All right.
Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.
Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers.
And each company's go-to-market strategy, branding, pricing, valuation, everything.
Basically all the things you want to know about how to survive the tank and scale your company on your own.
If you want to give it a listen, you can find another bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.
All right.
Back to the show.
What's up, guys?
Sean here and no Sam today.
He is out sick with one of the more painful sounding things that you can get.
I'll let him explain all the details, but we're wishing him well.
And so I got the message and I started texting people.
I said, hey, I need a guest for today.
And I actually got two.
And so two guests on this episode, the first is Avlok, who is the CEO of Angelist Venture.
Angelist is a badass company.
They're doing a lot of interesting things.
They just launched this rolling fun thing that I've been talking about that I think is very, very cool.
And he tells a couple stories.
First he tells the story of how he sold his company to Square really early on and how acquisitions like that go down.
I find that fascinating.
And then the second thing was we brainstorm some ideas.
I put him on the hot seat and he had some ideas around meeting tech, because I think a CEO spends a lot of their day in meetings and eventually you sort of look around and you say, I think this could be better.
And one of the ideas in particular, I think is quite good, a very simple idea that I think has legs.
The second guest is Xavier.
Xavier's a good friend who was one of the first guests on the podcast back in the first 10 episodes, he told about his past.
Well, today he's talking about his present, which is what he's doing now with Enduring Ventures, a company both me and Sam invested in.
And it's a company that buys companies.
So if you like the episodes with Andrew Wilkinson or Brent Bishore, then you probably will like this one.

Xavier goes into a little bit of detail on a couple of the acquisitions that he's made
and how they went down and what areas he thinks there's still a lot of opportunity.
And you'll be seeing Xavier around on the podcast, I think a little more, but this is a good
chance to say hello.
So two guests, one episode.
Hope you guys enjoy it.
And I hope you like the new intro music.
Let's cue it up.
I feel like I can rule the world.
I know I could be what I want to put my all in it like days on the road.
Let's travel never looking back.
All right.
We'll roll in.
I have a guest here with me.
I'm excited.
We've never met.
So this will be our first, you know, conversation besides emails.
And so I have, I have a lot coley here.
He's the CEO of Angelist Venture.
I don't know if you know this.
You probably don't care either.
But I've said for years, I remember five, six years ago, I was somebody said, you know,
if you had to be, I think they were saying if you had to be acquired by any company,
really what they were saying was like, if you had to go work somewhere, not run your
own company, where would you want to go work?
And I was like, you know, I love what I'm doing.
But if I really, if I was going to go get a job somewhere, and this was six years ago,
I was like, I would go to Angelist.
I was like, I think Angelist has probably the biggest opportunity of any company that
I know of in a space that I care about, which is like, let's say the entrepreneurial space.
Yeah.
Because I just thought, man, they have the, at that time, it was pre buying product
hunt. I think you would maybe, no, I don't think syndicates even existed at that time.
It could have maybe existed, but it basically was like Angelist was this platform connecting
startups and angel investors roughly, that was like kind of roughly it.
But I was like, it's kind of like LinkedIn, but it's full.
It's like a LinkedIn that doesn't suck and the community who uses it actually really
loves it.
And it's a vertical community that's like, you know, creating a ton of value, which is
like the tech sector.
And so I've always really admired Angelist.
So now you work at Angelist, you know, how did you, how did you end up there?
It looks like you had kind of like an entrepreneurial background.

So give us like two minutes of your story of kind of the bullet points.
How'd you get here?
How'd you get to this being the CEO of Angelist Venture?
Yeah, for sure.
Yeah.
So I'll do a really quick, quick background.
I graduated from university of Waterloo at university in Canada and software engineering.
So that's my background.
I moved to San Francisco eight years ago, or actually, no, 2008, not eight years ago, it's been much longer.
And I actually moved here right when the Sequoia RIP good times memo dropped.
I didn't quite fully understand at the time because I hadn't really participated in the internet economy yet, but I distinctly remember the feeling around the valley.
First few years I'd worked for a bunch of different companies as an engineer.
One of them is now the world's largest doctors network.
Another was a company that was acquired by a stuff hub, and then I just caught the founder bug, started tinkering with a bunch of different companies.
And I launched a company in 2014.
This is in the food delivery craze.
I launched a company called FastBite, which was, interestingly enough, very quickly acquired by Square, and we closed the acquisition.
FastBite was cool because you would basically be like, there's like four items available.
It's like you can get a burrito.
You can get butter chicken.
You can get like a salad and you'll get it in 15 minutes for $10.
And I was like, hey, that's great.
I love burritos and 15 minutes.
I'm hungry now and 15 minutes is the closest thing to now that anyone will offer.
And like the guy's just driving around with these three items in his trunk basically or whatever.
And he would just like, oh, you got the thing.
So he didn't have to stop at the restaurant.
Was my understanding of it.
And I was like, this is kind of exactly it.
Yeah, and it was magical because back then, the average delivery time was 80 minutes.
And our average delivery time for FastBite was seven minutes.
So we were literally in order to make it better.
You would beat the 15 minute estimate.
I remember I was like, this is consistently faster than the estimate and the food is like passable.
All right, cool.
I'm full.
Yeah, exactly.

Did that really work?
And did the company work?
Because I know it kind of went away with inside of Caviar or Square or whatever.
Yeah.
So what happened was post acquisition, Caviar delivery times were still 80 minutes.
FastBite was still seven minutes.
And the thinking was over time as your network density builds up, you have a bunch of drivers on the road, you can actually bring your delivery times down.
And so the value of FastBite would go away over time.
And so the integration itself was you have your Caviar experience, you have a FastBite experience within the Caviar piece.
And then over time, you just transition into Caviar as the main way to get delivery.
So we really had an advantage, a speed advantage when compared against competitors, against other competitors exactly.
So I was driving that.
So FastBite itself as a name, we retained it.
And then I was also part of the for Caviar at one point, was with Square for two and a half years, pre IPO, went through the IPO with them.
It's a special company.
I love all the people there.
And when I left, I started another company, ran that for about a year and a half.
And we wrapped up an acquisition of that one in January 2019.
I basically decided to step back.
I wasn't going to join the acquiring company.
I was, I'd operated for 10 years straight.
So I'm like, all right, I'm going to just retire.
And around that time, Naval who'd been a previous investor of mine, he's one of the founders of AngelList approached and decided to ruin that for me.
And he was just like, hey, do you want to consider stepping in AngelList?
And we actually spent the next five to six months like really digging in.
I didn't really know much about the venture business.
And I definitely didn't know anything about the AngelList venture business.
But about five and a half months in, I distinctly remember it all just clicked for me.
And I saw a lot of the makings of what Square had built with its financial platform and a lot of those attributes existed with the AngelList venture financial platform.
And it got pretty excited that I made the decision to join.
And yeah, I've been in the role now almost a year and a month now, July 15, 2019 is when I officially joined.
So I want to ask you actually a little bit about the acquisitions that you went through as CEO.
I similarly went through an acquisition that wasn't a mega, mega acquisition or anything like that.
But it was good, you know, personally and financially and the team landed well and all that good

stuff.
Yeah.
So tell me how that happens.
Why did Fast Buy get acquired so fast?
How did that happen and was that a good deal or a bad deal or what happened?
Yeah.
You know, ultimately acquisitions, my view of it, it'll happen if it is tied to a company's strategic priorities, right?
So it has to always be tied to some executives' priorities or the company's overall strategic priorities.
Fast Buy happened because to be competitive in the food delivery space, the Caviar needed to have a very fast delivery option, right?
It's something to stand out and we'd built something, a really small team.
I actually built all of Fast Buy by myself and we were scaling just, I only built it by myself and then some folks joined the team.
And so we were just starting to scale and it was clearly taking off because it was just so much faster than any of the traditional food delivery services.
And so the acquisition really happened because it's tied to a core metric that Square was optimizing the Caviar and this was a way to get there.
If we break it down, Square wants to be in food delivery, Square knows that to be in food delivery, you got to do something different because there's so many food delivery apps and now there's more.
But even at that time, they knew it was competitive.
Speed, hey, that's one way to go.
Okay, we can either build this ourselves or we can buy it.
At the time, give us a sense of the traction.
Do you have a bunch of users, just a few users, one city, many cities, revenue?
Where was the business at?
Because I think people would be surprised.
If you really fit into this strategic plan, you could throw a whole lot of business metrics out the window.
Yeah.
And that's definitely it.
I think it was definitely a combination of the fact that it fit the strategic priorities as well as the team that built it and how quickly we built it.
Talent ultimately is the hardest thing to find, especially talent that can truly launch new unique ideas into the market.
And we ended up just checking off all of those boxes and so that's how it fit.
In terms of where we were, we'd just come out of beta and we did have users.
We had folks repeating, we were only one city.
But the experience was just so magical that it really took the, it really came from a product lens of like, yes, we need this and we need this team because this team executor on this super quickly.

And it always comes down to, a company can consider a build approach, build internally.
But as you walk through the build approach, you have to really consider, okay, who is this leader going to be internally that can truly go and do that?
And then from there, who's the working team going to be that can go and do that?
And then on top of that, you have to also, you have to also bake in the cost that it takes for learning, right?
So that's what ends up coming up.
And I've seen this now enough times, of course, at Square when I was on the other side of looking at different acquisitions.
And of course, now that I'm running Angela's venture, you're always capped by the team size and like really the leaders in the company that can truly drive new products.
And so that's, I don't think, I think it's interesting, this is a certain perspective that hasn't been shared broadly, but is actually very, very important to consider when companies start looking at acquisitions, right?
Most of the times it ends up being, we just need the leader and the team so that we can speed up time to market.
That's exactly how we got acquired.
Really what you just said is a perfect articulation of it, no revenue, a handful of users, but nothing that, you know, it's not Instagram.
And fundamentally it's, hey, we have the strategic priority, we look around at our own company, we don't have the right leader for it, we don't have enough leaders or existing leaders that are capable of something like this are all occupied by today's problems and not able to build this.
Okay, do you, does this company have the talent to lead this?
They already spent, burned the one year learning curve to try to figure this thing out.
And then like, cool, they already have something in motion.
So you know, we save 12 to 18 months and we, we have a higher shot of success.
Cool.
Like that, that's worth it.
Which I think is, I think unless you sat in that side of the table, it's hard to understand why would you pay so much millions and millions of dollars for nothing, you know, for this?
And it makes a lot of sense, especially when the company's large, right?
If you're a multi-billion dollar company, you're looking for things that can move the needle, you know, if you can move the needle 5% of your company value, that's a pretty big payoff.
So, all right.
So that's your, that's your entrepreneurial, that's one of your entrepreneurial stories.
I like that one a lot.
Tell me a little bit about, before we go and talk about rolling funds and all that stuff, because we're going to talk about that.
Let's play the brainstorming game.
Let's see how, how, how you do.
So typically I give people advanced notice, I didn't give you the advanced notice, but

typically I say, hey, come with one, two or three ideas that are just things that you wrote on your napkin, or if you, you know, in another life, if you were 23 years old, you might go do this.
Tell me what either ideas, problems, or business models have caught your eye, you know, or if you haven't refined to a pitch of like, hey, somebody should build X. I'd love to hear some ideas you have.
Yeah, so most of my ideas these days are actually related to how do we scale the organization, how do we improve communication in the organization?
And there, you know, there's just, there are just a ton, what, you know, I'll kind of just rhyme off with you.
One of them is, you know, why, why can't we get feedback on meetings, right?
You have all of these super expensive meetings, all hands to team meetings, and what's missing today is that feedback loop.
And one of the ideas was, and maybe it's for Zoom, or it's actually for someone to build, when you end the meeting, it should just ask for feedback, right, so you can create this feedback loop, and then you can actually build a information center around that.
The other idea is around asynchronous meetings, right, so you think about synchronous meetings, that's what we're doing today, right, it's, it's a live meeting, it's really good for when you have to go through a bunch of contexts all at once, it's amazing for that.
But most meetings, you don't need that, for example, you're going to do design review or product review, you can actually do it asynchronously.
So I think, I think there's space for someone to build a really great asynchronous meeting tool, and really fascinating thing about that, as I was digging there, was when you build an asynchronous meeting tool, by definition, everything is logged, right, because this is recorded because, of course, we're going to do, it's a podcast, right, but most team meetings, we're never going to record, it's weird, it's just odd.
But an asynchronous meeting where you have some form of like recording, and maybe use Lume, but it's all in one center, you then have this repository that anyone can look at in the company, that is just so, so valuable, right, you don't have to take this extra work later to like capture, right, it's like the capture was part of the way we communicated, so we don't have to do any extra work, it's built into the style of the meeting.
Yeah, I knew documenting decisions, and then all new employees coming in can get context.
So a lot of my ideas, as you can see, it's a very general theme of how does the organization work better as we scale, that ultimately the company can ship faster, employees are happier.
So I have that, because I'm thinking about this stuff all day long, I'm like, I wish this existed, actually, interestingly enough, I'm constantly talking to different founders of like, please build this, and yeah, we will be customer number one for this.
Right, yeah, like the meeting feedback tool is a great one, I actually, one of the brainstorms, you know, a couple months ago, I was like, meeting tech.
Now that I'm in a big company, I see this exact thing, which is, I mean, my role in the company is to set up meetings pretty much the whole day.
As a founder, you have like a meeting, and then you like go work, and it feels like that's the real work, but in a big company, the higher up you go, the real work is meetings.

And so I was like, man, there's all these meetings, and I was like, meeting tech, let's just create an umbrella called meeting tech, what can we do to make our meetings better?
Because this is something that's happening in this office right now, there's 60 meetings rooms, you know, on this side of the building, and there's 60 on that side of the building, and that happened eight hours a day, like just multiply the number of meeting hours, and then the sort of dollar value of that time.
And if you can, you know, create even 10, 20% gains in how effective those meetings are, and again, effectiveness, not efficiency, then that would be like worth a lot.
And so let's take the feedback one, I love that idea, actually, I think that's a catch in my eye for sure, because it's very simple, and I think it could provide a lot of value, like if I have this product right here, have you ever heard of this product, levels?
Oh, I'm trying, so I actually talked to the founder, I'm like waiting for my box to get here.
Okay, so my box is here, I gotta open it.
I'm jealous.
I've used it before, I've used it before, and I was kind of, actually, I give the guy credit on the podcast, I was like, love this idea, believe in this, this is the future, super fast feedback loop of I eat something, and I get measurement of how it affected my body, and then I use it, I was kind of underwhelmed, and I was talking about it, and then he reached out and was like, we've made it better, try it again, I'm gonna send you a box, what's your address, and I was like, okay, that's what a founder should do, is exactly that.
So I'm a big fan of feedback loops, so what are the plot holes with this, right?
I think of any pitch as a story, the story is, hey, we spent a ton of times in meetings, hey, the way things get better is feedback loops, isn't it weird that meetings have no feedback loop, everybody walks away with a rating in their head of how that went, and whether that was a good use of time, or, and they have a bunch of energy, or they feel drained, and they feel like that was a waste of time, and the people running the meetings don't get that information.
So that story makes sense to me, what are the plot holes, what would be the obstacles as you map that out in your head, how you would go do it, or where might that fall over?
Yeah, I would say the obstacles on this one would be, not all meetings will require a feedback loop, right, if you have a one-on-one, it's kind of weird, it's like, hey, rate the one-on-one, it's awkward, right?
So the question will then be, what meetings is a feedback loop useful for?
And then I would say, how do you define the questions, right?
And all hands, for like, whenever we conduct a new response for all hands, I always send out a very simple feedback tool, because we want to get the feedback loop going.
But other meetings will have different questions to ask, so that's the other piece.
And I'd say the third one actually is, how do you get honest feedback, right?
Like really candid, honest feedback, because people generally are nice, they want to keep a really solid relationship between people and their colleagues, and so the question then comes down to, do you have an anonymous or not anonymous?
And so they're all, but then if you do anonymous, and there's only three people in the meeting,

you can kind of figure that out, right?
Exactly, so these are all the, I would say, this is the, this is sort of any feedback tool between colleagues or people that know each other, you have to sometimes just go past the kind of the niceness and just get to the raw feedback.
So I would say these are the plot holes, it's more, it's more behavioral related than it is like, you know, product related, but that needs to be incorporated into this.
All right, today's episode is brought to you by Tempo, Tempo.fit is the website.
I actually use this, I've used this for a few months now, and it's this machine that has a touch screen and this 3D sensor, and what it does is they give you weights, like 115 pounds of weights, and it's for strength training.
So what it is is it measures your body, and it sees how much weight you're lifting, it sees how many reps you're doing, and how much effort you're putting in, what your heart rate is, it's pretty amazing.
And then you have a coach on screen walking you through what to lift, how many to lift, what workout to do, whether you want to do a 20 minute, 10 minute, 50 minute workout, it's pretty amazing, but the best part is the leaderboard.
The other stuff, all the features that they have, that's cool, but I'm obsessed with the leaderboard because it measures how many reps you're doing, and how much volume you're doing, and you can compete with other people who have taken the same class.
So it's maybe want to work harder, lift more weight, or have more endurance, it's just pretty freaking fun.
And the whole point of working hard is to have money so you can spend it on stuff that will make you live longer, and this product Tempo, it checks that box for me.
So they're our sponsor today.
If you use the code Tempo Hustle, you'll get $100 off, so Tempo.fit is the URL, and Tempo Hustle, one word, you'll get $100 off, so check it out.
I use it, if you look me up on Twitter, you'll see I'm always filming videos where I'm talking to that company saying I'm trying to crush their employees on the leaderboard because I actually love this thing, and I use it all the time, so check it out.
If you're a CEO of Angelus Venture, you're probably seeing a bunch of cool startups all the time.
Yep.
Give me a shout out or two.
Maybe it's an app on your phone, maybe it's a meeting you had last week.
Tell me about a cool business that you've seen that you're excited about, that you think could be interesting, could be big.
It's a good question, so most of the companies that come through Angelus Venture, a lot of it is just through the, a lot of it is just actually through other funds and other syndicates that make the investment.
I guess I'll pull one that I personally use that I think is just going to be huge.
I use Roam Research, I think it's an amazing, amazing product, and it's interesting actually to get started, I had to take a step back really.
I think I went through a, I spent a weekend and I actually watched a course on how to

use it.
Yeah.
I can't remember who did it.
This is like many months ago, and I went through the whole course, I'm like, okay, clearly there's a cultish following or something here, and I went through the whole course, and as soon as I did, and it just clicked for me, I haven't looked back.
I use it every single day.
It's actually my daily to-do list now, because it's just so flexible, it actually replaced the Apple Notes app, which I didn't think would ever happen, so I'm just extremely excited about that company, and we're big fans of Notion at Angelus Venture.
We of course have it across the company, and the reason why I find Roam super interesting is because while Notion does a really great job of being able to really create any sort of page with database or tables and all of that, Roam, I think, has a very good shot at nailing the backlinking, so like being the single point of like anything you want to find about something, you just backlink and you just keep following that, and I really, I'm fascinated by that because I spent a lot of my time thinking about context.
How do you give people context?
How do you give the organization context?
And today, the way people find context is go to a search bar, and then they're typing, but if you don't have context, you don't know what to search.
You don't know what to guess, yeah.
Exactly, but really the way people learn is they learn through exploration, right?
It's like, oh, what's this?
You click on it and you go explore it, and Roam research is built around all of that.
So the reason I'm super excited about that is one, of course, personally, I think the personal use case is great, and by the way, I have no idea what the product plans look like, but I'm assuming they're going to be doing something with companies, and I'm really excited about them bringing a company level tool, which I think will actually change how employees find information in the company, so just like super, super excited about that.
Yeah, I've signed up, I pay for it, I need to take that course, but I fundamentally believe in the premise too, which is ideas are linked together, and your thoughts can link together, and your notes, which represents the place you dump your brain, should also have the ability to link, create a little web of ideas, and then let you crawl those, so I think that's pretty great.
And in default, I think the beauty of it is that as you're typing, it can default link to it, which is just fascinating to me, and I think that's actually going to change how companies are run, it seems very subtle, but the biggest impediment in any company and any large company is context, right?
Everyone doesn't have the same level of context, because it's just, the transaction costs at context are way too high, and Rome, I think, will demolish that completely.
Companies would be worth more if everyone was making great decisions, and you either assume that you've hired poor decision makers, or the decision maker doesn't have context.
And so most people, I would say, we hired smart people, why are these smart people making

bad decisions?
Well, maybe they didn't have the context for their own decision, or how this affects other parts of the company, or whatever, and that comes down to context and communication, so I think that's a great way, you know, any, I forgot which company is, maybe Stripe or someone like that, they have this phrase, which is like, every, every problem in their company is a context problem, and if they could solve that, that would solve their, that would solve their problems.
Yeah.
Of course, you'll never actually solve it, but it's sort of, at least, it puts the blame on context rather than the, you know, the human for being blah, blah, blah, you know, point fingers at each other, which happens in big companies all the time.
Yeah, exactly.
It's like, you know, how do you in a, how do you in a, in a low transaction cost way, to everyone's context, and of course, guys, your company's skills, you have a human coordination cost problem, right, and so that's the, yeah, that's why I'm so excited about Rome.
I think they can solve for this.
What's it like working with Naval?
Is he just like a Buddhist monk now, and he just meditates all day, or what's your interactions like with him?
Because I'm a big fan of his, I'm a huge fan of his, like many, many people, right?
I think he's helping a ton of people, but of course, like, you know, I like the idea of Naval, I don't know him personally, and so I'm just curious, what are your interactions like and what's he like?
Yeah.
So I mean, the background there is I've known him for a while as he's been an investor in my previous company.
So we, you know, we've built up a relationship over time.
You know, once, once I started as Angelus Venture CEO, the areas where we really dig in are product strategy, company strategy.
He of course has been in venture for a long time, right?
He's has very deep, go back to context, very, very deep context in venture.
And so, you know, we do spend a lot of time talking about what the future of venture will look like, what the trends are, what products, you know, we should be looking at.
And so he's one of the best product, you know, company strategy minds I've ever worked with.
So a lot of our interactions are there.
And he's also a force multiplier for the company.
He's probably one of the best sales sales people out there to, you know, with rolling funds, you know, a lot of the kind of initial folks that came in, came in because of Naval.
And he's really able to be our customer number one.
So he was customer number one for rolling funds and, and from there helped amplify it and now it's sort of created this massive movement.
And so it's been, yeah, it's been great.
So if I was to summarize, like, I think the areas where we work together, product strategy

and then really him being a force multiplier in the company.
So it's something people who only consume his content wouldn't know about him.
That's a good question.
I try to only ask good questions.
Yeah, I would say he's, he, he's very, very, very good at seeing like around corners and very good at just really thinking about what the future needs to look like, right?
From a product perspective, what needs to exist in the world.
And he's, he's really, really good at that.
And I don't think he doesn't talk about that, of course, in, you know, in the Twitter account, but I would say that is something that most people probably don't know about him.
Gotcha.
All right.
So let's talk about rolling funds.
I got excited about this.
I was like, when I saw it, I was like, oh, shit, this solves my problem, which is really what you want, you know, as a founder of a company building, building products is for somebody to just hear about what it is and connect it to their problem and say, this solves my problem.
And so let's tell people what it is, but let's tell them through my problem, right?
And by the way, these are for sure first world problems.
So like, let's get that disclaimer out of the way.
It's not like, you know, this is not a, I don't have food problem.
This is a first class problem.
So let's, let's rewind the clock.
So seven years ago, I moved to Silicon Valley eight years ago, maybe I moved to Silicon Valley and I start meeting people.
I was really lucky that the first guy I worked with was already hyper connected.
This guy named Michael Birch.
He was running this idea lab.
I joined him.
He had been in the valley for, you know, 10 years prior to that or so, maybe more.
And he owns the battery, which is like the Soho club for, you know, for San Francisco, which is like, of course, you know, the Google guys and Elon Musk and everybody else is a member.
So he's ultra connected.
So I start meeting people.
And I meet a bunch of founders who are building cool companies.
Now these companies at the time don't look that cool, right?
Like example, calm was one of the early companies.
The founder Alex used to work at the idea lab.
He left to go.com.
I took his job basically following his footsteps and we used to hang out, you know, once a month or so in a mastermind group and he used to, we used to all talk about our problems

and he was talking about, about calm's problems, which were like, it's hard to raise.
It's hard to grow, blah, blah, blah.
I thought it was a cool product.
I thought he was really smart.
But at the time I didn't think of myself as an investor.
And if I go back and I actually looked at this, I looked at if I just filtered for just my friends and if I had only bet on my friends with no judgment process, if I, if I wasn't trying to pick good ideas from bad ideas, if I just wrote blank checks of, you know, $50,000 checks to all these friends, I believe there's like three or four unicorns that came out of that.
So three or four billion dollar companies that I would have been invested in at the like, you know, sub $5 million valuation range, which is, you know, a nice multiple if you could do the math.
So back, so first problem, I wasn't thinking about myself like an investor.
I was like, somebody should invest in this.
I didn't even think I should invest in this.
I didn't think of myself as that.
I didn't have a huge amount of savings at the time.
And so it would have been pretty reckless for me to go do a bunch of risky startup investing.
All right.
So that was with number one, get to go watch my friends build awesome companies.
I helped them raise money and I didn't put in money myself.
In phase two of this is I start writing checks or sorry, the very next thing I did, I got a little smarter.
I was like, oh, shit, even if I don't have the money, I should find a way to get some skin in the game.
So I started either advising or scouting deals for guys who did have money.
So found, found people had money.
I said, Hey, I, I meet a bunch of interesting founders.
I'll introduce the best ones to you.
If you invest, give me a, give me a piece and they're like, yeah, great, this is awesome.
And so I got into a company called Lambda school that way, which is like, you know, a really good, a really great company doing a lot of good things.
They, I think they just this week, they raised another 70 something million dollars.
So they're, they're doing well.
So I got a little smarter.
Then I started, then I made a little money, we, you know, we sell the company and I have money in my bank now and I start writing angel checks.
But I'm, you know, I'm writing 25 K checks.
And even if I believe in the company, like I want to take a bigger position, it would be again, pretty reckless to write quarter million dollar checks into each one of these startups.
So I thought about raising a fund, thought about doing a syndicate and they all had certain

issues, right?
If you want to go raise a fund, you know, you're going to have to go and you're going to have to convince a large number of people to give you a large amount of money all upfront.
And that's going to take time.
It's going to take effort and it might not work.
And you know, you can't partially raise the fund.
You know, if you get 20% of the way there, you're 0% of the way there.
So that doesn't help you.
Syndicate seemed cool.
I started a syndicate, got a bunch of people to say they would back it, but on a deal by deal basis, I'd have to go ring doorbells again and say, Hey, you committed money.
You said you said you want to back my syndicate.
Now's the time.
I got to write this check.
So are you in or are you out?
And I didn't want to have to go re-raise money every single deal.
Although some people did it.
So then this magical product from the heavens comes down called rolling funds and the rolling fund lets me do three things differently.
Number one, I don't have to go raise all the money up front.
So I can start a fund today.
Just like any venture, it can start small and it can get bigger over time.
And it can be viable even when it's sort of small.
And so I thought, Oh, that's great.
I love that.
I don't have to take four months, six months off my life to go raise a fund.
I can just start today and then I can raise it as I go.
And the second thing was I don't have to go rebug for money every time like a syndicate.
The money that they give me is in the bank account.
I can write the check to the founder as soon as I have it, as soon as the money's committed.
And the last thing, the best part about all of it is I can publicly talk about my fund and solicit to get people to come invest in it.
You know, I have this podcast right here that, you know, hundreds of thousands of people listen to.
Great.
Can we, I'm sure some of these people would love to be investing in tech.
They'd love to piggyback on my deal flow and do none of the work and get some of the upside.
They can write checks as small as I think a thousand dollars even if you wanted to, but my minimum would be a little bit higher.
But like, let's say you can write checks as small as $5,000 per quarter.
You know, so you're committing 20, 25 K a year and you're in the game.
You got to seat at the table, baby.

And so this is why I love Angel, the rolling funds.
How did I do?
Is that, is that a good story?
Yeah, I love it.
You know what?
I'm just going to take this part of the recording and put it a part of our sales collateral.
Yeah, I don't even know why, but I'm so excited about it because I've wanted to do this, but I know it was never going to work the way things were structured before.
And that's fundamentally kind of like what innovation does, right?
It makes the inaccessible accessible to more people.
And I think that's what you guys have done.
I think you've made investing accessible for, for a GP like me, but also for, for LPs who, who can, you know, invest small amounts of money into these funds.
So I think that's a pretty noble, noble cause to be working on.
Yeah.
How did this come about?
Yeah.
So, you know, taking a step back, what we think deeply about is we think very deeply about what is the biggest area of friction for our customers, right?
And everything you just described as a GP doing syndicates or even a traditional fund is exactly, it's the fundraising process, right?
The fundraising process just has too many steps and it takes too long today.
And really a traditional fund fundraising process is one, you probably need to know someone who's going to write a large check, right?
They're the anchor that have, they have to come in, then you're going to spend six to 18 months depending on how much you're raising, and then you lock the fund down and then you have to deploy and then go through the whole thing again.
And you know, we were essentially looking at this and going, all right, if we're going to pick one thing to really focus on solving, it should be reducing friction for fundraising.
Okay, when we think about reducing friction, what we're really saying is, hey, rather than going through all of these steps to raise capital, can we remove these steps, right?
What can we do to remove?
And by the way, that is innovation, right?
Innovation is let's take away some of the steps and boom, you've got something magical.
You know, just using an example from Square, when Square launched payments with a little dongle, the real innovation there was that they removed all of the steps that emerged when we have to go through to start accepting payments.
In the previous world, you actually had to get on a phone, you had to do a credit check, these pay performance.
It was insane.
I remember this.
Square just said, I owned a restaurant and my very first company was trying to build the Chipotle of Sushi and we were like, hey, how do we take payments?

And there was like these archaic POS systems.
And then my co-founder was like, hey, you know, we should just use this square thing and he filled out a little form on the internet and then like five days later, this dongle appeared and we could take payments and I was like, that's how this should be.
You know?
Exactly.
And the interesting part is those steps that were removed didn't just magically go away forever, right?
Those steps just went to Square.
So Square took on that complexity and used software to be able to innovate.
And there's actually this really good book called The Innovation Stack, it's by one of the founders of Square, Jim McKelvie, where he talks about this exact thing where when you remove steps and you're innovating, you then, the company takes on the complexity, but then when you're a software company, you build software to improve it.
And so, you know, similarly, as we looked at the friction here for GPs, it was really around fundraising.
It's just like constant issues around that GPs go through fundraising.
And we took a step back and went, all right, how do we solve this?
And Naval kind of going back to, you know, really, really brilliant at product and product strategy was like, well, I had this idea a long time ago of like, why do you have to go lock the fund down, right?
Why do you have to go through this process, lock the fund out and then do it again?
Why can't you just keep accepting capital into a fund structure?
And so then we started looking at, well, that's actually a good point.
Why is a venture fund structure this way?
Why is a traditional fund structure this way?
And it turns out that the venture fund structure actually started in a world before software who's built in a world before software and rolling funds are what a venture fund structure would have looked like if it was built in the age of software.
And so that's what we did.
We actually just took a look at it and we went, wow, we can actually make this infinitely flexible fund structure that you can now accept capital anytime and you can keep raising into it.
And so what that did was those characteristics caused us to be able to compress the number of steps that someone has to actually go through to raise capital and the rolling fund structure was born.
And so what's fascinating is if you want to do a traditional fund, you could actually add constraints on the rolling fund structure and voila, you actually have a traditional fund.
You don't need to anymore.
That's the beauty of it.
And so that's what we, as soon as all of those pieces click, because we built such deep banking infrastructure, accounting infrastructure at Angelus Venture, we were able to go from

idea to ship within months.
It was like very, very fast.
Again, it's very complex because you have to build all the software automated.
Most traditional funds are actually done through people.
You hire lawyers, accountants, and then they have to sit there and do all of this complex math to spreadsheet.
That's actually what happens today.
We are able to do all of that through software.
Right.
Yeah.
Like, you know, when you take money from someone, there's the sort of KYC, AML compliance.
Know your customer, right?
You guys handle that, right?
When you invest in a company, if you're creating an SPV of just these investors investing in just this company, again, you would need lawyers, you create the documents you need to figure out if this is right or wrong.
And you guys sort of made that, not even a button you push essentially, this just happens.
All right.
So I've given the love letter and the commercial for it.
What are the downsides?
What are the what are the fair criticisms of rolling funds today?
What would you say are some of the downsides and or fair critiques?
Yeah, that's a good question.
So we've spent a very, we spent a lot of time really thinking deeply about the rolling fund and comparing it to traditional fund structure and making sure that the way we built it was Pareta superior to traditional funds.
So with that in mind, I would say, what is Pareta superior, how do I use that in my day-to-day lingo that will make everything super smart?
Yeah, it's basically, it goes back to what I was saying earlier where a rolling fund structure is actually a structure with infinite parameters.
And so you could create a traditional fund out of it.
And that's a subset of a rolling fund.
But then you can actually get all the flexibility.
And so because of that, a rolling fund structure is a superior structure.
And that's a thing.
It's actually ultimately a venture fund structure.
So when there are criticisms of it, people are comparing it to traditional funds directly as like there are these trade-offs.
But in reality, actually, you can do a traditional fund.
And I think we can do a better job of explaining it and we're going to be announcing something pretty soon at Yale Confidential or annual conference.
So we can definitely do a better job of explaining this to the industry.
Now I will say that the drawback, and this one is actually a very temporary drawback,

is just it's a new structure.
So as you're talking to LPs, there is some additional explanation of exactly what a rolling fund is.
But that was true, I would say, four weeks ago, but then this whole thing just blew wide open.
It actually was on the back of saw Hill announcing his rolling fund.
And then from there, it just sort of struck a chord.
And what happened after was just fascinating.
I mean, we have so many community posts that have come out of it.
So many people like looking at it or creating analyses from every angle.
And now I would say that a lot of people know what it is.
So this particular drawback is actually decreasing day by day right now.
But that is it is a new structure, right?
It's something that people have.
When I looked at it, when I looked at it, I was like, OK, do I want to do this?
I told you all the things I loved about it.
The one thing I thought was a drawback was the fee structure.
So let's say I go and it seems to me like every quarter, there's a fee, and there's a sort of a minimum fee, which is either X percent, I think 1.5 percent or something like that, 2 percent, or 20 K.
And so let's say you let's say you create a rolling fund and you only have 100 K per quarter of capital committed or you know, if you have 100 K per quarter, you know, you're paying 20 percent as a fee just to operate your rolling fund because there's operational overhead to actually do this every quarter.
And so that seemed like the thing to me where to get to the to get to the low fee model.
This is it's going to be you need like a million, 1.3 million, a quarter in order to be in that low fee tier.
So that was the only and I don't think of it as a gotcha.
But I did feel like, oh, that's the one area where this might be suboptimal.
What do you think about that?
Am I thinking about this the right way?
Yeah, you are.
And actually, I'm glad you brought that up because you're going to wave my fees.
Thank you so much for waving my fees.
I really appreciate that.
So it is it's something we've been actively monitoring like how is the like how are people understanding the fee structure and what do we do here?
And so with respect to the minimums, you know, we definitely don't want we want anyone and everyone who wants to start a rolling fund be able to access it, right?
And yet we are going to be depending on where you know, where you're at as a fund manager, we're going to be waving these minimums for multiple quarters, right?
So you're not going to have to worry about that moment where, you know, that moment where you have 10% of your capital that's going, you know, going to fees.

And so we are making that change and we're about to launch that change.
And we're going to blow that out at a confidential annual conference.
So very fair criticism and something we are actively actually already actively addressing right now.
And the fee structure is going to be a lot simpler.
Again, we definitely don't want anyone to ever feel like you can't access a rolling fund.
And so that's going to be very clear.
No one's going to see this minimum as like, oh, you're going to be charging minimum on day one.
We're going to get rid of that.
Great.
Love that.
Yeah.
All right.
So, so what are some of the like kind of, if I'm an LP out there, right?
Because I'm talking about this from the, from the view of a GP in reality, most of the people who listen, most of the people listen to this are not going to launch their own rolling fund.
Some will.
Yep.
But the idea is not that everybody has their own rolling fund and there's nobody left to invest in the funds.
It's that, you know, a handful of people who have access, knowledge, desire to, to invest in startup companies and they can actually, you know, return money, they, they have, they can now go raise and then other people can cut checks and they can say, great, you go do the work for me.
I want my money to multiply, you know, I'll give you a dollar, bring me back for.
And so how do you think about like, if I'm an LP, I've never invested in a startup before.
I listened to this podcast and I, I obviously believe in the future of tech, I believe that cool companies are getting built and that people are getting rich off them.
What is the right way to think about this as an LP?
How would you talk to an LP, a potential LP who's going to write their first check into a rolling fund?
Yeah, that's a great, it's a great question.
So the way to think about early stage venture, and this is how it explained to an LP, the way to think about early stage venture, which is really investing in technology companies when the first starting is you actually want to invest it in as many technology companies as possible and as many viable technology companies as possible.
And so you don't want to be sitting there doing deal by deal picking unless you're prepared to do many of them and you have the judgment to do many of them and you have the access to many of them.
Because interestingly enough, early stage venture, you should think about as a different

asset class, right?
Just like public technology companies are different asset class, so are early stage venture.
And by the way, we've actually published data on this now.
We are quite possibly the number one source for data because we are seeing such a large percentage of all the deal flow now.
And what we see very clearly is that what you want in an early stage venture portfolio are as many investments as possible in viable companies.
And so as an LP, as you're looking to grow your capital, you want to first and foremost believe that the GP that you're investing in has access and has good judgment.
And if those two are true, then you want to invest behind them because you're going to get the diversification that you're looking for, meaning the many companies that you need to invest in, your capital has to go into you from them.
And that's it, right?
That's the beauty of this.
And the nice thing about the rolling fund is as an LP, you get to up, re-up or kind of decrease if you want.
And as a GP, you can set minimum terms, right?
So let's just say I'm an LP and you have your rolling fund and I say, Shan, you know what?
I'm willing to commit for a minimum of one year, but I'm going to commit $50,000 for the one year because I don't quite know what your deal flow is going to look like.
So I'll commit $50,000, you have locked in capital for the next year, and then you make a bunch of investments and you send an update for whatever you can share, of course.
And I see it and I'm like, whoa, wow, Shan's amazing.
All right, I'm going to re-up.
I'm actually going to increase my commitment from $50,000 now to $500,000, right?
And that's a beauty of a rolling fund.
You can actually increase your commitment when you start seeing exactly how good the GP is.
So you're essentially opening up the pool to many, many more LPs that they may not be ready to make a large decision yet or any decision yet, but it's fine.
They can just come in the next quarter.
That's the beauty of this.
And by the way, we're seeing this.
And it's great when you see that.
You just see someone go from investing $250,000 to like $750,000, it's like, whoa, all right.
And that's what's happening is they're building conviction in that GP and the traditional fund.
You have to wait the two years, right?
And then maybe you can get access to the next fund.
I'll give you an example.
I'm actually an LP in a traditional fund where they've made some fantastic investments, but I just didn't feel comfortable making a large bet because I don't know who they

are.
I don't know how they're going to make a huge impact.
But they've just made fantastic investments.
I'm sitting here going, please get on a rolling fund.
I would love to give you more money.
So that's a beauty of this for LPs.
And what are the, you said a couple of things in there that I think would be helpful to give rules of thumb, not even rules, just like one man's opinion of what these should look like.
So you said two things in there that I think are interesting.
One is many companies.
So a GP should be investing in about how many companies, again, we should also just find when we say LP, that just means person given the money to the fund manager, the GP is the fund manager who's decided in going out and meeting startups and investing in the good ones are as many as they want.
So what do you think is the right, like let's say, what, what is the right number or minimum bar around how big the portfolio should be?
Yeah.
So I would say you definitely want at least 15 to 20, right?
I would say that's a good number.
I would say one to five is way too, especially when dealing with early stage, right?
Like pre-SEED companies, you definitely want 15 to 20.
And ultimately, as you get, as you, as you're investing more, meaning if I'm investing for a minimum one year, I'm actually hoping that the GP is actually to make a lot more of those investments, right?
So 15 to 20, maybe it's going to be 25 or 30, right?
That's a good amount of exposure as an LP, right?
And then the second one is return.
So okay, I kind of know the stock market, they say, you know, 7% historical, you know, average return.
If I give, you know, let's say my ruling fund, right?
My ruling fund is called the All Access, Sean's All Access Fund.
I give $100 or whatever the number is, but let's use 100 for simple math.
I give $100 across the, you know, four quarters.
Obviously, I can't get that money back right away.
It's going to be put into illiquid startups.
So I can't go and just say, hey, tomorrow I want to go buy a car, give me the money back.
The second thing is, you know, what should I be thinking about is good.
What is winning?
And, you know, what type of return am I looking to get?
Give us kind of like the, you know, the, the bear case, you know, here's like the minimum of what worked.

Here's base case and what's the like outstanding returns look like for, for these types of funds?
Yeah, it's a good question.
I would say that the bear case, and again, this is all dependent on the GP, of course, the bear case is your money is locked up and you get, you know, you actually get below what you put in seven, 10 years from now, right?
One X or below.
That's one X or below.
That's the complete bear case.
I would say the average case, and again, average is, we're not talking about the math term, we're talking about your, you're just kind of trying to give somebody a ballpark to understand.
Yeah, just a ballpark.
Yeah, I would say the average case in terms of, you know, just in terms of what we think will be good is you get it a little, you will definitely want to beat the public market, right?
Otherwise, you're comparing it against a highly liquid stock market versus an illiquid, you know, private market.
And so I would say looking at what the public market returns are and being above that.
And then the bull case, the bull case is, and again, I'm sort of, you know, looking at some of the really outstanding firms, but you start getting into, you know, 7X, 10X, 15X on your money, it can even be higher, right?
Really depends on, it really, really depends on how many of the, how many winners you have in the portfolio.
I mean, unicorns, Deca-corn, and by the unicorn, just for everyone is coming, that's worth a billion or more, Deca-corn's worth 10 billion or more.
And I would say the interesting thing is right now, at this moment in time, tech is having its moment, right?
Because we're all just stuck at home and we're all stuck at home, we're essentially being pulled forward in the future by so many years that all of these needs have essentially been accelerated all the way from food delivery, grocery delivery to, you know, working from home, asynchronous technology, there's so many things have just been completely accelerated.
And what we're seeing in early stage venture is just an explosion in startups, just an amazing, like all these founders, they're just starting companies right now and they're amazing companies that they're starting.
And so what you as an LP want, and like what you should be thinking about is how do I get my dollar in a company that is going to become big, right?
It's going to become a future unicorn or Deca-corn.
And if the GP and the rolling fund that they're investing behind can get access to these companies, you know, I think you mentioned, you know, a below 5 million valuation or 10, this is like pre-seed seed stage, then your money will actually multiply very, very quickly.
And so that's ultimately what matters, right?
Because if you take all the winners out of a venture portfolio, it's negative, right?
So if you take any unicorn or Deca-corn out of like any venture funds portfolio, the returns

are completely negative.
And what that really means is you're dealing with a power law here where you're making, let's say 20 investments, and you're really looking for two or three to become really, really big.
And all of your returns are dictated by that.
The rest of them will likely either go to zero or they'll just be a zombie company.
And that's just, that is just how venture works.
And that's just the type of industry and the type of asset class it is.
Which is why, again, as an LP, you actually shouldn't do deal-by-deal picking, right?
It seems like it's great, but unless you have access to the best companies and you have judgment on which companies to invest in, it is actually just better to put your money behind someone like you, for example, has access.
And it's like, Warren Buffett has this thing, oh, hey, Warren Buffett, what's the rules of investing?
What are the basic principles?
He's like, rule number one, don't lose money.
Rule number two, don't forget rule number one.
And venture, it's like the exact opposite.
It's like, be prepared to lose money 80 to 90% of the time.
And then when you win, win so big that it's 100x or more return.
And it's such a foreign thing to a lot of people.
I know a lot of people who have reached out being like, hey, I want to invest in your thing and they maybe do real estate.
And they're not used to losing money on eight out of 10 deals.
That sounds crazy.
That sounds like doing a bad job.
But they're also not used to a project returning 1,000x.
And so that's when you blend it all together, you end up with this thing where you're getting maybe a 20% IRR or a 30% IRR or even a 40, 50% IRR depending on how the fund did it.
And so you're outperforming the public market by three, four X.
And that average person's going to go buy, kind of put their money in a mutual fund.
And that's probably, personal opinion, one of the worst things you could go do.
And you don't want to be that.
And so find a blend that works for you with an amount of money that is sort of your fund money.
It's kind of the advice I give.
I don't want anybody to put any money into my fund that's not their fund money.
This should be a small percentage of your net worth.
This should be the money that you're going to be learning about technology from.
You're going to have the potential for very high returns, but also you're comfortable with it being locked up for seven, 10 years because again, these are private, illiquid companies that are meant to grow really fast or die.
And you want to know the game you're playing and I think that's the game that we're talking

about here.
Yeah, exactly.
And just for your audience, the way to think about it is when a GP is making an investment into a company at the pre-seater seed and that company becomes a unicorn or a decacorn, you're talking about in some cases a thousand X, a 10,000 X return on that capital.
And that's how to think about it.
It's complete power law dynamics here where you have one investment or a couple of investments that scale up so quickly that it actually doesn't matter.
Like all of your other investments literally do not matter.
And that's really what you have to believe.
Is this GP going to have the access and judgment to find these companies?
If the answer is yes, write the check.
If the answer is no, don't write the check.
That's it.
Love it.
When is my fund going to be live?
The most important question.
Yeah.
Is it ready?
Sounds like you've pretty much filled out everything that's needed so we're excited to go live with it.
And yeah, I'm super excited to see you see the fund page and see how you promote it.
Yeah, me too.
All right, cool man.
I appreciate you coming on.
And where can people find you, find more information, plug whatever you want to plug to send people your way?
Sure.
Yeah.
I mean, you can find me on Twitter.
I'm usually talking and responding to people about rolling funds to wear.com slash a block to find out more about Angel's venture where we're up to you.
You can go to angel.co, a n g e l dot co slash venture.
Awesome.
All right, man.
Thank you so much.
Great.
Thank you.
Cool.
Uh huh.
Yeah.
I feel like I can rule the world and know I could be what I want to put my all in it like the days off on a road less travel never looking back.

Okay, what's up guys?
Sam is out today with a painful kidney stone.
So you know, poor one out for Sam.
I think that's probably one of the most painful things.
But I got a got a guest who's going to pinch hit for us and he's amazing.
He was actually on the podcast.
I don't know how many months ago now, but I think you were in the first 10 episodes maybe.
Is that right?
Yeah.
I'm in the deep cuts.
I'm in the back of the record shop.
Right.
Only the OGs know.
So Xavier, Xavier Huggison's here.
I think you shared your full story a long time ago.
So if you ever want to kind of go back to that, you can find it in one of the first few episodes.
I'll find the episode number, but great buddy of mine done a whole bunch of interesting things.
So let's let's brag a little so people know kind of who you are.
So this is the, you're a super humble guy.
So we got to go non-humble for 30 seconds so that people know that they should pay attention to you.
So give us your story.
Okay.
So not, so non-humble version.
I really hate this.
I grew up in small town, Minnesota.
I know.
He's like holding a stress ball just to do this.
This is really, so Bootstrap, Better World Books, from zero dollars in the back of a community center to 70 million in revenue.
Our initial capital was 35 bucks, which you can hear about on the old podcast.
Got a Skoll scholarship to Oxford to get my MBA.
So I spent a year there and then spent the past, well, about eight years before I started during ventures, trying to bring solar to the mass market in Africa.
So started a company that serves about a million people.
Investors included Tesla, General Electric, DBL partners, healers partners, 100 million in equity raised, 50 million in debt raised.
Really revolutionary products, probably the most revolutionary actually is just rolling out now.
So that was a lot of what I did before I, is it accurate when I say, because I say this all the time and I have no idea if it's accurate, that you are the largest solar player in Africa.

Is that correct?
Yeah.
To my knowledge.
Great.
My knowledge.
Like the analogy is sort of like a, you know, you guys have this power wall sort of thing.
Like if you've seen the Tesla power wall, I saw the one you guys have in your office and it's like a slicker, better technology, better looking, you know, unit that that goes into, you know, people's homes and it's kind of revolutionary.
Yeah.
No, it's really, it's really democratizing the ability to generate and store your own energy and especially, I'm sure a lot of your listeners are in the developing world.
I actually got a message, one of your listeners is in Nigeria, she messaged me on LinkedIn.
Amazing.
And it was, it was, it was awesome.
And she had some marketing ideas for our infinity product.
So the three things I think you're super unique at one, the two, two big ventures that you started, one was a better world books and the other one, Zola Electric is they're both social impact, but they were, they're not, so they both had an amazing sort of benefit to humanity while still being really good businesses and you're like a total business minded person.
I often find that, you know, folks that come really from the social impact world, I sometimes find it hard to connect because I just have, you know, more like a ruthless capitalist mindset, but I feel like your brain has both, both chambers in its head.
Well, I think the ruthless capitalist is really the fundamental part of it, to say it.
It's like, I'm like a Catholic ruthless capitalist, you know, so I've just got this kind of like Catholic social justice bone in my body and it's always been, always been a thing for me.
Right.
And so we'll talk more about some of the other interesting bits.
I think one other interesting one is you're the first CEO I ever met who's, who was like, I feel like in another life I should have been a CFO.
You like love finance, you love structuring deals, you love all of the bits that I know most CEOs, even really great CEOs, building great companies.
We are totally oblivious to this stuff.
And you know, you, like you said it with your previous company, a hundred million in equity raised, 50 million in debt raised.
And now with what you're doing with enduring ventures where you're buying, you know, profitable companies, you're buying beautiful businesses and you're planned to hold them for, for a long, long, long time.
You are tapping into that in a bigger way.
And so without even talking about that, I'm just going to plant that seed.
And I think as you tell certain stories, people will realize, oh, that's cool.

That's a superpower.
When you have this sort of CFO brain living in a CEO body, I think that that's a, that's kind of a hallmark for you.
And if there is anybody else out there who relates to that or wants to get good at that, I think you're a pretty good model.
I know for myself, I've dug in and learned more.
Because when I hear you talk, I'm like, oh, shit, I don't know any of this is like a foreign language to me, but I can see kind of the amazing results he's getting with this.
I need to get stronger at this thing.
I used to kind of brush off and try to delegate as much as possible.
Yeah.
You know, it was, it was the fundamental thing I went.
So I struck a few deals with better world books that were just not, you know, they're just not great financing deals because I was kind of naive and it really, it kind of put a chip on my shoulder in a way that's like, okay, well, I can do that.
I can be as good at technology or as good at like starting e-com or whatever, but like it's some finance guy is going to make all the money if he gets, you know, if he gets a better, you know, if I don't understand the deal, he's going to be, you know, get better of me on that.
And also I just realized that a lot of stuff I wanted to do in the world needed money in it.
And, and I needed to just be able to understand how that worked.
So part of it was the MBA, but then a bunch of it was just honestly just, just learning from some really good CFOs that, that worked for me or worked with me over the years too.
And so let's talk about, let's talk about ideas or businesses.
So I'll let you pick which direction you want to go.
So we either, we can talk about some interesting opportunities, ideas or spaces that you've been noodling on or you think, hey, somebody should go do that.
Or you can talk about maybe some of the companies that you either looked at or bought recently, you know, pick a path to choose your own adventure.
Oh man, so many places to go, Sean.
Okay.
So we'll talk, you and I, before we got on, we're talking a little bit about up council.
So I just want to tell this story.
I just want to tell the story because it's, it's really cool.
It's really cool.
And I think it tells what we do it and their adventures a bit.
And so, you know, I'm a big Warren Buffett geek.
I'm sure as many of your listeners are.
And so, you know, I had this, I had the little bit of a walk in the wilderness in the past, kind of, really before, I would say 12 months ago, where I knew I was going to transition out of an operating role at Zola, I'm still a board member.
And I was going to say, well, what do I want to work on next?

Do I want to go try to, you know, be the CFO to help some, somebody take their brilliant product public?
Do I want to start something new myself?
And I just, I got very, very into the world of acquiring profitable businesses.
We had a, had a great lunch with Andrew from TinyCo.
We were talking about Better World Books and all things.
In Canada?
Where did you have this lunch?
Yeah.
I went up and saw him in Victoria, you know, you go see the Oracle where he sits, right?
Right.
So the Oracle of Victoria.
He is.
And he and Chris are so cool and they're just hanging out in Victoria, having their coffees, you know, doing, making acquisitions.
It's really, I actually have some friends up there.
They're a slight detour, but there was a company called ABE Books or APE Books that Amazon Bottle on top of Go that's the leading and Aquarian marketplace for books on the internet.
And it's still run out of Victoria.
And so I used to go up there all the time and see those guys and Victoria is like one of the nicest places in the world.
Like I can see why he doesn't move.
Right.
So, so anyway, I got, I got, I get into this world.
I got, I got an understanding and I think it's, it's totally, you know, you, you take that pill and you can't see the world the same way.
I think once you, once you take it, um, so, okay, what do I want to do?
I want to, I want to have a long-term holding company because that's the fundamental arbitrage buffet.
Buffet says nobody wants to get rich slow.
That's why nobody's done what, you know, and so I kind of feel bad.
Like I've already, you know, I'm in my early forties, so I got to start my compounding career now.
So I got to eat, eat well.
I got to kind of exercise and make sure I just eat like Buffett dude, just eat M&Ms and drink Coke's all day.
Yeah.
Well, that somehow that guy, he's still going strong, just eating McDonald's, so there's there's something there probably about loving your job, to be honest.
Yeah.
I think it's literally, I think he doesn't stress, uh, and I think that stress kills you much, much faster than nutrition, uh, poor nutrition.
Well, it's, it's so true.

It's a fundamental thing.
I managed my life.
It's never stress about, about anything, um, and, uh, yeah, so I, so I had this vision and my partner, Cava and I, we, um, I think once I realized that he might be open to work together, that was like, oh, wow, I don't get, you just don't get to work, hit your way and do a world class person like this very often.
So I better, like we better really see there's something we can do.
And, um, and, and so we came up with this concept of enduring ventures saying, okay, we want to be, we want to be the buyer of choice for, um, uh, you know, for business owners who want to sell and want to be sure that they're, um, especially if they have something they care about other than just the bottom line.
So that they want to see their employees are taken care of, maybe employee ownership is important to them.
Um, we're talking to one company that's 100% employee owned and they, they want to sell the employees want to sell part of their share, but they want to, they want to keep doing what they're doing.
Um, so that, so innovating in those sort of areas, but then also just bringing, I would say a kind of modern digital growth tool set, you know, see, even I have this, you know, we have the tool set that many of the entrepreneurs on this call have.
But then we also, I think have the more traditional, uh, business acquisition finance, you know, building a more proper corporate machine, if that's what's needed.
And I think the real nuance is, is, you know, a lot of businesses when they're, when they're small as we call them, they either kind of get overbuilt, right?
So they get bought by a, you know, a private equity firm and there's a VP of marketing and a VP of sales and a VP of finance and it doesn't make any money because the business hasn't grown into it.
Um, you know, and a lot of these businesses have just been kind of run by their owner as, as a small business.
The money just goes in the bank account in the end of the month and that's, that's sort of how they, how they run it.
And so I think we, we know what that's like because we've done it ourselves and we've started it, started stuff from zero, but then we also know like what it, what it can, can turn into.
So anyway, that's what we do.
We've, we bought, um, we bought, we bought four businesses, started one and we made, uh, made a minority investment in one in, um, yeah, I think six months since opening the doors.
So, so it's been, it's been, uh, we've been active, um, and the first, uh, first acquisition we made was up council.
So,
Yes.
I talk about this.
So this is, so for those who don't know up council, I remember it because up council

at one point it was like a, it was a hot company.
It was like a, it was a smart idea.
They were bringing, um, sort of, um, in some ways like a marketplace, uh, where they had lawyers from all around and you, if you needed legal services, you would go to up council.
You would get a price, you know, why pay a San Francisco lawyer, you know, three times as much when you can go to up council for this kind of, you know, there's just these pretty stock situations that are like, I need to incorporate or I need this or I need that.
And you want something better than just a legal zoom template where you're like, okay, I don't know if this is legit or not.
I don't want to bet my company on this, uh, but you don't need a Manhattan lawyer either.
And so I remember up council raise money.
They were exciting.
They were a good company.
I used the service and then I didn't hear about it for a bit until you were like, Hey, we're gonna, I think we're going to acquire up council and, uh, tell me why you like that business and how that went down.
Absolutely.
So, you know, so I love it as a customer.
I mean, if I'm a customer of something that, and I actually really love it, then that, that for me says a lot because I do think, you know, I'm, I like to think of myself as a discerning, discerning customer for these sort of things.
And I, I ran into this again and again, where I didn't want to just rack up $800 an hour legal work where there's an associate on the call and a, you know, there's three people on the call and they're all billing, right?
It's like, is that my nephew who's actually doing the work over there?
He's, he's, you know, he's 23.
So what's going on here?
Oh yeah.
And then they want to talk about sports for the first five minutes and I'm like, that's like $400 of legal time you spent just talking about the rangers, let's get to work.
So anyway, so up council, I mean, I got patents done on there, um, really affordable, really high quality patent work.
I got trademark stun.
I incorporated companies on it.
I was, I was total up council power user for years.
And, um, I also knew the company.
So, um, it's, uh, CTO and co-founder, I hired him out of South Dakota in 2003 to come to San Francisco.
He had dreadlocks down to his waist and he was the only decent developer who would come work for $36,000 a year in San Francisco because he wanted to get out of South Dakota so bad.
Right.
And, uh, and he was great.

He was one of our, he was one of our key developers in the early days of Better World Books, and then I knew he was going to go do his own thing, uh, eventually.
And so, um, so he started it with another guy named Matt, a really talented, um, lawyer, legal entrepreneur.
So he was like, he was a lawyer.
And the two of them started it.
I kind of had my eye on the business from the early days and so I'd grow.
Um, they raised, you know, they raised a big VC round from Menlo, um, and, uh, you know, Menlo was in Uber and other, other sort of, uh, marketplaces, um, and so, you know, they, they did, you know, in some ways they did exactly what the VCs told them to do.
They ramped up the burn rate.
They had 40 employees, um, you know, and the business grew, but it just didn't grow at the pace that, that VC would, would want it to.
And so, so then they got in a situation where the VCs wouldn't fund it anymore.
Um, there was some, there was this, uh, this sort of weird lawsuit situation that didn't end up being anything, but it would kind of scared people.
And so, so there was, it was just a hairy situation.
And um, as a result, they had to start laying people off.
And then it kind of, you know, created this, I think when you have a venture funded company, you're not venture funded anymore.
Like everybody's lost the reflex for how to make a profit, you know, and I haven't fed myself in years.
Yeah, no, it's true.
You don't know how to hunt anymore.
It's like you, you order Uber Eats for three years, you're not going to be able to go hunt, hunt a squirrel.
Right.
And sometimes making a profit is a little more like hunting the squirrel.
So anyway, they, they had, um, you know, the team, by the time we got there, the team had largely transitioned over to work at LinkedIn.
Um, so that's where the founders were working in the engineers.
Um, they, they were down to kind of a skeleton crew, just keeping the lights on.
And then they announced their shutdown out of the blue.
And it was really weird because I had used a service like two months before.
And so I knew that people were still doing business on it.
And so, so I, I, I texted Mason, the, the, the founder who was the CTO, then he became the CEO, um, when they were kind of in wind down phase and, and just said, Hey, like, you know, can, can, can we do something here?
Like let's, let's not have this thing die.
And so I got to look, I got to look at the financials and it was totally was not fancy financial engineering.
It was literally like, wait, Mason, what's that number?
What's that number?

What's that number?
Okay.
I think I know this business can pay like four people to work on it and still make a profit.
And so, you know, we, uh, we worked out, what did you look for in the financial?
So what are the, what are the KPIs that you, that you, you were like, okay, I need to know this, this, this, this.
Yeah.
So a lot of people look at revenue.
You got to just look at the gross margin line.
Like that's, that's where all the action is.
And then you got to understand, like, are there any like embedded costs, like Amazon web services hosting or other expensive SaaS contracts or products?
Like, so to me, it's like, okay, what, what is the gross margin dollars that you have to play with to either make a profit, pay employees or, or lose money, right?
And so, you know, looking at the business, like it did about the same in 2019 as it did in 2018, and in 2018, it had 40 employees and was running full speed against, you know, you know, for, for a billion dollar exit.
And in 2019, you know, the staff was being laid off and, you know, it was on a skeleton crew and did about the same amount of revenue because it was useful.
So you're like, okay, I can do that.
So you look at the gross margins, what else did you really care about when you were analyzing the deal?
So I cared about, does it have any, like, is it just arbitraging traffic or does it have any real, like, long term assets?
And so in this case, we had an amazing organic SEO.
So Mason's one of the best SEO guys in the Valley.
And so we had a million high intent legal page news coming to us every month that, like, if you Google Safe Note, up consoles number one, and, or it's like in the snippet box, like for, and you can like go, you can do that for, you know, a bunch of different things.
I mean, there's over 10,000, you know, ranked high quality content pages.
So, so we had that.
And then we had a really good code base.
There wasn't a bunch of repair that needed to be done because I, and that was a little unfair advantage, right?
Because I knew Mason was good, technically, I knew he wasn't, he wasn't going to mess around with that.
So, so the code base was really solid, the traffic was coming organically.
And then, of course, there was a huge email list.
So there's everybody's used up council, including you and me and our cousins and everyone else is, it's on it.
And so I knew if we probably just could start communicating with them again and tell them, hey, up council's back and that are never, then, then we might get somewhere.
Love it.

And so, so you, you strike a deal and you structured it in a very, I thought kind of like high upside, low downside way.
I don't know if you could talk about the structure of the deal or any of the numbers, but share what you can share.
Yeah.
So I can't, I can't really, I can't really share any details.
I can just say that one thing we did is we abide by the founders code, which is that we don't wipe out founders.
And so, so that's, we made a contingency in our offer that our offer would be void if the venture capitalists just took the money because we were, you know, if you just read the legal docs literally, they could take the money, they could, they have a liquidation preference, right?
So there were $26 million of liquidation preferences on the company.
And I can tell you that we paid less than that.
So, so, so we, we put it in there where we said, look, we're going to give you something better than zero, but the number, you know, but it's absolutely, they had already announced the shutdown, right?
So at this point, yeah, zero is the default outcome.
Yeah.
So negotiating upward from zero is way, actually, Tyler, but it's kind of doing the same thing, he's like, I'm going to be more than, I'm going to be more than zero for peer one.
Right.
Exactly.
So, yeah, so, so we were negotiating up from zero, which is a nice place to be, but it's, it's not an uncommon situation at all that there's, there has to be a recapitalization and you can either do that in a way that completely screws the founders, you can do it in a way that, you know, recognizes the work they've done, you know, is not going to like make them, you know, sent to millionaires, but, but we'll, we'll give them some real money for their work.
Yeah.
And, and so, so we did that in a way that basically part of that was if we can actually make this, you know, successful, like we can't, you know, we can't make a giant down payment on this business because it needs some work.
But we can, you know, we can, we can work some out where you get some now, some later.
And, and, and it's, it's a lot better outcome than, than the other thing you were looking at.
Right.
And, okay, that's good.
So I like, I like the up council story.
It's a little bit different.
So I invested in, in during ventures, it's, I think my biggest, my biggest check I've ever written, I think, because I believe in you and I believe in Cava and I believe in the model as well.

But even if I didn't really fully believe in the model, I would have invested you guys
anyways, you know, I was just looking for an excuse.
But you guys have done a bunch of stuff in a very short amount of time.
I'm already feeling very good about my investment because I think like, I don't know, would
you, would you, would it be fair to say that you didn't start with a whole bunch of companies
already identified that you were going to go after you had some, you know, some things
you were looking for up council actually wasn't in the profile of what you were looking at,
which was like, let's say a venture backed company that wasn't going to, you know, achieve
its venture outcomes, but still had assets and revenues and, you know, just needed to
be downscaled and become a profitable company.
That was one model, but you've also been doing other models.
So talk to me about some of the other acquisitions or other models that you're looking at.
Yeah, absolutely.
So and, you know, before we leave up council, I think there's one, there's one more important
thing to say to that story, which is that you do have to bet a little bit on luck.
So I am just gobsmacked by the amount of good luck we had after we made that acquisition.
We literally got, so Atrium's chief revenue officer, Atrium, Justin Kahn, started up with
$40 million.
They also went out of business around the same time.
So he called us up and was like, guys, like I have the playbook here.
I really want to work on something.
You know, I saw you guys bought up council, like let's talk.
I mean, and Paul is one of, I mean, one of the best revenue leaders in Silicon Valley,
you know, top, top percentile.
And so we, we struck another unique arrangement where our management team are actually
partners
with us on this business.
So it's not like they get stock options that are worth something as a big exit.
Like no, they actually are partners and they share in the profits every year in the form
of like a distribution, just like you own an investment partner.
So it's just cutting out all the middlemen.
There's no LPs investing in venture capital funds, investing in the company.
It's just the people doing the work, you know, sharing, sharing in the upside.
And by the way, how do you, I've, I brought this up on the podcast before and other people
said, Hey, I've had the same issue, so I'm curious, how did you structure your profit
sharing plan, not structure, but like, how do you actually implement it?
So is there like a go to legal doc, is there go to software?
Is there best practices of knowing how much of your profits to dividend versus reinvest?
Like if somebody wants to implement a profit sharing program like I do, for example, what
do you recommend?
We got to start that company, Sean, because there's, it's, it's, it's all, it's all over
the place and it's not really standard.
I would say there's, I would say there's two fundamental models I believe in.

So one is like a small group of super high leverage people being true partners in the business.
And that means to me, either they have, they own stock and you find a way to get them there.
So they have restricted stock if it's a corporation and there's some plan for how that corporation pays out its dividends if it's profitable or you structure it as a partnership taxation model where people have a partnership interest, which isn't that hard to do.
And then, you know, they get a K one at the end of the year and then they can literally get distributed a share of the profits.
And so in that model, you have to be sure that you can pay their taxes because you don't want to say you have a $400,000 profit and here's, here's no money because we're reinvesting it all.
So you have a $100,000 tax bill or $200,000 tax bill, right?
So you have to, you have to be confident in the profitability.
But I think that the key to all of it, and this is going to be my CFO hat is a real financial plan that everybody believes in.
And then you look at that and you say, okay, well, what, what would be fair if we did better than this because the baseline, it shouldn't be like you get a bonus for just going from point A to point B, right?
For the expected outcome, yeah.
For the expected outcome, right?
So the problem that a lot of entrepreneurs do is they build a business plan that's like, oh, my financial model says I'll 5X this year.
Right, super optimistic.
Right.
But like, what is an actual financial plan like with known metrics, known conservative assumptions, contingencies for things to go wrong, and then that's your baseline, okay, he's going to make a million bucks this year, okay, well, what if it makes a million five?
Is it fair that the management team gets half of that extra?
Is it, you know, do they get some base bonus that they get if we hit plan?
Like that's, that's the stuff like bigger companies do all day long.
And I think, you know, there's, there's other creative things like you can fund people's 401k with profit share.
So a little bit depends on the culture too.
Right.
Okay.
Fair enough.
You were, I don't know if you had anything else on up council or you were talking about luck a little bit.
I don't know if there's anything else.
Yeah.
So the, so then our, our CEO, so she, she ran a Y Combinator backed startup for years and is kind of a product genius.
And so just happened that like both she and, and Paul, our chief revenue officer and Danny,

our chief operating officer, all wanted a flexible lifestyle and they wanted autonomy.
And so Danny lives in Barcelona right now.
Plus the operations team is in the Philippines for up council and sometimes completely virtual.
It's been profitable and cash flow positive from day one and the, and they've really reinvented the revenue model in a way that actually reduced the price for our customers.
So if you go back on up council now, you'll be amazed both number of new, like high quality attorneys charging super low prices and we switched the model where before was the customers like you and me paying essentially a large platform fee.
And we, we cut that down dramatically and said, you know what the real benefit here is the attorneys building their longterm client base.
So we're going to ask them to pay for that.
And that's, and that's, that's gone really well and it's actually made them more committed to the platform.
The ones, the ones because they're paying for it rather than getting it for free.
Yeah.
Right.
They pay a subscription for it.
Yeah.
For customers, which any, any attorney would take, you know, it's like, if you're going to give me customers, I'm happy to pay you because customers are going to pay me.
Yeah.
So, oh, and I had one last random thing about up council, which I think is so cool.
So with the amount, we actually had new investors who we never would have met before come to us over the internet because they saw we bought up council and they thought that was so cool.
And, and the amount they've invested in during ventures is actually greater than the amount that we invested to buy the company.
Right.
So you net raised more than you pay for up council.
Yeah.
Which is, which again, I could not have anticipated a million years.
Yeah.
Do cool shit and cool things happen to you is a general life philosophy.
All right.
Talk about a different, a different style of business that you guys are either interested in or you're acquiring companies or you're looking at that you think the listeners would be interested in, in hearing about our understanding.
Yeah.
So this one, I'll talk about a general category of businesses that I love and it's been a big thought experiment for me, which is local monopolies or local oligopolies.
And so, you know, you think about, um, think about the glow, the national monopolies or national oligopolies of Google and search and Facebook and social media, right?
And like those are giant super profitable businesses.
Well, how do you get something that actually produces outsized returns that's small that

that you or I can actually afford to acquire?
Right.
It turns out that being the best, um, best barbecue joint in Topeka, Kansas is you and that can be a local monopoly, believe it or not, because it has the same, you know, it has the same characteristics of a real monopoly, maybe not quite as much protection, but you know, everybody knows you.
So it's expensive, it's expensive and unattractive for a competitor to set up shop because you're already well established, you have the best product or the best service in a constrained area.
And for one reason or another, it's not easy to arbitrage outside that.
So I'm not going to go get my barbecue from Lawrence, Kansas, if I live in Topeka, right?
I'm going to, I'm going to get my barbecue from the best barbecue place in Topeka.
And so, so then kind of thinking about, you know, what are, what are local monopolies that can actually command premium prices?
Um, and you can think about, um, you know, you can think about basic services.
Um, there's, uh, you can, you can look at the online reputation of these services.
And so if I'm, you know, if I'm the best air conditioner servicing company in Ogden, Utah, and I have a sterling reputation online, then, you know, I may, I may be approaching a local monopoly and you may start to see that in the numbers.
You may be like, wow, this thing's super profitable.
Wow.
How did that happen?
Yeah.
It's like everybody goes to the local.
In fact, uh, when Andrew was on the last podcast, he was talking about this little side project he did that I actually found pretty fascinating, which was he was saying the local newspaper, the new, the newspaper is a great example of, uh,
Oh, I, I love that one.
Right.
And the best one is newsletter.
He started.
Yeah.
No.
And you can see how he could quickly become like the best digital source for news and you know, in a whole bunch of locations in every town.
Yeah.
And that would be useful and valuable.
And like, it reminded me of sort of like what next door is trying to do, right?
Next door is trying to go the Facebook path, but what they did was they were like, look, your neighborhood, what's going on in your neighborhood is really relevant to you.
And there's no great source for that information.
They're trying to build kind of a social network that will produce that information.
But I liked his model, which was very simple and I think could be very profitable.

Um, and if I was somebody out there listening to this, I would hit them up to go work, work for them and be like, Hey, let's spread this thing in my area.
I can handle all the East coast or whatever.
Or I just go build this myself, which is he was saying, you know, I can tell you, let's say, let's take, uh, you know, Ogden, Utah, um, I can build the best sort of local newsletter of what's going on in Ogden, the news you got to hear about in Ogden, it could probably be run by two writers, maybe, um, three, maybe, and, um, you could probably make a lot of money off local classifieds, local business to business sort of, uh, advertising.
And you could, you can acquire a bunch of, bunch of users through paid either search or, or Facebook traffic, um, using local targeting and being a really relevant thing, like find out what's going on in, uh, you know, I live in Lafayette now, Lafayette, California.
Right.
So, you know, should I subscribe to the Lafayette daily and like, can you build like, you know, a little version of Rupert Murdoch's empire by owning the daily news letter for every single town that to me sounded like that wasn't just one of Andrew's kind of pet ideas.
It has to me sounded like potentially a very big idea.
What do you think about that?
Yeah.
I think so too.
And you know, it, uh, you and Sam were talking about affiliate and lead gen businesses and that's kind of, um, you can quickly see how that can become a lead gen business too.
Right.
So you can, you can go to people who are advertising local businesses and rather than say, Hey, pay me $500 per newsletter set and they're like, well, what do I get for that?
Like, Hey, local auto dealer, local mortgage broker, would you like, would you like leads of people needing a mortgage in Lafayette?
Like what is that worth to you?
Right.
Oh, it's worth $500 to lead.
Cool.
Good to know.
Yeah.
Good to know.
Right.
And I think that, um, I think you can also have really interesting compensation models.
I think a lot of people are looking for a side hustle and don't need it to be the full time job with benefits, um, and 401k and they already have that somewhere else or their spouse has it or, you know, and they, or they're, they're, they're young and flexible and, and really what they want is like an opportunity where they can just plug in and kind of do this thing that's prescribed, but do it well and have the infrastructure around them to, um, to make that a profitable endeavor.
Right.
And, um, and you guys have a different local monopoly or oligopoly type of business.

I know we're not going to talk about it too much.
We don't want to give away the goose, but, uh, I love that one.
I've been super, super excited.
In fact, I probably over three different phone calls with you guys.
I was like, Hey, ditch everything else.
Just do this.
This thing is, this thing is gold.
So that's cool.
But what about, um, you know, what are some other things you've looked at that you haven't acted on yet, but you're like, Oh, that's cool.
And maybe, you know, who knows, maybe somebody listening to this knows of a business like that or has a business like that and we'll, we'll reach out to you saying, Hey, I fit that profile.
Like what's the profile that you're looking for?
What types of business are you interested in besides this?
Oh, you know, there's so some, one things I always look for is like just high margin, just pure, pure, you know, I think the gross, the gross margin number is always the, it's where my eyes go first.
It doesn't go to the revenue number.
It goes to the gross margin line.
And then I want to work up from that and say, well, because if I'm selling, um, you know, if I'm selling, uh, you know, a dollar worth of services that cost me 90 cents, then I'm not actually adding a lot of value, but if I'm selling a dollar worth of services that cost me 10 cents, well, I got a lot of options for how to spend that other 90.
And even if it's not super profitable today, it may, you know, maybe in the future.
Um, so, you know, this, uh, this business, uh, I mentioned, we've, we've made a number of acquisitions in it.
It's gross margin lines, usually 90% and it's EBITDA lines, usually 40 or 50 if, if, if even run at small scale.
And so, um, you know, it's, it's, it's not perfect, but it's, um, uh, it's, it's a good, it's a good business to be in.
And so, you know, one thing I, I say is like, go to the small and mid-sized towns of America or wherever you are, Belgium, wherever you are, like, go there because all the smart ambitious people go to the city and a lot of them try to solve city problems.
How do I get my $1,000 mattress delivered in a box, right?
And, um, you know, go into these small and mid-sized towns, it's like, there's, there's all the basic needs are there, there's an economy there, um, there's, there's real, real money being spent.
And so like, um, for example, we haven't acquired, uh, managed service provider.
I'm very, that's something I'd be very interested in.
So explain what that means.
What's a managed service provider?
Uh, so in MSP, there's, there's a bunch of different versions, but basically they're

your outsourced IT.
So I run a dentist office and I don't have an IT person on staff.
I don't even know how to turn on a computer, but I mean, you know, I need, I need my networking to work.
I, I need to make sure my files are backed up, maybe I have some fancy equipment that needs to be networked in a certain way.
And so, you know, I need somebody to call when the wifi doesn't work and, and when my printer doesn't work and, um, and so, and it goes all the way up to like pretty, you know, I'm a 200 person company and I still maybe have one IT guy who's really overworked and I need, you know, all these different services.
I need someone to manage our phone tree and I need someone to, you know, to manage each sign up email accounts and, you know, run the email server, whatever.
And so, um, so I think that that's, that's already a huge industry.
Um, there's a lot of opportunity for recurring revenue because you can, you know, you, somebody can charge the Dennis office 500 bucks a month or 300 bucks a month or whatever they'll pay layer on a bunch of services, hey, we can, you know, provide your phone line, et cetera.
Um, so I think, I think those are really interesting.
I've been looking to either acquire one of those or partner with one of those.
Um, so that's, that's, that's one area.
And I think there's a lot of efficiencies because a lot of these are small shops with one or two really talented IT guys in some local area, um, usually guys, sometimes girls.
Um, and, you know, truth be told, some of that work could be, could be sent to much lower cost locales and probably also provide better, better responsiveness and better service to people.
Right.
And what about, um, what are the type of businesses you would steer clear of that you see other people getting excited about that to you just doesn't make sense why, why, what's all the fuss about?
Oh yeah.
So there was a few of those.
I mean, so one is there's whole industries that trade on revenue multiples, right?
And so like, uh, natural foods industry is good.
So I, I love, you know, I love natural foods companies.
People have made a lot of money in natural foods.
So I started poking around there, like, are there companies to buy?
And everybody's like, what revenue multiple do you buy on?
Like, I don't buy on revenue models, brother.
Like I buy on profit.
We don't, we don't make profits.
Well, that's a negative number that's multiplying a negative number.
And so I think what happened in natural foods is that the buyers are all big conglomerates who have their own departments who do all the things that the companies, they literally just buy the brand and then everything else they will do.

And so I think that, you know, that, that obviously is a problem for a business seller who doesn't, um, you know, doesn't want to give that up, but I found, I found the multiple expectations in that business, in that industry to be really, really out of whack.
And same thing in like, um, you know, SaaS, right?
So like there is, SaaS is a lovely business, but not if you're buying at eight times revenue, right?
Unless you, unless you're buying with someone else's money, I mean, if you're speculating with someone else's money, then cool, but you better already have like the next 10 customers lined up to be buying, to be paying big revenue multiples on, on SaaS.
Um, and so I definitely, I also think that like people have, um, a really smart friend of mine, Devin, who I, I'm also going to get on your podcast, um, he has done a lot of digital business acquisition and he says there's almost always one single point of failure in a digital business, which is rarely true in a physical one, right?
So you might get 90% of your customers from Instagram ads.
And so when those get more crowded, then the Instagram ads don't work anymore, right?
Or you might get 90% of your monetization from one affiliate and then they change their rates.
Um, and so there's, there's, it's harder to have a stable, durable business in the internet land because internet land is so dynamic, it changes so much, it's so competitive.
Um, you know, unless you have a moat like organic SEO, a big email list, um, a recurring revenue customer base.
I think, I think that, uh, some of the businesses I've seen being sold in that space are sold on these growth expectations that require a lot of things to go right, uh, for them, for them to be achieved.
Gotcha.
Yeah.
That, that makes sense.
The durability is obviously, um, where a lot of value comes from, uh, versus, you know, there's, there's growth, but then there's durability and you need to find businesses that have, um, both if you're on it, if your plan is to buy and hold, right?
Like you need both.
And you'd rather take durability than growth because you can sort of solve growth is very hard to solve durability problems.
No, it's really, really hard.
It's almost impossible.
Right.
And you know, a lot of these more traditional businesses, we are looking at HVAC businesses, they've, they've been around since 1981.
They've been through inflation.
They've been through 9 11.
They've been through the great financial crisis and people still wanted their buildings to be heated and cooled.
And so, you know, they're, they're, they're still in business, um, since you're a CFO

guy.
So you looked at what's going on with SPACs and do you have an opinion on that?
Oh yeah.
I mean, I think it's, I think a bunch of people are going to make a bunch of money because I think it's a, um, I think it's a, you know, we have a bubble in the public equity markets right now.
But first we should, we should explain.
Can you, can you give the TLDR what is the SPACs?
Sorry, we went inside baseball.
So it's a SPAC is essentially, it's a blank check company.
So traditional model going public is, uh, I build this great company for 10 years and then I take it to, you know, an IPO at, and I ring the bell.
SPAC says, I'm a credible person or team of people that know how to acquire businesses.
That's the main skill required.
I'm going to raise money, um, and I'm going to give some incentives to the people who give me my first money on the public markets.
So I'm going to raise there's smallest $40 million up to billions, right?
And they go to the public markets and they say, Hey, pitch money in my coffers.
I'm going to go look for a company to buy.
When I find that company to buy, I'm going to merge into it, which means that that company will become the, the public company, right?
So Virgin Galactic went public on a SPAC.
So they didn't have a traditional IPO, the SPAC struck a deal with them for, and then that SPAC transformed from something nobody ever heard of into Virgin Galactic, which you can now buy in the stock market.
And why, why is this a good thing for, why is, where's the value created here?
And why do you need this SPAC versus let's say the traditional model of going public?
Well, so the, um, the main value is actually created by, um, because the public markets are so overpriced right now, in my view.
So they're priced at about 20 times earnings, right?
Because that means essentially, if I'm buying the stock of a company and I'm expecting it to be just the same, I'm yielding 5% on that, right?
Whereas a small business can typically be acquired from maybe four times earnings and maybe a middle market business for like eight times earnings, right?
And so, you know, at four times earnings, I'm earning 25% on every dollar of equity, even if I don't have any debt on eight times earnings, I'm earning 12%.
And so, you know, it's, um, it's an arbitrage where you're taking very cheap public equity dollars and you're using those, using those as the equity to acquire a business that for one reason or another doesn't fully have, usually doesn't fully have the strength to go public on their own.
And so, you know, at Virginal Act, you can just go on public on its own.
There would have been lots of scrutiny at, oh, how good are their financials?
How good is their technology?

Maybe it would have flopped, maybe it would have done great, but this actually de-risks Virgin a bit because it's already gone public, right?
So there, so as long as they and the SPAC owners work out a deal, I think it actually allows some discretion that the market's kind of emotional, erratic swings don't always allow.
Um, and of course the stock can go up and down once it goes public, that's kind of on the SPAC investors, but you know, that ship's already sailed, the money's in the coffers and, and now Virgin is a public entity with access to public stock markets and it did get some combination of liquidity for its investors and maybe some growth capital, depending on how the deal is structured.
So yeah, I mean, if people would trust me with the money, I'd raise this back.
Well, in a way you did, right?
Like we gave you money as a, you know, we're going to become a holding company that's going to acquire great profitable businesses.
If you trust my judgment, if you trust my, trust me to spend your money at your discretion, um, you know, just give me the money now and I'll go find companies later.
But a little bit different in that you're not taking a public right away and you're creating a portfolio versus kind of a SPAC, I think, can SPACs do multiple or they can only, SPAC can only do one company?
Yeah, no, I've been probing into this question.
It looks like it can basically do, it can do multiple.
Um, right.
So it can be pretty, or it can acquire one company whose job it is to acquire other companies, right, or, or hold other companies.
Right.
So they have a lot of flexibility in their perspective.
Typically they'll just say, we're going to acquire a control position, but that's it, you know, from, and, and not even all of them do that.
Some of them acquire a minority position, so SPAC might acquire 20% of the company, but then issue a bunch of new shares and then the company's not publicly.
Right.
Like Bill Ackman, I think is, he's raised a $5 billion SPAC.
So a $5 billion blank check to go find a company and, uh, he does a good job explaining it, you know, when he goes on CNBC or whatever he's like, um, you know, we're just looking for that unicorn company, the, you know, we're looking for, you know, the best company, we're looking for the best private company that has this, this isn't this characteristic.
And we are the best SPAC, you know, we have the biggest, the biggest SPAC ever raised.
Um, and he's like, it's a unicorn mating dance where we're trying to, you know, we're both courting each other and, and, you know, the idea would be they go find Airbnb or they go find some awesome company that's private today and they go take a 30, 40%.
Um, I believe he's willing to take minority.
I'm not sure.
He's willing to take minority share of Airbnb, for example.

And boom, Airbnb goes public and, uh, you know, Bill Ackman's a genius and everybody makes money and nobody understands how that's, I think what's, what's going to happen here.
Yeah.
Bill, Bill Ackman is like the smartest, occasionally dumb guy on Wall Street.
I mean, he is, right.
He's guys, guys so smart.
And like at one point he like bet the whole house on target, wondering like he literally bet like his entire fund on, on target and he like, I think I could have done that.
Right.
Right.
Yeah.
I went back and watched a whole bunch of his talks at the sewn conference and then just sort of tracked the price of those stocks.
Like, you know, he's talking about Howard Hughes, uh, you know, company and then you go see what they did and they're, they're flat for three years later and it's like, he's had a lot of whiffs, but when he's hit, he's hit, uh, quite large.
Like I think he recently had a huge, huge hit right before the COVID, uh, drop happened.
Yeah.
Yeah.
No, that hundred X deal he did where he bet, bet on COVID was, uh, that was a good act to move right there.
So I, I mean, you know, when you think people don't even realize how much of an elephant gun that gives them, right?
So if he has whatever a $5 billion back, you know, five, that's five billion in equity.
So that means, you know, he could vary conservatively if it's a profitable business, you know, get you know, five or six times leverage on that.
So he could have, he could buy a $20 or $30 billion private company if he could find one.
Right.
Um, now I think that someone like Airbnb, I'd be like, I don't need Bill Ackman to go public.
Yeah.
Exactly.
And so I think, I think there's a, there's a natural like large size constraint where Ackman's going to have to take, he's going to have to be a bit speculative and even with that huge amount of money and, um, you know, who knows, maybe they'll buy we work or something to take that point.
Who knows?
Right.
All right.
So we only have a couple of minutes left.
I want to, uh, I want you to help, uh, people who want to get smarter about this type of stuff.

And we'll have you back on again and we'll, we'll talk more about different companies cause I think, uh, you're always seeing, you're seeing on a weekly basis, you know, dozens of companies, maybe, um, and then you're sort of looking into a fewer amount of those. But, um, so I think you're always going to have interesting stories to share, but I want to know what, give people either books, podcasts, what is your information or education diet that gets you smart about this type of stuff?
Yeah.
It's a good, good question.
Um, so I mean, the Bible, this stuff is buying a small business by, it's, um, by Harvard Business for you.
Right.
If you haven't read that book and you don't actually understand everything that's in it, you're not ready to buy a business in my, in my view.
And so, you know, it's not to say that everything they say is right, but it's all the fundamentals.
So buying, buying a small business, buying a small business or buying a business?
I think it's actually called buying a small business.
I have the book, it's a Harvard business book and that's your do not pass go, do not collect a hundred, $200 unless you've read this book.
Yeah.
It's just, it's just fundamentals.
Like I don't, I really don't agree.
Like those guys are very, very into buying a cash cow business.
And so they're very, they don't even think about growth.
Like they don't even constantly growth in the whole book.
Right.
They're just like, they're just like, I want to buy something that no matter what will not make less money than, than, uh, you know, than they've made when I bought it.
And fair enough, um, there's, there's another, uh, there's another one built and buy, um, well, you can look up, I forget the author's name, but, um, it's, it's a little more growth entrepreneur focused also about acquisition entrepreneurship.
Um, I would say that the things that I've had to learn the most, I mean, fundamentally acquisition entrepreneurship is a financing exercise and you know, so there's several key tools available, uh, one being SBA loans, one being selling financing, one being raising equity, and I've seen everything from a hundred percent equity deal to, uh, to a 5% equity deal.
So, you know, there's, there's really a very, very wide range.
A lot of people really don't understand that they could buy, they could buy a business.
I mean, just, you know, I see this stuff all the time.
So you could buy a business for about $2 million that would produce roughly $500,000 in profits a year.
And you could probably buy that for $100,000.
So, you know, half of those profits will go to paying back the SBA loan that you used to buy it, but it's almost like once you learn about that, every single person should own

some sort of business, even if it's a super boring business, just for the financial freedom and flexibility that it, that it affords and, and the, you know, the real key is to not screw that up because if you, that's, that's the big risk with these things is if you buy $500,000 in profits and through some combination of your mismanagement, your lack of diligence, your external factors, that goes to zero, then that's not great.
Right.
You still owe the money.
You still owe the money.
So, so I think that it's, you know, the heart, probably the biggest risk is actually people who like to seek risk in, you know, learning how to mitigate risk.
And, and, and I think that's why you need these sort of books and these tools and you actually need to, you need to follow them.
Very cool.
All right.
Xavier, this is dope.
And also, right after this, I'm going to record with the CEO of AngelList Venture.
They just launched this Rolling Funds product and stuff like that.
I'm curious, do you have anything, what would you ask the CEO of AngelList Venture?
Do you have any, any, anything that you would want to know from him?
Oh boy, that's a, that's a good question.
Put you on the spot.
I, oh man, put me on the spot.
I think that I would be, I would be curious if AngelList is ever going to start publishing their returns in a more systematic manner, to the extent they have visibility to them.
And if that, like micro VC is ever going to get more institutionalized rather than more, more artisan.
You know, I've, I've made a few AngelList bets over the years.
I don't really do it anymore.
I, I figure my money's better put to work.
I'm better advising companies and then putting my money to work and things that are profitable.
Right.
But like, you know, just, just my two cents on that one.
Very cool.
All right, man.
I'll see you later.
Thanks for coming on.
Good to see you, Sean.
Thank you.
Thank you.