

Open Office Hours: Thurs Nov 12th

- Agenda
 - What happened this week?
 - The US Election wrapped up (Biden Wins)
 - Pfizer announced COVID-19 Vaccine...
 - And the CEO sells \$5 million of personal stock
 - We aren't suggesting anything bad is going on, but the optics don't look great here.
 - The parallel here is in Reg-A+ where insiders are selling their positions as part of the offering.
 - Work from home stocks sold off
 - We saw a lot of money go back into hospitality and travel
 - Current "Tech Sprint"
 - Investment Policy Statement Generator
 - Crowdfunding
 - Donations Based Crowdfunding
 - If you don't need a monetary return on investment
 - Reward Based Crowdfunding
 - Indiegogo or Kickstarter
 - Equity Crowdfunding (up to \$5 million)
 - Technology drive with a potential for scale
 - Debt Crowdfunding
 - Peer to Peer lending
 - Due Diligence Process Form
 - If you want us to review a deal, or otherwise provide feedback, you can submit deals for review using this form.
 -
 - Open Office Hours Q&A
 - Could the company or either of you be considered a broker dealer or investment advisor
 - Funding Portal v Broker Dealer
 - Portals didn't exist until ~4 years ago
 - "We're going to allow this regulated group of entities to ONLY do a certain type of transaction"
 - BDs are licensed to sell investment products, give advice, manage client money, and compensate employees based on securities sold.
 - Allows you to do Reg-D

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- We're seeing funding portals become a BD because of the ATS side
 - A lot of portals became BD early on because of cash flow reasons
 - ATS = "alternative trading system"
- Under the new rules, the term "angel investor group" means a group: (A) of accredited investors; (B) that holds regular meetings and has written processes and procedures for making investment decisions, either individually or among the membership of the group as a whole; and (C) is neither associated nor affiliated with brokers, dealers, or investment advisers.
 - Who gets paid to regulate you?
 - FINRA?
 - SEC?
 - CFTC?
- Valuation Metrics? How does this work?
 - FinTech << money
 - Is it MRR?
 - We've seen 6-10x in the private markets
 - Is it licence based?
 - What is the avg value per user?
 - What are the regulatory issues?
 - Sometimes clear advertising laws
 - Lender – you cannot discriminate based on gender.
 - BioTech << health
 - Pharmaceuticals
 - Winner take all if first market
 - Moats
 - Government granted monopolies
 - What are the regulatory issues
 - FDA approval process
 - Who is the customer?
 - Dealing not with a simple simple e-commerce transaction.
 - Insurance
 - Reimbursements
 - Enterprise / SaaS / B2B
 - Winner take all
 - Hugely capital intensive
 - Burn tons of money in the beginning
 - "Well acquire customers first and figure out monetization later"
 - Who is the customer?

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- Multinational companies that are \$1b+
 - 18 month sales cycles
 - SME \$1 - \$50
 - Valuation
 - Multiple of MRR or ARR
 - Natural Resources / Alternative Energy
 - Oil & Gas
 - Upstream exploration
 - Super speculative “wild catters”
 - Midstream transportation
 - MLP (toll booth businesses)
 - Downstream refinement and marketing of petroleum products
 - Renewable Energy
 - Precious Metals
 - Lithium
 - Cobalt
 - Windmills?
 - Carbon Fiber
 - Government subsidies
 - Business Models
 - B2B
 - B2G
 - B2C
 - B2B2C (Double Sided Market)
 - Ebay
 - Virtuix Deal
 - Do I understand this industry well?
 - Publishing Business
 - Yes
 - These are “hits businesses”
 - Video game business?
 - Sorta, not really.
 - Do I understand hardware?
 - Sorta, but not really
 - Do I understand technology and subscription based business?
 - Yes, alot.
 - Do I understand the comps?
 - We are comparable to Peloton (\$65B)

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- Peloton sells expensive workout equipment in the \$2k - \$3k range and also comes with a monthly subscription, therefore we should be worth that much
- I think this is a weak comp...
 - Health and Fitness Industry
 - Multi decade track record of people selling fitness equipment
 - NordicTrack/Nautilus
 - GNC
- With this business...
 - Unproven market.
 - Do we instead compare them to Microsoft / Sony / Nintendo?
 - Do we instead compare them to other video game publishers?
 - Electronic Arts
 - Activision/Blizzard
- How does this business make money right now?
 - They sell hardware to entertainment venues.
 - Nowhere in the marketing material does it ever talk about their current and primary/proven customer.
- Instead, they're raising capital on the premise that it will be a hit, B2C
 - How many units have they sold already?
 - Zero
 - When will units go on sale?
 - Maybe Q3 of 2021
 - How many pre-orders do you have?
 - None
 - What do you have to indicate there is a real market for this product?
 - Self reported survey data
- Doug Ledford
 - After watching the interviews "I realized I need to analyze more"
 - I want to make some moonshots in part of my portfolio, but I also need to be cautious.
 - The first thing I did was say "Stop, don't invest in anything else until you know what you're doing."
 - You can't be an expert in everything
 - Where I need to be an expert in is what we're talking about. How do I determine what I'm looking for and how to follow guidance from people who really understand.
 - How long have you been investing?
 - I've been putting money away for 35 years.

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- Since I retired, I started building acoustic guitars.
- One of the things I got from you that I'll carry with me forever...
 - "Who is telling you this information and what are they getting from it?"
- Mega Trends...
 - I've gotten into FinTech a bit.
 - I started to follow different newsletters
 - Invested in Knightscope
 - Yahyni? This is a wine company.
- "It's certainly been the best information I've found so far, and you're the most open to giving it."
 - Everyone wants to make you feel like they're on your side and they're doing you a favor, but eventually they slip and you realize you shouldn't follow blindly.
- I find some of the things I've been showed that I find interesting, others that aren't so much.
 - What they lead you to believe is "hey, we're putting our money in there with you. We're getting the same deal you are"
- Vincent Roulot
 - Other providers are more of a show, not a lecture
 - I really appreciate how in depth you were, not just a 30,000 ft view
 - I signed up for a stock trading service who then launched a crowdfunding service
 - They do video Q&A with the issuer, then a link to the portal.