transacted on the platform Work with the world's top entertainment brands to bring compelling brands, communities, and intellectual property to the blockchain. This means more game experiences, often in partnership with existing brands and game developers. Build out the infrastructure to make blockchain games, including cryptogoods (ie NFTs), accessible to a mainstream audience. It has been exciting to watch a small team that built Cryptokitties at a hackathon turn into a large and growing blockchain gaming company with global ambitions and a number of important launches on the horizon. As I wrote in the USV post in March, we believe that "digital collectibles and all of the games they enable will be one of the first, if not the first, big consumer use cases for blockchain technologies." A lot is happening behind the scenes at Dapper, and at a number of other blockchain gaming companies, and increasingly in the legacy gaming sector, to give me confidence that 2019 will be a breakout year for blockchain gaming and I believe that our portfolio company Dapper will be leading the way.

D2CX

URL: <https://avc.com/2018/10/d2cx/>

Date: 2018-10-31T07:25:48

Content:

One of the big trends in startup land over the last decade is consumer brands getting built direct to consumer (D2C) on highly efficient advertising channels like Google, Facebook, Instagram, Twitter, and YouTube. In these online channels, brands can test, measure, test, measure, test, measure, and then figure out what works and scale. But these channels are getting more challenging as they have been optimized and scaled by thousands of brands over the last decade and the marketers in D2C land are increasingly looking around to see if there is anywhere else they can go. Enter our portfolio company Simulmedia, which we invested in almost ten years ago to bring the transparency and efficiency of online advertising to television. Simulmedia has launched an offering for these D2C companies to help them add television to their marketing mix. Television is hard for small companies. The initial buys are large and it is challenging to “test, measure, test, measure, test, measure” to optimize before you scale. So Simulmedia has brought D2CX market. D2Cx is a marketplace featuring over 135 national TV networks, making it easy for direct-to-consumer brands to test TV advertising at low entry prices, learn what’s working, and scale. You can start for as little as \$50k and 100% of the cost of the media will go towards the purchase of media. If you want to try out D2CX for your company/product, you can learn more here and sign up to try it out.

Vertical Accelerators In NYC

URL: <https://avc.com/2018/10/vertical-accelerators-in-nyc/>

Date: 2018-10-30T06:43:30

Content:

The Partnership For New York City operates some excellent “vertical” accelerators for companies that are getting started and are focused on serving industries with big footprints here in NYC. Financial Services – FinTech Innovation Lab Health Care – Digital Health Innovation Lab Fashion – Fashion Tech Lab Biotech – The BioAccelerate Prize Transit – Transit Tech Lab Both the Transit Tech Lab and the FinTech Innovation Lab are accepting applications right now for their next programs. You can apply here: [Fintech Innovation Lab](#) [Transit Tech Lab](#)

Creating Surplus

URL: <https://avc.com/2018/10/creating-surplus/>

Date: 2018-10-29T06:37:37

Content:

Consumer surplus is the delta between what consumers expect to pay or are willing to pay for an item and what they actually have to pay given market dynamics. A good example of where we are generating a lot of consumer surplus is technology. I would be happy to pay for my email (and do) but I can get it for free from Gmail. A 49" smart TV sells for about \$300 on Amazon. A Samsung Chromebook is \$200 on Amazon. I like to think of all of this "found money" that consumers are getting from technology as the dividend we are getting from the technology revolution. It is also true that technology takes jobs out of the market, and adds them too, and that it may be a zero sum game or worse. But the truth is many things have gotten a LOT less expensive over the last twenty years and that has made managing the household budget a fair bit easier. My colleague Nick sent me this chart yesterday. I don't know where he got it so I can't identify the source. What you see from the chart is that wages have increased about 70% over the last twenty years and many things, including housing, food, clothing, and most dramatically technology, have increased less, or have actually gone down in price, creating room/surplus in the household budget. But not everything has gone down. Health care and education, most notably have increased dramatically. So it is time to take aim at those sectors. We can do the same with education that we have done with other services. And we will. I feel that healthcare will be a harder lift, but I do think it can be tackled too. In fact, our current thesis at USV compels us to go after these sectors. So we will. I am excited about the potential to bring consumer surplus to these sectors and make more room in the household budget in doing so.

Women Rising

URL: <https://avc.com/2018/10/women-rising/>

Date: 2018-10-28T09:03:54

Content:

This video is an advertisement in support of a group of women running for national office in these midterms. I am compelled by this advertisement and these women. I am very hopeful that women like these will increasingly lead our congress and our country.

Video Of The Week: The USDC Stablecoin

URL: <https://avc.com/2018/10/video-of-the-week-the-usdc-stablecoin/>

Date: 2018-10-27T09:02:21

Content:

Our portfolio company Coinbase announced this week that they will be adding the USDC Stablecoin to their various services in the coming weeks. This video below explains what the USDC stablecoin is and why it is important.

Funding Friday: Cryptopia

URL: <https://avc.com/2018/10/funding-friday-cryptopia/>

Date: 2018-10-26T05:13:43

Content:

Four years ago, filmmaker Torsten Hoffmann raised \$AUS 17,000 on Kickstarter to make a documentary about Bitcoin called The End Of Money As We Know It . The film was released in July 2015 and I watched it and thought it was very good. Torsten is back with a follow-up film project called Cryptopia and I backed it today.

Engaging In Cryptonetworks

URL: <https://avc.com/2018/10/engaging-in-cryptonetworks/>

Date: 2018-10-25T07:22:37

Content:

Ever since the first cryptonetwork, Bitcoin, was created, investors have had the opportunity to earn returns by engaging in the network. In Bitcoin's case, that was done by mining the network, effectively powering it. As the sector has grown, investors have largely turned their attention to buying and holding cryptoassets, and not that many of us are actively engaging in them. But that is likely going to change for several reasons. First, in proof of stake networks, asset holders will want to stake their tokens and earn the rewards of doing that, or risk being diluted/inflated. Conversely, those who do stake will earn rewards that will feel a bit like collecting interest or dividends on a bond or stock. This technique of turning an idle asset into an incoming producing asset by engaging in the network is part of the design of many cryptonetworks and investors are going to increasingly want to do these things (staking, validating, governing, etc) to earn the rewards of that engagement. There is another aspect to this, outlined by Tushar Jain of Multicoin earlier this week on their blog. Tushar points out that asset holders can act with their capital to help bootstrap the network by providing storage on the Filecoin network or transcoding on the LivePeer network or creating DAs on the Maker network. The good news for investors is that there are a whole bunch of entrepreneurs setting up shop right now to help us do these things without each and every one of us becoming super technical about the ins and outs of each of these cryptonetworks. We will see (and are seeing) staking as a service, nodes as a service, and the like. These third parties will be like the proxy companies are in the stock markets. I expect the custodians, like our portfolio company Coinbase, to offer many of these services, either as the provider themselves or the gateway to the third party provider, thereby making it even easier for us to engage in these networks. It's an exciting time to be a cryptoinvestor. A host of new cryptonetworks are starting to go live. The next 18 months will see many dreams come to fruition and with those dreams will come demands on the investors to engage instead of just hold. I am looking forward to doing that.

Jet Lag

URL: <https://avc.com/2018/10/jet-lag-2/>

Date: 2018-10-24T07:52:24

Content:

Jet lag is such a challenge for me. We got back from Japan four days ago and I was doing great. I figured that I had it beat this time. Then last night at 2am, I woke up and I was wide awake. We've got a series of meetings today that I need to be coherent in. So I took a half a pill and got back to sleep by 3am and slept until almost 8am. The good news is I am rested. The bad news is I don't have this thing beat like I thought I did. I have tried a bunch of things to manage jet lag over the years, many of them recommended by folks here at AVC in reaction to a post about this I did a few years ago. And they have all worked, to a degree. But, I think the truth is, at least for me, that it takes me about a week to get truly back to normal after a long trip to Asia. And as much as I thought I could shorten that timetable, I don't think I can.

Business Model Innovation in Healthcare

URL: <https://avc.com/2018/10/business-model-innovation-in-healthcare/>

Date: 2018-10-23T06:08:51

Content:

Naomi posted some thoughts on changing business models in health care on the USV blog yesterday. The one that I am personally most excited about is what Naomi calls “change of venue” and within that I like the “virtual primary care” model. A pure virtual primary model eliminates fixed costs associated with brick and mortar expansion and is able to focus resources on reaching more patients, recruiting more doctors to their platform, and improving the experience for current patients. Payments on a subscription basis allow doctors to get paid more consistently rather than waiting for insurance companies to process claims and paying overhead costs to negotiate reimbursements with their billing offices. We have portfolio companies executing this model like Nurx and Modern Fertility and we hope to add more. I value the doctor/patient relationship, but I think there is a lot technology can do to make that relationship less expensive, more engaging, and more convenient (for both parties). And generational changes in doctors and patients are catalyzing and facilitating this transition.

Navigating Blogging Across Time Zones

URL: <https://avc.com/2018/10/navigating-blogging-across-time-zones/>

Date: 2018-10-22T06:40:38

Content:

I like this blog to come out in the morning east coast time. I am a big fan of a routine, a ritual, a cadence. That is partly why I blog every day, and that is why I like the blog to come out at roughly the same time every day. It is also true that I have the most free time right after I wake up and then things get busy. So if I don't blog right away, it is possible that I won't find time to write that day. When we go west for the winter, I do the same thing, writing as soon as I wake up, but 5am PT is 8am ET so readers will notice, and have noticed, that AVC comes out later in the winter months. Traveling poses a bigger challenge. The last two Octobers, we have spent considerable parts of the month in Asia, twelve to fourteen hours ahead of NYC and even further ahead of the west coast of the US. If I wrote my daily posts when I woke up in Asia, as I was tempted to do, they would have posted the night before in the US. And I didn't want that. So I waited until late afternoon, in the lull before heading out to dinner, and wrote then. That resulted in them posting early morning east coast time and the middle of the night on the west coast. Honestly, that was not ideal for me. I found writing late in the day much harder with a full day of activity in my head. It was very challenging for me and I think the blogging suffered from that. I'm back in the US now and yesterday's post, which got a lot of pickup, was my first back in my regular ritual. I am glad to be back and I think this blog is too.

Who Are My Investors?

URL: <https://avc.com/2018/10/who-are-my-investors/>

Date: 2018-10-21T10:58:30

Content:

I got an email from the CEO of one of our portfolio companies last week. It asked a very basic question, but one that I don't recall being asked before: I need to know if any of your LPs include entities/interests. The CEO asked his VCs because questions were coming up internally and he wanted to answer honestly and accurately. I expect to get more emails like this in the coming weeks as the startup and venture community comes to grip with the flood of money from bad actors that has found its way into the startup/tech sector over the last decade. "Bad actors" doesn't simply mean money from rulers in the gulf who turn out to be cold blooded killers. It also means money from regions where dictators rule viciously and restrict freedom. It could also mean money from business interests which profit by poisoning us with opioid addiction or warm our planet with fossil fuels. I don't claim to have entirely clean hands in this regard. When we sold our Twitter stock before the IPO many years ago, it turned out the buyer was fronting for gulf interests. I found that out after the fact but that doesn't absolve me of anything. I could have asked the questions before executing the sale. That said, I believe the investors in the USV funds we have raised over the years are ones we can be proud of. They include large pension funds for public employees like teachers, firemen, police, and the like. They include the family offices of some of the great entrepreneurs of the 20th century. They include endowments of some of the best research and educational institutions in the US. And they include the founders and leaders of some of the best companies that USV has invested in over our 15 years. And we manage funds for a few charitable foundations too. It is time for all of us in the startup and VC sector to do a deep dive on our investor base and ask the question that the CEO asked me. Who are our investors and can we be proud of them? And do we want to work for them? Sadly, the answer for many will be no and it will not be easy to unwind those relationships. Those who can be proud of their investor base stand to gain from this emerging situation as our portfolio companies can recruit and retain talent better and we can compete with others in the market for deals with one more arrow in our quiver. Not all money is the same. The people that come with it and who are behind it matter. That has always been the case and remains the case and we are reminded of it from time to time. Like right now.

Video Of The Week: Coinbase's Vision

URL: <https://avc.com/2018/10/video-of-the-week-coinbases-vision/>

Date: 2018-10-20T14:00:37

Content:

Fortune recently did a big profile on Brian Armstrong , founder and CEO of our portfolio company Coinbase and in concert with that, they made this video featuring Brian and Emilie Choi , who leads corp dev, M&A, and a few other strategic efforts at Coinbase. It's a short video, less than five mins, and does a nice job of explaining the company's mission and strategy.

Funding Friday: Tortoise

URL: <https://avc.com/2018/10/funding-friday-tortoise/>

Date: 2018-10-19T03:18:11

Content:

I backed this “new journalism” project today. I like the idea that journalists are experimenting with new models and I like the idea of using crowdfunding to support that.

Winternships

URL: <https://avc.com/2018/10/winternships/>

Date: 2018-10-18T04:27:43

Content:

I heard about a cool program that helps NYC tech companies build more diverse teams. It is called Winternships. The program is run by a group called WiTNY (Women in Tech and Entrepreneurship in NY) which is a three year-old collaboration between Cornell Tech and CUNY to drive more female students into tech majors or minors, and into the NYC tech ecosystem. It works like this: A Winternship is a paid, three-week internship experience during the January academic recess for freshman and sophomore women in tech. Participating companies design an 'immersion' experience in their business – students sit in on meetings, meet executives, go on site visits — and they work together on a challenge project that they pitch on the last day. WiTNY identifies students based on a match between your needs and their skills. Their team will even help you craft the Wintern experience if you want. Here are some stats on the program: Last January, 46 companies raised their hand and welcomed 177 CUNY women into their companies. Amazingly, 54% of these young women were able to parlay that experience into a paid summer tech internship somewhere in the city. And here is the demographic of the CUNY student body: CUNY is among the largest and most diverse universities in the country, with 250,000 undergrads and approximately 85% students of color. If your team is trying to figure out how to diversify your internship and entry level hires, or just want to open your doors to transform the lives of young New Yorkers, considering hiring a Wintern team this January. And if you're a small startup or a non-profit, WiTNY will even pay the student stipends for you. Sounds great, right? If you want to host a Winternship at your company this January, you can get started here .

Motion Photos

URL: <https://avc.com/2018/10/motion-photos/>

Date: 2018-10-17T04:17:31

Content:

Motion Photos is a feature available on Google's Pixel Phones. It captures a bit of video as you are taking a photo. I've always wondered how to share those photos with the motion in them, which you can't do when you send them as jpeg files. It turns out you can export them from your phone as gif files. For some reason, the Google Photos app on the web, which does allow you to see the Motion Photos on the web, does not support the export to gif feature. So this is how you do it: To convert your motion photo into a video or GIF, follow these steps: Step 1: Open the Google Photos app on your device. Step 2 : Open the motion photo that you want to share. Then tap the three-dot icon at the top-right corner. From the menu, select Export. Step 3: You will get three options: Video, GIF, and Still photo. Choose the one that you like from the first two to initiate the conversion process. Step 4: Once the motion photo conversion completes, you will get a notification regarding the same. You can find the converted media in the same folder. Tap on it to open it and hit the share button to share it. I took this Motion Photo below at a really cool music/art exhibition at the 21_21 Design Sight museum in Tokyo last week. After doing all of those steps, I can share it with all of you here.

When Software Just Gets Smarter

URL: <https://avc.com/2018/10/when-software-just-gets-smarter/>

Date: 2018-10-16T05:13:22

Content:

The last time we were in Japan, six years ago, using Google Maps was pretty frustrating. We didn't understand the Japanese language and addresses made no sense to us. We got lost multiple times a day and often had to find a person on the street who spoke english to help us out. It is a pretty stark difference this trip. Google Maps seems to understand much of what it did not the last time around. The directions are great and we have yet to get lost. Last night, I directed a cab driver in Kyoto who did not speak english using Google Maps on my phone and pointing right or left or straight each time we got to an intersection. We got to dinner on time and everyone, including our cab driver, was relieved. I think this is a great example of the power of machine learning and other technologies that software makers are using to make their apps smarter and smarter. And that leads to better user experiences and delivers more value. Much of this happens behind the scenes and is never announced as a new feature. The software just works better. And we come to expect this of our software and we take it for granted. But it is pretty magical when you have the opportunity, like we are having in Japan with Google Maps, to compare an app to its younger version and see how much it has improved. You can see the software getting smarter over time and that's kind of amazing.

Kills Zones And Venture Funding

URL: <https://avc.com/2018/10/kills-zones-and-venture-funding/>

Date: 2018-10-15T04:53:55

Content:

There is a debate going on about the impact of Facebook, Google, and Amazon's growing dominance on the consumer internet on the supply of venture capital to entrepreneurs. Facebook funded this report that was published back in July and concluded that "big tech" was not impacting the supply of venture capital to entrepreneurs. Ian Hathaway, a researcher who studies venture capital formation, recently published this blog post that challenges that assertion with some data obtained from PitchBook. I have skimmed the Facebook funded report and read the Hathaway blog post and come away believing, as Hathaway himself does, that we don't really know because the analyses done to date are not conclusive. But as a market participant, I can certainly say that we shy away from funding startups that are going up directly against the large tech incumbents. But we also are attracted to startups that are competing against the big incumbents with a fundamentally different model, like DuckDuckGo in search, or ShopShops in commerce. So, anecdotally, based on our activity and other venture capital activity that I have observed, I would say that the big tech incumbents have most definitely shaped where venture capital is going and where it is not going. That does not mean it has decreased the overall supply of venture capital. It most certainly has not. And, I would venture, that big tech is increasingly vulnerable to a number of attack vectors, many of them self-induced, which should be attracting entrepreneurs to more directly go after the core franchises of big tech. Whether those courageous entrepreneurs will attract the capital they need to launch those attacks is an open question. But I have a fundamental belief in capital markets to do the right thing over the long term and I also have a fundamental belief that entrepreneurs, software engineers, and new innovations will undo these increasingly dominant franchises in ways that regulators will never be able to.

Bluetooth Everywhere

URL: <https://avc.com/2018/10/bluetooth-everywhere/>

Date: 2018-10-14T04:37:01

Content:

We checked into a hotel today and next to the desk in our room was a block of USB ports to charge our phones with and a Bluetooth button. I pushed the button and my phone paired with the room. Now I can play music on the sound system in the room with my phone. There is nothing special about that really. We all do the same thing with our cars and headphones regularly now. But when it works as seamlessly as it did for me today, that is nice. The truth is that Bluetooth is everywhere these days. And the pairing thing, which used to be such a hassle, seems to get easier and easier every day. As I've written before, the power of non-proprietary protocols like Bluetooth is pretty impressive to see in action. The more they get adopted, the more they get used, and the more they get used, the more they get adopted. It's one big virtuous adoption cycle and the beneficiary is us.

Audio Of The Week: Nadia Boujarwah on Positively Gotham Gal

URL: <https://avc.com/2018/10/audio-of-the-week-nadia-boujarwah-on-positively-gotham-gal/>

Date: 2018-10-13T03:51:41

Content:

Nadia Boujarwah is the co-founder and CEO of our portfolio company Dia & Co . She dropped by the Gotham Gal's offices last week and they recorded a conversation about starting an apparel business in the competitive online commerce sector. Here it is:

Funding Friday: Kita No Hou E

URL: <https://avc.com/2018/10/funding-friday-kita-no-hou-e/>

Date: 2018-10-12T05:58:52

Content:

I am in Japan right now so I decided to back a Japanese project this week. This is a film about a road trip to Northern Japan. It looks like the kind of film I would enjoy,

TxTenna Is Live

URL: <https://avc.com/2018/10/txtenna-is-live/>

Date: 2018-10-11T05:54:41

Content:

I wrote about something called TxTenna back in May. It is a way to move Bitcoin from one wallet to another without needing to be connected to the Internet. Well TxTenna is now live and if you want to see it in action you can try it out by following the instructions here . And here is a blog post by Richard Myers , the engineer at GoTenna (a USV portfolio company) who managed the TxTenna project in which he explains how it works and why they built it. And for good measure, here are a few more links: Play Store link:

<https://play.google.com/store/apps/details?id=com.samourai.txtenna> ... Github link:

<https://github.com/MuleTools/txtenna> ... Certainly this is not a mainstream use case, but it does showcase the resiliency of decentralized systems and that is pretty neat.

Pixelated

URL: <https://avc.com/2018/10/pixelated/>

Date: 2018-10-10T02:16:05

Content:

Google had its big event yesterday and announced two new Pixel phones, the Pixel 3 and the Pixel 3XL. I've been using Google phones for quite a while now, first the Nexus phones and now the Pixel phones. I love my Pixel phone but I will be upgrading shortly, probably to the larger form factor 3XL. But even more exciting to me is the Pixel Slate. I've been using a Pixelbook at the USV office for the last month and I like it quite a bit but it badly needs a biometric login to the device. The Slate apparently comes with a fingerprint unlock. So I will probably swap out my Pixelbook for the Pixel Slate and see how that goes. I will let you know once I've got the new devices and have been using them for a bit.

CSforAll Summit

URL: <https://avc.com/2018/10/csforall-summit/>

Date: 2018-10-09T06:47:27

Content:

There has been a movement growing in K12 public education around the US over the last decade to get computer science into the K12 curriculum and into all schools and in front of all students. The name this movement has taken on is CSforAll and this week in Detroit Michigan, educators from all around the country are meeting to move the CSforAll effort forward. This meeting is called the CSforAll Summit . Today is the big day and there will be a livestream of the main stage from 8:45am ET to 7pm ET. This blog post explains most of what will go on today . I am particularly excited that Luis von Ahn, founder of our portfolio company Duolingo , will speak at the Summit about human computation, invention and entrepreneurship, and why all students need to learn computing . He goes on at 1:30pm ET. When educators sign up to participate in the CSforAll Summit, they are asked to make a commitment to expand CS education in their schools and this year those commitments have increased as follows: – 47mm CS learning opportunities for K-12 Students (nearly a 400 percent increase from 12mm in 2017) – 246,000 CS educator opportunities (compared to 77,416 in 2017) These are big numbers, both in absolute numbers and in the rate of growth. It speaks to how seriously the public education sector is taking computer science and related tech skills and the understanding that they are becoming required skills for work and adult life. I am very pleased to see this happening.

Retail Space Available

URL: <https://avc.com/2018/10/retail-space-available/>

Date: 2018-10-08T09:26:52

Content:

A friend of mine told me last weekend that he thinks the two biggest issues in NYC right now are the rise of homelessness and the proliferation of vacant retail spaces. One is about not having a space to live and the other is about a glut of vacant space. Interesting dichotomy. I was walking home from the gym this morning and passed this sign on a vibrant shopping street in our neighborhood. It got me thinking about what this glut of vacant real estate is all about. Is it the result of so much commerce moving online that retailers can't make a profit selling out of a store anymore? Is it the result of rents being too high and when landlords bring them down, we will see the spaces fill up again? Is it a combination of both? And can technology help address this problem? We are seeing an avalanche of startups that are taking the fractional ownership idea popularized by Airbnb and WeWork and applying it to new and different areas. For example, popup stores instead of long term leases. We are also seeing retailers using technology to attract shoppers into their stores and supplement the the inventory they have on hand. I do believe that in person shopping has a place in the online era, but I also believe that too many retailers are stuck in an old model that is not working anymore. The Gotham Gal , who started her career in retail, has been blogging about this topic for over a decade and saw this change coming long before the stores started going vacant. My guess is that we are in the early innings of a long and painful restructuring of retail, ground floor real estate, and the shopping experience more broadly. And I think we will be seeing more signs like the one I photographed this morning in the coming years. But that doesn't mean there isn't opportunity in the midst of this painful process. In fact, it means there is a lot. And those entrepreneurs that seek to help the shopper, the retailer, and the landlord will have the greatest opportunity to reshape this sector and build large and lasting businesses.

Fully Diluted Market Value

URL: <https://avc.com/2018/10/fully-diluted-market-value/>

Date: 2018-10-07T07:51:03

Content:

When someone asks you how much of a company you own, the answer could be two very different numbers. You might own 10,000 shares and there might be 1mm shares issued and outstanding. That would suggest you own 1% of the company. And that would be correct, as of right now. What is often not calculated in these sorts of numbers is future dilution, particularly dilution that is visible if you look closely. The most common form of future dilution that is visible are outstanding options and warrants to issue stock that have not been exercised. Let's say this fictional company that has 1mm shares outstanding also has a 20% unissued option pool (so 200,000 options in it), and lenders have warrants to purchase 50,000 shares. That would be another 250,000 shares that are not issued, but will be at some point, making the "fully diluted shares outstanding" equal to 1.25mm, and your 10,000 shares now represent 0.8% of the company. That is your "fully diluted ownership." Nowhere is this issue more important than the crypto token sector. There are many crypto tokens trading in the market that have a relatively small amount of their total supply outstanding and the market value numbers on many of the sites that track this market are a bit misleading. For this reason, I like the concept of "year 2050 market cap" that the site OnChainFx reports. Take Numeraire, a token issued by our portfolio company Numerai, and a token that USV owns some of (that is a disclosure if anyone is confused). Coinmarketcap reports Numeraire's market cap at roughly \$7mm suggesting that you could purchase 1% of Numeraire for \$70k. But by 2050, there will be a lot more Numeraire out there and as OnChainFX reports, the 2050 Market Cap is more like \$110mm. It would take more like \$1mm to purchase 1% of Numeraire's total supply. This concept of a market cap that includes future dilution is called a "Fully Diluted Market Value" and it is something investors need to be focused on when thinking about value, upside, and dilution.

Audio Of The Week: Rebecca Kaden on Twenty Minute VC

URL: <https://avc.com/2018/10/audio-of-the-week-rebecca-kaden-on-twenty-minute-vc/>

Date: 2018-10-06T07:31:05

Content:

My partner Rebecca Kaden was on the Twenty Minute VC podcast last week. Once you get past the 3:20 mins of audio ad readouts (I advise to fast forward through them), she talks about areas in e-commerce that are possibly outside of the Amazon kill zone, the opportunities to build new trusted brands in healthcare, education, and financial services, and why small early-stage venture capital firms are the best firms to work at.

Feature Friday: Gmail Predictive Typing

URL: <https://avc.com/2018/10/feature-friday-gmail-predictive-typing/>

Date: 2018-10-05T08:59:58

Content:

I was typing emails on my new Pixelbook yesterday and as I started a new word, Gmail would finish the word and often suggest an entire phrase to come after the word. All I had to do is hit tab to accept the suggestion. I've had a version of that on the Gmail app on my phone for a while. It looks like this: But the type assistance functionality on my Pixelbook was much more useful. First it was in line and it suggested entire phrases, not just words. I'm of two minds on this feature: 1/ It is super useful and once I get used to it, I should be able to construct messages much more rapidly. 2/ I am not sure I want Google reverting my communication style (and yours too) to the mean. I suppose if Google was using just its understanding of my writing style and nobody else's in its algorithms, then it is helping me be me. And I like that a lot more. But if it helping me be you, well I'm not as excited about that.

Gotham Gal Turns Fifteen

URL: <https://avc.com/2018/10/gotham-gal-turns-fifteen/>

Date: 2018-10-04T08:10:03

Content:

2003 was a fertile year for both of us as I started blogging in late September and Joanne picked it up on her birthday a few weeks later. I'm not the only one in this family who blogs every day. It's incredibly hard to do that. Trust me, I know. And she has more range. From her post today: These past 15 years have been my thoughts on investing, tech companies, the state of the union, recipes, raising kids, restaurants, theater, design, books, travel, art, women entrepreneurs, trends and pretty much everything that rattles around my head. I don't think that is a comprehensive list. She covers a lot more range than that. And she edits herself a lot less than me too. I am most jealous that her blog birthday is her real birthday. So happy birthday to the Gotham Gal.

Consumer Learning

URL: <https://avc.com/2018/10/consumer-learning/>

Date: 2018-10-03T11:06:30

Content:

I listened to this IBM podcast with Matt Glotzbach, CEO of our portfolio company Quizlet, this morning. Matt explains that edtech, a long-standing term for the market for software and technology sold to the education market, is fundamentally different from the newer and exciting market for consumer learning. We agree with Matt and our approach to investing in education, a core part of our thesis 3.0, is about delivering learning tools directly to the student and bypassing the traditional education system. That does not mean that consumer learning is in opposition to the traditional education system, though. We see students and teachers adopting tools like Quizlet, Duolingo, Codecademy and many others to improve learning outcomes in the classroom and at home. But consumer learning starts with the learner and is focused on serving them as the customer, not institutions, districts, schools or other “enterprises.” I think a learner-centric model will produce better learning outcomes than an enterprise-centric model and I also think these consumer learning companies will be better businesses too.

The Apps=>Infrastructure=>Apps=>Infrastructure Cycle

URL: <https://avc.com/2018/10/the-appsinfrastructureappsinfrastructure-cycle/>

Date: 2018-10-02T06:47:27

Content:

My view has been, and is, that we are in the “infrastructure phase” of the crypto market development cycle. To elaborate, I believe that we need better infrastructure (e.g. better base chains, better interchain interoperability, better clients, wallets and browsers) before we can see a robust application development environment and so I have stated many times that right now is a time to focus on building (and investing in) that infrastructure. That view has been the prevailing wisdom inside of USV for quite a while now. Well a couple of our colleagues at USV decided to poke holes in that argument and spent a few weeks doing research and then writing this post . The post is called “ The Myth Of The Infrastructure Phase ” and it was researched and written by Dani and Nick . I have a feeling that this post may be headed to similar territory as Joel ‘s now famous Fat Protocols post because, like that one, it takes a conventional wisdom and turns it on its head. Dani and Nick argue that there are no distinct phases but in fact, a virtuous cycle of apps>infrastructure>apps>infrastructure that brings a new market/technology into its own. Read the post , as this argument is well researched and well made. However, as much as I agree with their arguments, I continue to believe that for investors, the best bets right now are infrastructure bets. It remains too hard, too expensive, and too frustrating, to build decentralized apps and the big value unlock will come when that changes. I think the returns on investment on infrastructure will be higher in the phase we are in right now. There will come a time when apps development will have a better ROI, but I do not think we are there right now. USV has made investments in decentralized apps, like OB1 and CryptoKitties , and we will continue to do that. But our primary focus is on infrastructure right now.

Converting ICS files to Google Sheets

URL: <https://avc.com/2018/10/converting-ics-files-to-google-sheets/>

Date: 2018-10-01T06:25:32

Content:

It's that time of year for NBA season ticket holders. Preseason is upon us and the regular season is around the corner. For me, that means splitting up our games between our various family members. The way we do this requires a bit of a hack that I thought I would post about this morning in hopes that any of you out there know a better way.

Step 1 – Go to your team's website, find the schedule, and select "add to calendar" or something like that. This is the page on the Knicks website . Step 2 – Choose "other" or "download" to get an .ics file downloaded to your computer.

Step 3 – Use this free web app to convert the .ics file you downloaded to a .csv file. Step 4 – Import that .csv file into Excel or Google Sheets. The thing I always get stuck on is the Knicks schedule is published in GMT time and so the dates and times for the games always come in incorrectly. Which requires me to either write a script to convert them or just fix them manually. I have not found a way to download the .ics file in EST, which would be a huge benefit. In any case, I am excited for the NBA season to begin. I am not expecting much from the Knicks this year as they are in full rebuild mode (including the knee of our franchise player). But there is nothing like a close game in the fourth quarter at MSG and I'm hoping we get some of those this year.

Working Weekends

URL: <https://avc.com/2018/09/working-weekends/>

Date: 2018-09-30T12:13:09

Content:

My friend Brad Feld takes a digital sabbath . No email, internet, phone for 24 hours from Friday night to Saturday night. I've not been willing or able to do that but I do try to work less on the weekends. I don't go to the office under any circumstances on the weekends and I don't take business meetings on the weekends either. I have told that to a few people over the years and they responded "I didn't think I was business". Oh well. I do not mean to offend. I do generally spend Saturday morning in my home office catching up on personal/family work which I try not to do much of during the week. I remember my Dad doing the same when I was growing up. I did not consciously model that behavior after him but I do know where I got the idea. The rest of the weekend is largely time off for me. I like to spend Saturday afternoons out and about with the Gotham Gal and Sunday mornings on a bike ride with my daughter, which I did today, or playing golf with friends, which I did last Sunday. I also try like hell to get an afternoon nap in on both Saturday and Sunday. And Sunday evenings is almost always a family meal with our kids. I look forward to that so much now that they don't live with us anymore. I could have titled this post "Not Working Weekends" but the truth is I do work on the weekends. I often will catch up on email on the weekends when the inbound is slower. It is the only time of the week I can seem to make a dent in my inbox. And I will do calls on the weekends when it is necessary which is frequently. But slowing it down for a couple days a week is a great habit and one that I've gotten a lot better at over the years. I do believe that a rested body and mind is a better body and mind and the best time to make that happen is on the weekends, particularly a gorgeous fall weekend like we are having in NYC right now.

Audio Of The Week: The Changing Nature Of Women's Healthcare

URL: <https://avc.com/2018/09/audio-of-the-week-the-changing-nature-of-womens-healthcare/>

Date: 2018-09-29T08:53:05

Content:

One of the themes we are deeply bought into at USV in our approach to healthcare investing is the opportunity in women's health care, particularly providing care to young and healthy women. Our portfolio companies Nurx , Clue , and Modern Fertility are all doing that. This podcast, which I listened to earlier this week, is a discussion of exactly that opportunity and features Hans Gangeskar , CEO of Nurx, and Carolyn Witte , CEO of AskTia.

Funding Friday: Names Are Bullshit

URL: <https://avc.com/2018/09/funding-friday-names-are-bullshit/>

Date: 2018-09-28T06:23:23

Content:

I backed this documentary project on Kickstarter this week: This film is about a bunch of things that get me going; entrepreneurship, the unlikely winner, rock, reggae, and live music. I can't wait until it is made and I can watch it.

Competing To Win

URL: <https://avc.com/2018/09/competing-to-win/>

Date: 2018-09-27T07:31:38

Content:

This question came up in the comments yesterday: It got me thinking about whether a competitive investment is a better investment. Most of the time we are in a competitive process when we consider an investment. But that is not always the case. Sometimes, we are the only investor at the table. That could be because we got there before anyone else. Or it could be because nobody else wanted to invest. We have had big wins in all of these scenarios. I am not big on social proof. I think it is among the dumbest notions in all of investing. If you can't figure out why you want to make an investment on your own, you should not be investing. But it is true that you have to be able to win competitive situations in order to be a top-tier venture investor. It may, in fact, be the signature trait of a top-tier venture investor. When I started out in the VC business, I was with a firm that struggled to win competitive deals. We did not have a brand, we did not have a strong market position. So when I left and we started Flatiron, I was all about fixing that. We did that at Flatiron and we did that at USV. You have to be able to win the deals you want to win and price is not going to do it all by itself. The market has a way of getting everyone more or less to a clearing price and then the entrepreneur will make her choice. And in that moment, you have to have something they want. It could be your brand. It could be your passion. It could be your network. Most likely it is all those things and more. So being able to ask in and get in is a very big part of succeeding in the venture business.

Knowing What You Are Looking For

URL: <https://avc.com/2018/09/knowning-what-you-are-looking-for/>

Date: 2018-09-26T07:05:51

Content:

There are many different styles of investing. At USV, we choose to be thesis-driven investors. This is our current thesis. When an opportunity shows up that is right down the middle of our strike zone, we generally jump on it. It really helps to know what you are looking for. I told this story yesterday to Rebecca as we were talking about a current opportunity that fits our current thesis like a glove: ——— When Brad and I were raising the first USV fund in 2003 and 2004, we spent most of our time on the road, pitching investors to invest in our fund. On the road, we would talk a lot about what we would invest in once the fund was closed. We wanted to invest in the applications layer of the Internet and we were seeing search and social turning into interesting opportunities. One day Brad said to me “What if job listings worked like search? Instead of posting your jobs to a site like Monster, you just post them to your company website and buy traffic to them?” Brad has always been fascinated by business model disruption and the power of moving to a new model. We thought about it and talked about it a fair bit and concluded that if something that looked like that showed up, we would jump on it. Right after we held our first closing of USV 2004 (which happened in November 2004), I read this blog post on my friend John Battelle’s blog. John was writing his book on Google at the time and was obsessed with the search business. I ran into Brad’s office and said “your search engine for jobs is here, it is called Indeed.” I showed him John’s post. So we reached out to Paul and Rony, the Indeed founders, and told them we wanted to invest in Indeed. They weren’t so sure about that. They were self-funding Indeed after selling their previous company and did not need our money. But we kept after them and eventually, in the fall of 2005, we did invest. I wrote this blog post on usv.com explaining why we invested in Indeed. The rest is history. Indeed was possibly the best company we ever invested in at USV. There have been bigger returns as Indeed chose to sell to Recruit instead of staying independent and going public. Had they done that, I bet they would be worth north of \$10bn now and we owned a lot of it. But that’s another story. This one is about knowing what you are looking for and jumping on it when you see it. It is usually a recipe for success.

The Post-Sale Stay-Period

URL: <https://avc.com/2018/09/the-post-sale-stay-period/>

Date: 2018-09-25T07:36:24

Content:

There is a lot of chatter on Tech Twitter and elsewhere about the Instagram founders leaving Facebook six years after selling their company to Facebook. All I can say about that situation is they gave Facebook way more of their time and energy than most founders would have. Of course there are cases where founders stay at the buyer for many years, sometimes even rising to become CEO But that is rare. Way more common is the founder bailing after a year or less. When companies that I am on the board of acquire founder-led companies, I advise them to highly incentivize the founders to stay (usually with a combination of cash and stock that is time based) but prepare for them to leave (by having a clear succession and transition plan in place right away). The truth is that many entrepreneurs don't make for great corporate citizens. Entrepreneurs like to be in charge, to be able to move quickly without a lot of friction, and they like to feel a deep sense of ownership in what they are working on. That is often hard to find in a corporate environment where teamwork, collaborative decision making, and checks and balances are the norm. I am a big believer in acquisitions as a path for wealth creation (for both the seller and buyer) and as a logical exit for most startup founders. And staying for some period of time is required to make the acquisition work for both parties. But getting the founders to stay for six years is an amazing accomplishment and quite rare in my experience.

Conversations Versus Interviews

URL: <https://avc.com/2018/09/conversations-versus-interviews/>

Date: 2018-09-24T06:01:20

Content:

I've been interviewed many times and while interviews are OK, what I enjoy a lot more are public conversations between two people. Listening to two people talking as friends and peers is more enlightening to me. My friend Chris Dixon was in NYC a few weeks ago and he came by my office and we talked about stuff for about an hour. I told him it would be fun to do the same thing but record it and put it up online. So I went over to the A16Z offices in NYC a few days later and we did that . And this is an hour-long conversation between the two of us about what we are thinking about right now. I hope you enjoy it.

Fifteen Years

URL: <https://avc.com/2018/09/fifteen-years/>

Date: 2018-09-23T06:08:57

Content:

Fifteen years ago, I sat down in front of a website called Typepad and wrote this post . I ended that short post (six brief paragraphs) with this: I read blogs a lot. And i think they are great. So i am starting a blog. I have no idea if i'll write a lot in my blog or rarely. I hope its a lot, because i have a lot to say. But we'll see about that. Well, we did see about that. I do have a lot to say. As a hater commenter said here a few weeks ago, I talk too much. But out of all of that writing has come a few gems that still are as good as the day I wrote them, a series of blog posts called MBA Mondays that people continue to come across and read from start to finish, and a connection to a readership that numbers in the hundreds of thousands. For me, I have gained a daily practice that starts me off with a wide-open mind, that makes me think and articulate that thinking, that has led to numerous spectacular investments and has honed my ability to communicate, not just in the written word, but also in many other ways. In those fifteen years, I have posted 8,033 times. That is way more than 15×365 because, in the early years, I would post multiple times a day. I settled on once a day about five years in and that has become my practice since. I regularly get people coming to me and asking me to write a book. I always pass because I can't imagine writing in a format that has an end. I can't imagine writing in a format that doesn't provide instant feedback. I can't imagine writing in a format that requires a structure. I can't imagine writing in a format that isn't a stream of consciousness. I can't imagine thinking about what I am going to write more than ten minutes before writing it. I can't imagine killing trees to carry my words. So I will continue to write a blog. It's the perfect format for me. AVC is way more than a book. It is a living breathing thing that sustains me and that is me. When this blog turned ten, we had a big party. Many people traveled long distances to attend. It was a lot of fun. I met many AVC readers for the first time. Five years later, I am in a different frame of mind on how to celebrate the anniversary. I want to acknowledge the moment and then move on. I am trying to contain what this blog is to keep it manageable for me. There are many times it has tested those limits. Lately, I have gotten it in a good place where it is working well for me. And hopefully for you too. Happy fifteenth birthday, AVC.

Video Of The Week: Ben Horowitz on Crypto

URL: <https://avc.com/2018/09/video-of-the-week-ben-horowitz-on-crypto/>

Date: 2018-09-22T08:46:00

Content:

This is a short clip from a longer conversation that Ben Horowitz did at Disrupt a few weeks ago . In this clip, Ben describes crypto as a new kind of computing platform that is worse in every way (right now) but one.

Funding Friday: Half-Light

URL: <https://avc.com/2018/09/funding-friday-half-light/>

Date: 2018-09-21T06:40:02

Content:

Earlier this week, I backed this project from an artist in Iran . The project is now over. It was funded with almost \$10,000. So her photography book will be made and shared with the world. It is too bad that I didn't share this with all of you while the project was live so you could back it as I did. But this project exhibits all of the things that makes Kickstarter so important to me. It is from the heart, it is art, it is full of meaning, it is from a person halfway around the world that I don't know and probably will never know. And it moved me.

Pixelbook Reactions

URL: <https://avc.com/2018/09/pixelbook-reactions/>

Date: 2018-09-20T07:08:46

Content:

A few weeks ago, I wrote that I was getting more interested in a Chromebook . And I got a ton of great feedback from all of you. Thank you for that. I purchased a Pixelbook and have been using it at the USV office for the last few weeks. Here are my initial thoughts on it: 1/ I quite like the lack of a desktop OS in the computer. The Pixelbook boots right into the browser and you do everything there. That is great for me and the way I work. 2/ The keyboard took me a bit of getting used to. I am used to the keyboard shortcuts on the Mac and it's hard to switch away from them. 3/ I still use a Mac at home so it is a bit strange going from one computer to another and back during the day. But it is not terrible. 4/ I would really appreciate a biometric login, like a fingerprint or a face recognition. Having to enter my long and strong Google password every time I wake the computer back up is a challenge. I have heard that the next Pixelbook will come with biometric login. If so, that would be a big improvement in my view. 5/ The size, shape, screen, and weight are all great. It feels roughly equivalent to a MacBook to me. I plan to continue to use the Pixelbook at the USV office for the foreseeable future. If Google makes one with biometric login, I will get that one instead. However, I am not yet ready to move my entire computing experience away from the Mac. That is going to take me getting a lot more used to the Pixelbook and ChromeOS. It could happen, but not yet.

How Diversity Happens

URL: <https://avc.com/2018/09/how-diversity-happens/>

Date: 2018-09-19T06:49:24

Content:

Henry Ward , founder and CEO of our portfolio company Carta , wrote a post yesterday outlining the gender inequity on cap tables throughout the startup landscape . It is a good post and I would recommend you click through and read it. In it, Henry writes: When I started Carta I didn't focus on diversity because I was worrying about staying alive. Then we hit our growth phase and went from 20 employees to 400 in 48 months. I assumed diversity would happen on its own. Of course it didn't. I didn't realize how much deliberate focus it takes. I do now. That is a pretty typical story. A few years at our annual CEO summit, Scott Heiferman , founder and CEO of Meetup, told a room full of startup CEOs that you have to build diversity into your company from day one because if you don't, it becomes so much harder later on. He explained that nobody wants to join a company where nobody looks like them. That really hit home and woke quite a few people up. All companies and people suffer from back burning things. You focus on what you must get done and everything else takes a back seat. That doesn't work when it comes to hiring and diversity. You have to prioritize it and make it intentional. We have done that recently at USV and we are getting the desired results. That is very exciting to me.

Cloudflare's IPFS Gateway

URL: <https://avc.com/2018/09/cloudflares-ipfs-gateway/>

Date: 2018-09-18T07:09:10

Content:

This post is jam-packed with conflicts. It is about not one, but two, of USV's portfolio companies. The more the better in my view. Our portfolio company Cloudflare announced yesterday that they have launched an IPFS Gateway . IPFS is an open protocol built and supported by our portfolio company Protocol Labs that facilitates a peer-to-peer file system composed of thousands of computers around the world, each of which stores files on behalf of the network. So why is this a big deal? Well, here are a few reasons. You can all add more in the comments. 1/ Cloudflare is a massively scaled infrastructure company. By offering a hosted IPFS gateway, none of us need to download and run IPFS software on our computers anymore. Cloudflare will do it for us. 2/ IPFS is awesome. It decentralizes file hosting, which has historically been a centralized affair on the internet. The Cloudflare post has a really great primer on IPFS in it so go there if you want to learn more. 3/ We are one step closer to the decentralized blogging platform that I have long wanted. From the CloudFlare post, "Using Cloudflare's gateway, you can also build a website that's hosted entirely on IPFS, but still available to your users at a custom domain name. Plus, we'll issue any website connected to our gateway a free SSL certificate, ensuring that each website connected to Cloudflare's gateway is secure from snooping and manipulation." And yesterday's announcement is just day one of "crypto week" at Cloudflare where each day they will be announcing support for a new technology that uses cryptography to make the Internet better. I love that. I love Cloudflare. I love Protocol Labs. And I love IPFS. /fin

Creative Prompts

URL: <https://avc.com/2018/09/creative-prompts/>

Date: 2018-09-17T06:02:38

Content:

The Gotham Gal and I listened to the recent Howard Stern interview of Paul McCartney yesterday on a drive from long island to NYC. It's a great interview, about 1 1/2 hours long, with incredible stories and lots of music. Howard picks out songs, plays them, and Paul talks about how each one came about. If you are a SiriusXM subscriber, you can listen on the web or SiriusXM mobile app. I highly recommend it. Near the end (1 hour 17 mins into the interview), Paul tells a story about being challenged by Dustin Hoffman at a dinner party to write a song "about anything." Paul accepts the challenge and so Dustin and the other guests decide Pablo Picasso's last words should be the thing to write a song about. Those words, as Picasso was heading to bed, were "drink to me, drink to my health, you know I can't drink anymore." And so Paul wrote this song to those words. And as he was telling this story to Howard, Paul says "I kind of like it, it puts you outside your comfort zone for an hour." I can totally relate to that. This blog is that way. I wake up every morning not knowing what I am going to write and before heading off to the gym or work, or both, I have written something and posted it. Most frequently I wake up with something on my mind that leads to the post of the day. Which, coming back to Paul McCartney, is how many of Paul's songs happened. He would wake up with a song in his head and then he'd get out the guitar or sit at the piano and play it. The creative process is hard to comprehend, but working with what is on your mind, challenging yourself, and getting outside of your comfort zone are three tricks that have worked for me and apparently also Paul McCartney, arguably the greatest songwriter of our time.

Marathon Man

URL: <https://avc.com/2018/09/marathon-man/>

Date: 2018-09-16T07:24:27

Content:

The New York Times has a piece up on Eliud Kipchoge , the world's best marathon runner. I read it with interest yesterday as I like to think of startups as marathons and I am always on the lookout for ideas and insights that can help entrepreneurs and investors. Eliud is an impressive person and, as you might expect, he is extremely disciplined. He says in the piece: Only the disciplined ones in life are free. If you are undisciplined, you are a slave to your moods and your passions. That rings so true to me. It is true in investing, where I like to have a framework and stick to it and not let my emotions get in the way. But it is also true in building companies. Being focused on the long game and what you want to achieve is the best way to get there. I see many teams looking around at what others are doing and it makes them crazy. And I see a few teams heads down, executing their plan, and it makes them calm. In the short run, it can often seem like nothing is getting done, and your competitors are passing you by. But, like the marathon runner, it is never the sprinter that wins the race, it is the dogged and determined that is there at the end with the trophy in hand. Eliud just broke the world record in Berlin today. He finished in 2 hours, 1 minute and 39 seconds. He's an inspiration to all of us.

Video Of The Week: Brian Armstrong at Disrupt

URL: <https://avc.com/2018/09/video-of-the-week-brian-armstrong-at-disrupt/>

Date: 2018-09-15T08:06:37

Content:

There is a narrative in crypto land that you are either in the “crypto is money” camp or the “crypto is tech” camp. This blog post from Erik Torenberg sums that up pretty nicely. The interview below is from TechCrunch Disrupt a week or so ago. Brian Armstrong , founder and CEO of our portfolio company Coinbase , was interviewed by Fitz Tepper . There are a couple points in this interview where Brian is presented with a version of that narrative. For example Fitz asked Brian “are you a tech company or a finance company.” I like how Brian acknowledges that framework but ultimately concludes that the answer is neither, that Coinbase is a crypto company and that crypto is both tech and money. I am of that view as well and I am glad to see leaders in the crypto sector articulating it.

Funding Friday: The Reflection Ritual

URL: <https://avc.com/2018/09/funding-friday-the-reflection-ritual/>

Date: 2018-09-14T06:42:44

Content:

A friend of a friend is doing this project to make a workbook that can help us step back and take measure of our lives, what they are, and what we want them to be. It's a neat idea and I think it can be quite helpful, particularly if you feel stuck right now. I backed it earlier this week and you may want to do the same .

Voting

URL: <https://avc.com/2018/09/voting-2/>

Date: 2018-09-13T06:02:17

Content:

Today is primary day in New York State. The polls open at 6am and stay open until 9pm. There are primary races for the Governor, Lieutenant Governor, and Attorney General as well as a bunch of statewide races for State Senate and State Assembly. In NYC, and to a lesser extent in New York State, the primary can be the election as the city and state lean left. So I encourage everyone in New York State to go out to the polls and vote today. It all comes down to voting in a democracy. Marching feels great. Tweeting feels great. Polls make the news. But voting is the political action that really counts unless you can give gobs of money to candidates which most voters cannot and don't do. I plan to get to my polling place early on the way to an early start to the workday. I always feel great pulling that lever. I hope you do too.

The Unbundling Of Health Care

URL: <https://avc.com/2018/09/the-unbundling-of-health-care/>

Date: 2018-09-12T06:16:16

Content:

Naomi Shah , one of our analysts at USV, has been doing a deep dive on health care since she joined us this past spring. She has started to publish a series of blog posts on what she has learned and what she thinks is investable at the intersection of healthcare and consumer tech. Kind of like putting our playbook on display before we have even implemented it. But that is how we roll at USV. At least this way, we get feedback and input on these sector theses which ultimately make them even better. And we get a lot of incoming pitches from entrepreneurs working in our target areas as a result of making our playbooks public. She starts off her series with a post on the unbundling of health care and compares it to what has happened in financial services . Naomi ends this post with this observation: these observations seem to indicate some unbundling of the existing large, monolithic systems in healthcare towards a more open, local, independent and transparent model, with control residing with individual users. And ultimately, this could change the way healthcare is delivered to consumers. "A more open, local, independent and transparent model, with control residing with the individual users" sounds exactly what we like to invest in at USV so expect to see more investing in health care from us and more posts from Naomi. You can find her posts on USV.com and/or follow Naomi here .

Remembering 9/11

URL: <https://avc.com/2018/09/remembering-9-11/>

Date: 2018-09-11T07:52:08

Content:

On Sunday morning, I rode my bike by the memorial in lower Manhattan where the twin towers used to stand. They have done a wonderful job rebuilding that area and the memorial itself is inspiring in just the right way, somber and reflective and serious. Seventeen years is a long time. Children, like ours, who were just old enough to know what happened and why, are now adults, living their own lives, going to work every morning. Life moves on, the wounds heal. But the scars are still there, in our hearts, our minds, and on the ground where it happened. I am taking some time today to remember that day and the people we lost. This post is part of that.

Farsighted

URL: <https://avc.com/2018/09/farsighted/>

Date: 2018-09-10T08:54:55

Content:

My friend Steven Johnson has a new book out called *Farsighted*. After attending a book talk he did on Thursday night, I put it on my Kindle and started reading it last night. The book is about decision making, specifically “life-altering decisions” with long-term consequences. In classic Steven fashion, he combines a detailed look at academic research and science on the topic with stories and real-world examples. For example, he kicks off the book with the decision NYC made to fill the Collect Pond in 1811, which ultimately led to the creation of one of the most famous ghettos, the Five Points neighborhood. We all make big and important decisions in our lives and in our business. So this is a topic that should be relevant to everyone. I am already enjoying reading it and I suspect you all will too.

Reinventing Education

URL: <https://avc.com/2018/09/reinventing-education/>

Date: 2018-09-09T07:26:19

Content:

Alibaba founder Jack Ma has announced that he plans to retire at age 54 and turn his attention back to education . He started his career as an English teacher. It seems, from reading the piece I linked to and a few other news reports, that Jack Ma is inspired by what Bill and Melinda Gates have done. So am I. Bill Gates attended AFSE, a school that the Gotham Gal and I helped to start seven years ago, this spring and he wrote this recently about that experience . Many have criticized the work that the Gates Foundation has done in education over the years. But my view is different. Bill and Melinda are investing, learning, evolving, and adapting their efforts. Just like we all do in life. Bill's visit to AFSE showed him something he liked. He was inspired by it, wrote about it, and I suspect it will influence the way he thinks a bit. Like Jack Ma, Bill and Melinda are relatively young and have so much capital to invest in education and their other target areas. The impact people like Bill, Melinda, and Jack can and will have on education around the world is immense. And we need it. Education is provided very unevenly on planet earth. A high-quality education is easy to come by if you are wealthy and/or live in a wealthy country. But even in the US, a very wealthy country, we have much of our population receiving a poor or uneven education at best. I see this in the NYC public school system where I do most of my education philanthropy. We have 1.1 million public school students here in NYC and many of them are not getting the education they need and deserve. The reasons for this are many and the solutions are hard. But I see amazing things happen in the middle of this mess and I know that we can help more kids get a better education and we are doing that. Reinventing education requires not just working inside the established systems, it means working outside of them and ultimately rethinking them and replacing them. But all of this has to happen in parallel. We cannot let the existing systems falter and fail our children while we are busy finding better ways. At USV, we have a number of exciting portfolio companies that are rethinking how education should work. Companies like DuoLingo, Quizlet, Codecademy, Skillshare, and Top Hat. Part of the answer is backing entrepreneurs like the ones behind these companies to come up with better, less expensive, and more available education solutions for our globe. And part of the answer is changing the way employers think about education. At USV, we do not require any sort of degree to work for us. But we require skills, knowledge, and curiosity. Many larger companies are starting to do the same. The internet and technology writ large are making it a lot easier for someone to learn something. But we have barely scratched the surface of what is possible. Twenty-five years after the emergence of the web browser and the commercial internet, education still works largely like it did back then. That is going to change, is changing, and I am very excited for it to happen. And I am happy that massively successful people like Bill and Melinda Gates and Jack Ma are focusing their capital and productive energy in this area. I am too.

Video Of The Week: Elon Musk on Joe Rogan Experience

URL: <https://avc.com/2018/09/video-of-the-week-elon-musk-on-joe-rogan-experience/>

Date: 2018-09-08T09:33:15

Content:

I have never been as obsessed with Elon Musk as many are in the tech sector. We own two Tesla cars. We pre-ordered Tesla's solar roof tiles several years ago but have not yet received delivery of them. I appreciate his ingenuity and creativity and we like the Tesla products we own. We are not and have never been shareholders of Tesla or SpaceX. With all of that disclosure, I want to share the video of Elon's appearance on Joe Rogan Experience as the video of this week. Much has been made of Elon's decision to take a puff on a tobacco/weed joint on the show. I don't make too much of that. I've been around people smoking pot since I was a teenager and I think it is a lot like alcohol. I believe it is fine if it is done responsibly and appropriately and I am pleased that it is becoming legal in many states around the country. What is more interesting to me in this video is how introspective and thoughtful Elon is in this interview, particularly about the role of AI in our society and the likely impact of AI on our world in the coming years. It is a lengthy conversation, but worth watching if you have some time this weekend.

Feature Friday: Android Smart Notifications

URL: <https://avc.com/2018/09/feature-friday-android-smart-notifications/>

Date: 2018-09-07T06:13:45

Content:

With the new version of Android comes intelligence around mobile notifications. If you tend to swipe away notifications from a particular app, Android eventually asks you this: I told Android to keep showing these project updates to me even though I tend to swipe them. I like to see these but don't often click on them. I would say that most of the time, I select "Keep Showing" but some of the time I do choose "Stop Notifications." I love the idea of a smart operating system that learns how you want to use it and adapts to that versus forcing you to do the configuration manually and that is where Google is clearly going with Android. You can really see it in the latest version of the OS.

Investment Risk Tolerance By Gender

URL: <https://avc.com/2018/09/investment-risk-tolerance-by-gender/>

Date: 2018-09-06T14:57:48

Content:

Our portfolio company Stash , which offers a super simple mobile investing app and has roughly 2.5mm users, did some analysis on male and female users to see if there was a material difference in risk tolerance between men and women on their service. The conventional wisdom is that men are risk takers and women are more conservative. Stash found that there really isn't much difference between male and female users of their service when it comes to risk tolerance. And they found that women are more tolerant of the highs and lows that come with being an investor. Check out the data here .

Retaining vs Deleting Emails

URL: <https://avc.com/2018/09/retaining-vs-deleting-emails/>

Date: 2018-09-05T08:54:22

Content:

Conventional wisdom is that deleting old emails regularly is the best way to avoid issues down the road. My experience has been different. I've been involved in a few legal matters over the years where email discovery has been done. Going back and re-reading emails you sent years ago is a pretty enlightening experience. What I have found is if you have the right intentions and act reasonably and responsibly, old emails often show that to everyone and can be valuable. Being able to go back over old emails is also a great way to jog a foggy memory. So while I understand the challenges with having a lot of written and discoverable emails "on file", I would argue they they often can be quite valuable.