

Puget Sound Venture Club 30th Birthday – September 16, 2015

The 30th birthday party for the Puget Sound Venture Club was held September 16 at the Washington Athletic Club. The group was founded in 1985 by Gary Ritner, who introduced the event. It was a who's who in the startup world, with many opportunities to network.

The event included a discussion of trends in the area in Venture Capital funding by John Gabbert, Founder & CEO of Pitchbook; a Fireside Chat with John Cook, Co-Founder and Editor for Geekwire interviewing May McCarthy, Angel Investor, entrepreneur, author and speaker; and a keynote speech by Mark Anderson, Founder and CEO of Strategic News Service. There was also a raffle to end the evening. There were three startups displaying their ideas/products and competing to be the one to present to the audience. They included AMPTAB, OtoNexus Medical Technologies and Zealyst. OtoNexus won and Caitlyn Cameron presented their device to help prevent ear infections for kids. Sponsors for the event were Davis Wright Tremaine, LLP (legal), Kinzer Partners (real estate) and Kibble and Prentice (insurance).

The entertainment for the evening was very special. Before he began showing us his skills as a magician, Jude Sack commanded everyone's attention to get the event going. Harry Houdini was unable to show, so we were treated to a replacement magician, 12 year old Jude Sack. Jude has been actively doing magic since age three and is the son of Andy Sack, Seattle startup guru and General Partner, Founders Co-op. Jude's magic tricks were truly amazing. I couldn't figure them out. However, his stage presence was even more impressive. If he can command an audience this well at age twelve, he might consider brushing up on his economics and policies and run for president. Kudo's to Andy for encouraging his son in his passion.

Following the magic tricks, we were treated to a fireside chat between John Cook of Geekwire and May McCarthy, serial entrepreneur, author, speaker, angel investor, etc. May began her career as an entrepreneur at age 6. She was born and raised in Hawaii, the youngest of 10 children, and had substantial opportunities to learn from her siblings. One of her first ventures was a concession business. That's how she found out about inventory control, when her brothers were eating the products, cutting into her margins. John asked about biggest challenges she faced. She said her toughest moment was with a company that was successful and had three co-founders. One of the co-founders was not known as well as May and her other partner thought and created a rift between the three that threatened the survival of the company. The message was clear. Make sure that anyone that you work with in a business has the same value system that you do. If not, move on. May and her other partner did just that as they were bought out by the remaining partner and company.

May also talked about common mistakes entrepreneurs make. One she sees most frequently is underestimating the amount of capital you need to avoid failure. The other mistake was not being surrounded by good mentors. This includes anyone who might invest in your venture. If they can't contribute, if they don't have a passion for what you are doing, then don't take their money. Find mentors and investors who can help you and who have the same value system you have.

May also talked about goals. She said that writing your goals down every day as though you had achieved them will train your subconscious to accomplish those goals. Don't look for excuses that justify your poor results or poor growth. Think about the things you want, not the things you want to avoid. Your subconscious will deliver whatever you're thinking about, be it good or bad.

For your goals, write them in detail. Have positive expectations. The daily repetition of your goals helps train your brain to succeed. Don't focus on negatives. Be thankful for what you have. Then you will be focused on opportunities. Then your goal will be attainable and the path to your goal will be revealed and be achieved. Have a picture of what you will do in your mind before you do it (visualization). When you do this, you are programming your subconscious for success. This is a common tool used by many athletes to accomplish their goals, for instance, making a 10 foot put to win the Masters.

As you're setting these goals, be receptive to advice. If you're an entrepreneur, listen to what investors have to say. Their experience can not only help you achieve your goals, but can also prevent problems that might otherwise occur.

Although we all have some measure of intuition, many do not listen to our intuition, or our "gut". Intuition is your subconscious helping you take the right path. The reason most don't use their intuition is that we are not trained. We focus too much on exterior data, rather than the information that is within ourselves. If you take advantage of your intuition, serendipitous things will happen for you.

The message was clear. Set your goals every day. Write your goals down so you will be accountable to yourself. Listen to your intuition. Be focused. Do these things and you will have the opportunity to be as successful as May. Of course, you'll have to work hard too. Great presentation. You can also find her book, *The Path to Wealth*, on Amazon (if it's still available – it was sold out).

John Gabbert of PitchBook followed May, presenting on the current state of venture capital funding for entrepreneurs and businesses. PitchBook Data, Inc. is a research firm that helps professionals in the global private equity arena. They provide data about venture capital and mergers and acquisitions markets along with the technology and services to help them make informed decisions. His business has been very successful.

John said that fundings have been increasing with a peak reached in the second quarter of this year of around \$20 billion. That trend dropped off substantially in the third quarter. Later stage deals seemed to be driving growth, with 55% represented by later stage funding. He said that this showed him an "overheated" market. He pointed out that funding from "tourists" or non VC's was overshadowing VC funding and the spread was between \$62 billion overall, with only \$18 billion of that represented by VC money. Again, an indication of an overheated market.

With respect to valuations, Series C represented \$215 billion in funding and series D was \$85 billion. Last year, seed funding represented a little over \$6 billion, while Series A was approximately \$15 billion and Series Be was \$46 billion.

Many VC's are looking to exit many of their companies that are aging. There are more than 6,800 companies held by VC's that are aged for more than 4 years. A typical exit would be 3 to 5 years, and many last for more than 8 – that is those that survive. Over 500 companies have raised in excess of \$100 million, with 50% achieving an exit through an IPO. Public market exits have been declining as a percent of the total this year. There appears to be less appetite by the public markets for IPO's currently.

John's bottom line was that the market was definitely overheated and it will probably be more difficult to achieve an exit, or funding, going forward.

John was followed by Mark Anderson, Founder and CEO of Strategic News Service. Mark also heads up the Future in Review (FiRe) Conference, which will be held in Park City, Utah this year. Mark consults worldwide with heads of state, scientists and other high profile individuals. His FiRe Conference is a collection of exceptionally bright people with leading edge ideas. If you get a chance, it is certainly worth attending.

Mark said that his success was attributed to a different approach to learning – that of pattern recognition. His ability to identify patterns led him to his prediction of the market collapse in 2007 and more recently to the substantial decline in oil prices. Virtually no one had made these predictions. His record of accurate predictions is over 93%, truly impressive.

Pattern recognition is not taught in traditional schools, and in fact is hampered by traditional learning. Science examines an idea and proves it right or wrong. Mark's point was: how do you get the idea to begin with? The idea is most important, not the ability to validate it. New ideas typically come from the identification of certain patterns. Your ability to see those patterns is hampered by all of the other information that is constantly assaulting your brain. Mark found his ability to recognize pattern recognition through identifying a common equation for the 13 force laws representing the law of conservation of energy. Although not a mathematician, his ability to find the pattern or connection between all 13 laws validated his pattern recognition approach. Mark said that most individuals focus on how something works, not what it is.

One way of identifying patterns is to look at flow economics, not balance sheet economics. Balance sheets can (and frequently do) lie. Actual flows do not. He also said that it is not a function of what is being said, but what is being done that will determine patterns.

Mark usually makes 10 predictions at the end of each year and then follows up with a critique of his predictions the following year. Although it is not yet the end of the year, he did give us his 10 predictions. They are as follows.

1. Digital currencies will go nowhere. The real value in a currency is a function of the soundness of the country/entity that the currency is based on. Goodbye Bitcoin?
2. Net neutrality will occur (The principle that internet service providers would enable access to all content and applications regardless of the source, and without favoring or blocking particular products or websites).
3. Pattern recognition will be the next big thing in computing, based on a new chip from Intel that facilitates pattern recognition.

4. Security will take its' rightful place in companies. Breaches have been too frequent and security has not been emphasized enough.
5. Virtual Reality will remain virtual and will not be a part of the mainstream.
6. Amazon will stumble. (They already have this year with their stock price). Mark feels that Jeff Bezos' arrogance will hurt the company.
7. Home networks will make meaningful inroads as they help save energy and make managing the home much easier. For instance, how about a TV controller that's easy to use.
8. Apple Pay will succeed. Apple has been working on Apple Pay in the background for quite some time. It is probably ready for prime time. At some point Apple will introduce it on a grand scale and it will be the next level of consumer payments.
9. Encryption will exponentially expand. The need to protect data and intellectual property will (and is) creating an increased emphasis on encryption.
10. Finally, personal health devices will continue to expand. As people recognize that the most important asset they have is their health and wellbeing, they will increase their purchases of health related apps and devices.

Mark was passionate about his subject. His predictions have been very accurate. Consider pattern recognition in your life as a way of avoiding mishaps and taking advantage of hidden opportunities.

The evening wound down with a raffle of some very fine prizes. May McCarthy made her point by winning the raffle drawing twice. It must have been catching, since two others at her table won, including John Gabbert. It was a great evening for fun, education and networking. Thank you Gary and the Puget Sound Venture Club and congratulations on 30 years of helping startups achieve their goals.

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P.S. – It was my birthday too.