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Rebecca Lynn, partner and founder at Canvas Ventures, shares her unlikely journey from the humble farming town of her childhood to the hotbed of technology innovation, fueled by engineering talent, entrepreneurial drive and solid guidance from mentors. Lynn describes her strategy for investing and observations about the world of venture capital.



## Transcript

Thank you, Tom.. So first of all, it's really an honor to be here tonight.. I made a mistake when I said, yeah sure, I would do this.. And I said, hey, could you send me some exemplars of some really great talks you've had in your past? And so they did, of course.. They sent me Melinda Gates and Bill Gross and Reid Hoffman.. I almost called and said, you got the wrong person.. Right? But thank you so much.. I'm honored to be here in the company of your past speakers.. So I really do appreciate that.. So what I thought I'd do tonight is just walk you through what inspired us to launch Canvas Ventures..

I was asked to give you a little bit about my background and how I came into venture.. It's not a linear path, as you will see.. And then I'd love to talk to you a little bit about Canvas and what we look for in both entrepreneurs and companies.. And then I was asked to leave you with some advice, so what I would have liked to know when I was in my 20s-- had I listened-- and that really wasn't that long ago either.. So I'm not that old, I promise.. So first of all, one thing to keep in mind through the talk is I never planned on getting in venture.. It was not something when I was in your shoes that I thought, hey I'll be a venture capitalist someday.. It really was through a series of very lucky events, I would say, through some really amazing mentors that I had in my past, and through just keeping an open mind and taking advantage of opportunities as they came my way.. So first of all a little bit about my background.. So I grew up in rural Missouri..

I grew up farming pretty much.. My parents didn't go to college.. They couldn't offer me really much advice on what classes to take or that I should be an engineer or not.. And my dad didn't even really know what to do with a girl, right? He had five brothers.. So he grew up on a farm with six boys.. And I was the first one on the scene.. So what happens? So at the age of five, I learn how to play poker and cards.. Right? That was early math skills.. No joke.. I learned how to hunt, how to fish, how to ride horses..

I can do all that stuff.. And my toys were literally remote control cars and racetracks and robotics kits, which I always loved.. I thought that was great.. I thought the boys' toys were much cooler anyway.. But it really set me up well for life today.. So when people say, hey, what's it like to work with a bunch of guys? I'm like, I just don't know anything different.. So it all works OK.. And when you look at those roots-- especially people that I know from back in my early career-- they said, how did you end up in venture? What happened? And I never really thought about it too much until they asked me to come here tonight.. And it was really interesting, because I think there are really three things that might not seem obvious that helped me get here tonight.. And the first one was-- and it helped me be sort of who I am today..

The first one is my parents actually went bankrupt in the 80s farming crisis.. And it was catastrophic as you can imagine.. So from a very young kid having that happen-- but had that not happened, I never would be here tonight.. Because that little town I grew up in the highest level math class that was possible for any kid that grew up in that town was a very rudimentary trigonometry class.. And there just isn't a way for a kid to come out of that background and possibly think about being an engineer.. Right? So because that happened, we moved to a town with a much better educational system.. And I was able to take calculus and everything in high school.. But I look back and it's really informative for me today.. Because you know startups and life and everything-- I mean, it doesn't go necessarily according to plan A really, ever.. Right? But oftentimes there's a kind of a meaning for things, or a reason that things happen..

And so what it's taught me to do and to really coach others to do is, OK well, that didn't work.. Who cares? Put it aside..

Right? Let's look for plan B.. And plan B could even be better.. And often times it is, so it's given me a ton of perspective.. The other thing that helped me a lot-- and I look back and I what else really mattered? And those were gifted programs.. And I'm sure, looking at this audience-- I'd love to see hands.. How many here were a part of a gifted program from third grade through eighth grade? Yeah, OK.. So those don't exist anymore.. Right? At least in California..

In the rest of the country, they still do.. But when you're looking at a kid from a relatively poor economic background who doesn't have mentors and role models to show them, hey, look what you can do with your life-- those programs for me were very important.. Right? I programmed computers in third grade, for example.. We took biochemistry and debate in sixth grade.. And I had people around me saying, hey you can and should do these things.. And it's funny.. When I have sat down and talked to a number of other tech luminaries in the valley who come from similar backgrounds than me, that is a common denominator of almost everyone I know.. And I think it's absolutely tragic that we don't have them today.. And children that are more and more affluent or whatever-- I mean, my kids.. They can go to Nueva..

They can do these things.. But if you're not from that background I think it's really unfortunate that they don't exist anymore in California.. And the third thing that I thought of-- and it made me want to go back and contact some people-- were my mentors, so those people in your life that really had no obligation, right, to help you.. But they did for some reason.. And you should always thank those people if you can.. Right? And so I looked back and there was this pivotal time in high school.. And believe it or not, I was trying to choose between being an art major and an engineer.. You laugh.. I'm very split.. Right? And it was a sort of a 50-50 split on the artistic and the engineering side..

And I had this great physics professor, Mr.. Bath.. And he knew me, knew my background, and he just pulled me aside one day.. And he's, like, Rebecca, let me just tell you how this is going to go down.. Right? He said, you can go to art school.. And you can be an artist.. I'm sure you're going to be a phenomenal artist.. But artists make no money until they're dead.. They're not famous until they're dead.. And he goes, or you know what you could do is you could be an engineer..

And guess what? If you're an engineer, you can be a doctor, a lawyer, a CEO, a physicist, a salesman, a teacher.. And he just went on and on and on and on.. He's, like, oh and by the way, you could also be an artist.. And somebody may actually pay you to go to engineering school.. And nobody is going to pay you to go to art school.. And so I took Mr.. Bath's advice.. And I went to become an engineer.. I'm lucky that he did pull me aside, and he took the time to give that advice to me.. So I went to engineering school at the University of Missouri, which has some unfortunate press around it at this point in time..

I'm sorry to say.. But my initial plan was to go back and get a PhD.. And I worked in cancer research at a nuclear reactor on campus.. And I really enjoyed that work.. And what I enjoyed more than anything else-- which has a lot to do with venture now, I guess-- is I would bounce around all the other labs in the nuclear reactor.. And we had some really cool stuff.. We had the space crystals.. We had the O rings.. We had super magnets.. We had semiconductors..

We had all that kind of work.. And it was just really fascinating to constantly learn about what was going on.. And I enjoyed that, and the thought of spending the next five to seven years-- which to me seemed like a lifetime at that point in my life-- just doing one thing was sort of beyond what I could comprehend.. So instead I went to work at Procter and Gamble.. And that seems surprising to a lot of people.. Right? I went into product.. I did international work, so new products and new markets around the world.. And people are confused by this.. But at P&G and other companies like that-- unlike in Silicon Valley, largely-- they look to product and marketing people that have a very solid technical background.. So usually those are chemical engineers..

I mean, I think 80% of the people I worked with in product and marketing were chem-Es.. Because you're expected to build models of predicted consumer response.. And you're expected to know your way around stats and design experiments and things like that.. So I had a great experience there.. When I hire people today for companies, I still look for that in any kind of marketing or product position.. And those by far have been the best marketing hires we've had are people with that technical background.. So at this point in time the dot com boom was happening, right? This was probably the '98 time frame, I would say.. And it was a really crazy time in the Bay Area and San Francisco in general.. It looked then sort of like it does now.. But it rained every single day for what? Three months on end, I think..

Every single day.. And it was interesting.. When you went to look for apartments-- you think it's bad now-- but we had no Craigslist, no Amazon, no iPhone.. You literally would go and pay somebody at Rentnet \$60 for a list of apartments.. And good luck, right? So I did that.. And I worked at a company called NextCard.. Now how many of you all have heard about NextCard? Very few.. Yeah.. So NextCard-- I was employee 30.. I was a product person at NextCard, which is where a lot of VCs come from..

They come from the product background and training.. And NextCard was backed by a lot of firms-- well first of all, NextCard was the first online credit card company.. It was the very first company to allow you to go online and apply for a credit card and get it in real time.. We actually had the patent for real time approval of credit online, which would be a very valuable patent today.. I think some patent troll in Texas owns it or something at this point in time.. And so we were backed by firms I'm sure everyone's heard of here, Kleiner Perkins and Sequoia and Trinity and Brentwood, which is now Redpoint, among others.. And we grew from 30 people to 1,300 people.. We went public.. We were one of the top online advertisers.. We

were usually at number three in terms of the number of impressions we served online..

The only companies ahead of us were Yahoo and Microsoft in any given month typically.. And we had to build all that from scratch.. There was no Google.. Right? I'm really dating myself, aren't I, Tom? So we had to actually build the infrastructure to go and run ads on hundreds and thousands of different sites out there, meaning building our own affiliate platform and ad tracking system and the whole bit.. And so that company was a pretty formidable company.. And we lost 98% of our value in one day on the public market.. So a couple of learnings from this.. Right? One-- when you can take some money off the table, you should do it.. Right? Please learn from my mistake.. And it's like when you play poker, right? You go to the table..

When you're up you take some money off of the table, and you play with your winnings.. It's a very good rule in life.. We often encourage our entrepreneurs and people that when we were in a company to just when you're at a certain point, and you're happy, don't be greedy.. Take some money off the table.. Be happy.. And then continue to go forward.. I think it's a very good rule of life in general.. And the second thing I learned is I did have a chance to talk to some VCs after this happened.. And I said, wow, what happened? And I could tell you-- we could spend the whole hour just talking about what went wrong at that company.. Right? There is a case study..

The case study is totally wrong, by the way, so don't read that.. But they uniformly said this.. They said, listen.. When the company had 30 people, there were four amazing senior managers.. But when the company had 1,300 people-- and it was a public company-- it was the same four senior managers.. And so I think what you take from this, and what I try to impart on the companies I back, is that you have to constantly evolve your management team and your employee base.. And people who are rock stars and you couldn't have built the company without them at series A may be C players when you get to D, E, and F, right? There are some people that will make it all the way.. Those people I have seen it.. They work really, really, really, really hard to make it all the way.. Right? They get coaches..

They get advice.. They do 360s.. They are constantly-- they work very hard.. It's not like you can make that journey on your own.. And I tell my CEOs-- even Steve Jobs had a coach, for God's sake.. And so people that make it all the way look for those types of resources.. But it's very rare.. And so you really have to constantly ask yourself where you are and if you're doing enough to make that transition.. And then constantly refresh the team and really look to see if you have the best players on the field.. So after I left NextCard, I actually started my own company..

It was a marketing consultant company.. It was basically targeted at financial services.. I had Providian, which again, how many of you have heard of Providian? That was another one, right? I had Capital One and Experian as clients.. And that was great.. I had a really fun time.. And I learned things there, too.. I learned.... I loved working for myself.. That was really fun.. I loved employing people..

I love working with senior management at different companies.. And I also learned that consulting services types of firms just don't scale.. Right? They can be very profitable, but beyond a certain point, they don't scale.. And they're really hard to grow very large.. So at that point in my life I decided I needed a sabbatical.. If I was ever going back to school it was now.. And school was my sabbatical, which people think is crazy.. But for me it was really fun.. Right? When I did undergraduate, I worked three jobs.. I was at the nuclear reactor..

I taught football players chemistry, which was really interesting.. And then I also worked at restaurants and did things like that.. So the fact I could now just go back to school and go to school was a huge treat for me.. So I did that.. And the idea when I went back to school was to start a company, to meet other founders and start a company, and also to start a family.. And so that's really what I spent my time doing.. I had a baby when I was in school.. The second year of law school I had a baby two days after my last final in law school.. And she was sort of the class mascot from then on.. She just came to class..

She was great.. So that was a little bit insane.. But it all worked out well.. And so while I was at Berkeley, I really focused on two things.. I did IP, intellectual property, law.. One of the companies I worked on was in patent pooling.. And then I also focused on entrepreneurship and ran the business plan competition when I was there.. I think it's now called Launch.. Again, the whole idea was to go back to school and start a company with some other people.. And that's actually how I met Gary Little..

Gary Little is a partner at our firm.. I think Tom's known him for years.. And my job was literally to just get Gary to where he was supposed to be, sort of like me tonight.. Right? Make sure he was fed and on stage on time.. And that was it.. And so he started talking to me, and we were comparing notes.. And we kind of knew some of the same people.. Right? And at the end, Gary says, you know, we've never hired a summer associate before.. Would you be interested? And I said, absolutely not.. I have a three-month-old right now..

I am starting a company.. There's just no way.. And I personally never saw myself as a VC.. I mean, for me, all the VCs I knew were, like, white guys from Harvard and Stanford.. Right? So why would I sign up for that? And about that time, I had this bad pain in the back of my leg.. And my friend Kevin had just kicked me as hard as he could.. And immediately when Gary walked up, Kevin pulls me aside.. And he says, Rebecca, what are you thinking? That man is the nicest man in Silicon Valley.. He's phenomenal.. And Morgenthaler is such a great firm..

And I'd be honored to have that position.. And what are you doing? And so I thank God for Kevin.. So I walked up after the panel was over.. And I apologized profusely.. And I said, if you'll still talk to me, you have to understand.. I haven't slept.. I have a three-month-old at home.. I wasn't supposed to be here tonight.. And so he said, of course.. And so I emailed my resume in..

I heard nothing for three months.. And you have to understand VCs are really pretty disorganized people actually.. It's not uncommon that that happens in our industry.. And an e-mail is more like a Twitter stream, I think, than anything else for us.. So three months later, I went in.. And then he had-- by the time I left that interview, they said, hey, just come on as a summer.. I worked three days a week that summer.. I loved it and then continued on through my last year of school doing a day or two a week.. And it was really amazing.. It was the first time in my life where I felt like I was getting paid for what I was just kind of doing anyway, which was great..

And I learned a couple things there also.. I learned just to be open for opportunities.. Right? I think so many of us have this like tunnel vision just, hey, plan A.. Here's where I'm going.. Right? And you miss half of the story.. And so just letting yourself be open and receptive to things that just happen to come your way, sort of that natural serendipity is really important.. And then the other thing I learned is if you see your friend just making a really stupid mistake, please intervene.. Always, always take that upon yourself to do that.. So did take the bar and I graduated.. I passed it..

Thank God.. And I came to work in the fall of 2008.. And again, I had no plan to be there for very long.. I think I was a senior associate or something.. My plan was simply to get them to fund one of the business ideas I was working on-- and I would constantly pitch Gary on different ideas-- or to find a company to join.. And how many of you remember what the fall of 2008 looked like? It was fun.. Yeah.. So Lehman crashed.. The financial credit markets-- they absolutely froze.. In practically every publication you could read an article about venture capital being dead..

We actually had a speaker come to Berkeley who proclaimed that the angel investing was never, never coming back.. Right? And all my friends who had the \$400,000 a year banking jobs are now out of work.. And I think 30% of all the law firm offers got pulled.. Right? Very different than we're looking at today.. But Morgenthaler had just closed a \$400 million fund.. And I was like a kid in a candy store, right? Because we had this fund.. And there were still great entrepreneurs out there.. And for me I am more of a contrarian, I guess.. So I thought it was a really great time to be in venture.. And I even had it at an event where we invited Dick Kramlich, who founded NEA, and Reid Dennis, who founded IVP, and then David Morgenthaler to come and talk to everyone who wasn't yet a partner..

Because it was a pretty stressful time in the industry.. Right? And they were hilarious.. They went through cycle after cycle after cycle of every 10 to 15 years venture capital dying.. And it was a great event.. And from that I took away a few things.. Yes markets cycle.. And two-- that venture won't ever, ever be dead.. I think it will go through its cycles.. It will change and it will morph, but there are always going to be people with crazy ideas that no one's going to believe will work and will work that need somebody to believe in them and to provide financing.. So then Lending Club..

So let's just move on to Lending Club.. Lending Club is the very first deal that I did, believe it or not.. So this is a little bit of luck, right? A lot of luck.. And we saw them in Q1 of '09.. And again, we just thought the timing for this kind of opportunity was perfect.. We had had a thesis about the disintermediation of banking.. That applied all the way since NextCard.. I had been looking in this space.. And here was a company when the credit markets were frozen that was loaning to a prime section of borrowers, so people who were highly credit worthy.. And we believe that even in the worst economic cycle, there was a pocket of these prime borrowers that could be loaned to..

And that Lending Club had done everything today in the right way.. They had focused on the upper end of the credit market, the prime credit market.. They had pretty good underwriting.. They had cooperated with regulators, which is a very, very important for a number of these types of industries that are really having to figure out their way through some pretty massive regulation.. And the CEO had a really huge vision to be the world's largest marketplace for lending.. And the most important thing for me is I felt like they had three to five years before the banks could react.. The banks would just be frozen for the next three to five years.. So the thing that happened there, which was really instrumental, was I was a principal, right? So we presented the term sheet to Renaud, the CEO.. And I didn't know what was going to happen.. I had actually hoped I could get a board observer seat, and I would learn a lot, and we would see..

But Renaud asked for me to be on the board, which is really unusual.. And I think the more unusual thing about that is my partner, Gary Little, said, of course.. Right? Of course she will be.. And not only that but he took the board observer seat to coach me to be a good board member.. And that's a big transition.. It's a very different thing from being an operator or a consultant to going onto a board.. And so here I have this VC who's been doing it-- for what, 10, 12 years at least at the time-- come on the board and coach me and say, OK Rebecca, when you said this, maybe it would have been better to have said it outside the board meeting or maybe think about this in a different way.. And I was really lucky that he took that time with me to make that happen.. So in terms of Lending Club, I was on the board there from Q1 of '09 to just a couple of months ago.. Right? And it was funny..

When I looked back, when I rolled off the board, I sent Renaud my initial thesis of investing.. And when we had come on

the board there-- had done the investment-- there were 25 people in the company.. They'd only done \$20 million of originations to that point in time.. I think they had about \$400,000 of revenue.. And they actually went public a year ago yesterday.. And at that point in time, they were-- as Tom had said-- the largest tech IPO of last year in the US and the fourth largest since the dot com with only Google, Facebook, and Twitter being larger.. So it was really phenomenal.. And to actually have gotten the opportunity to be on the board with people like John Mack, who's now gotten involved in Future Advisor, another one of our companies, and Mary Meeker and Larry Summers was really a spectacular experience.. So there is definitely some luck involved in venture.. Probably more than a little..

So with that I'd like to transition to Canvas and what inspired us to create a brand new firm out there.. So when it came time to raise our next fund, we actually kind of scratched our-- our AR next fund at Morgenthaler, we looked at it and instead we decided to spin out and do an entirely new firm and name that Canvas Ventures.. And the idea about Canvas is really what kind of firm would we want to create if we could do it from scratch? And what kind of firm would an entrepreneur really be attracted to? And Canvas itself is all about creating the entrepreneur's vision on a blank slate or canvas and maybe a little bit of a nod back to my desire to be an artist at some point in my life.. So today Canvas includes Gary Little and myself.. Two additional partners have joined, Paul Shao, who was a partner at NEA for about 10 years, who's just a terrific, terrific guy.. He did a company called House, which is one of my very favorite companies out there.. And then Ben Narasin, and Ben was a seed investor.. We had known Ben for a long time.. He was an early investor in two of my companies, both Check and Lending Club.. And then he's in a lot of other companies, and I'm sure you all know, including Zenefits and Dropcam and Cabbage..

And his hit rate is just really phenomenal.. So the four of us are now Canvas.. We've had some really early recognition which we're excited about.. We were named by the Forbes Midas list as one of the top VC firms to watch.. And I was lucky enough to be put on the Midas list at 23.. So you ask yourself, there's a lot of venture firms out there.. What makes us different? Right? Why us? So there are a few things that we think are important.. One is that we are all operators and entrepreneurs.. Every one of us has built a company.. Ben's taken a company public..

Paul sold a company and security before he started at NEA.. Or been a major operator at a large company or both actually.. So we think that's important.. Because what I've learned over the course of my time in venture is it's only about 25% picking the right company.. I think that's probably the right-- especially with the series A and B.. It gets more as a picking kind of maneuver as you get later stage.. It's 75% building and fixing.. Right? And so if you're doing that, and it's early stage, and you need help building and fixing, my thought is you really want somebody who has done it before, who has seen the playbook before and can really help you along the way.. So for us that was really important.. The other thing is we're very thesis-driven investors, every single one of us and naturally so..

And so even though before we were working together-- it was funny.. It was how we all approached the problem.. And so what that means is it doesn't mean that we sit and think about things and pontificate.. It means that we look for big market trends, so you know the financial markets freezing, or the HITECH Act, or the Affordable Care Act, or some big macro trend.. And then we look where we think the big companies can be built.. And we map that space.. We map it pretty intently and very deeply.. And then we pick one company in that space.. So with just FinTech we looked at the lending space.. And that was Lending Club..

We looked at mobile wallet.. That was Check, which sold to Intuit.. We looked at financing and the evolution of investing, and that was Future Advisor, which was recently purchased by BlackRock.. So we were very thesis driven.. And the areas that we really like to look deeply in and will continue to are financial services and health care IT, marketplaces.. We love marketplaces, mobile in general.. And as my partner Ben will tell you, his favorite thesis is to be looking for the next thesis.. So we do also get to do some quick dives into things like agricultural technology and drones and things like that to see where that next thesis may be.. And we all-- every single one of us-- has at least one billion dollar company under us.. And Gary Little actually has three..

So we've seen the evolutions of the early stage nascent part of a company all the way through to a growth stage company or a public company.. And that's really important.. Because the problems are different at every single level as you go.. So where do we focus? We focus on series A and B.. So what that means is this is where you have-- you're starting to get a product market fit.. The dogs are eating the dog food.. And now you need to scale.. You need to grow a team.. It's probably a skeletal team at best at that point in time.. You need to really figure-- might have gotten a couple of the marketing channels figured out just to prove the concept works, but you need things to scale..

And you're perhaps building to your sales force.. So that's really where we come in, at series A and b, usually \$5 to \$10 million in that initial round.. And we always take a board seat.. In terms of what we look for-- I mean, this is tough.. Of course, it's a big market opportunity.. Right? But it's hard to actually see sometimes that it will be a big market.. And so I was once at Lowe's.. One person had put to me one time-- this is what always sticks in my head.. We have to believe if the stars lined up perfectly, and you had a straight shot, that the company could be a billion dollar company plus.. Now, maybe a billion dollars doesn't seem like a lot right now..

But it wasn't that long ago when \$180 million was the biggest X that we had all year.. Right? So it has to be able to be, I would say, a sustainable, public company for us to get involved.. Now, there are a lot of businesses out there that aren't..

There's a lot of businesses that we talk to every day, or startups, that can sell for \$10 or \$100 or maybe a couple hundred million.. But if we really believe that's the endpoint outcome for a company, that's not where we would jump in.. We really have to see that it could be an enduring public company.. There's a quote in my mind from Ray Rothrock I always think of.. And that is the biggest companies they ever have funded were where markets moved over a company.. Right? Where there wasn't really an addressable TAM at that point in time.. But things started moving and all of a sudden the market just sort of intercepted the company..

And those are the hardest ones to see and those are usually the biggest winners.. In terms of what type of people we look for, of course, we look for somebody who's smart and who's focused.. But we look for something else.. We look for somebody who has something to prove.. So somebody who has a chip on their shoulder, so to speak, that really-- like, the company is a part of them.. Right? And this is what really separates the founder from the CEO.. Right? Somebody who's a founder, like, that company is a part of them, and they will do whatever it takes.. So when plan A doesn't work, they're going to work on plan B, C, and D.. Right? And those are the kind of people that are just incredibly driven and won't stop.. And they will absolutely figure it out..

I had a friend; he was exactly this person.. And he created a pretty interesting company.. I would give this guy a million dollars if he was hoeing potatoes, right? Because he just has so much to prove.. And he will absolutely figure it out.. And then why do we choose the deals we choose? So this is hard.. Right? And it was funny because I don't know how many of you guys know Kevin Ryan, but Kevin did Double Click and Gilt and Mongo DB and Business Insider.. And he's done a couple others as well.. His hit rate's phenomenal.. And I thought of all people, he would be able to-- because I asked him.. I said, why do you work with all these different VCs in your companies? Why don't you just have one set? And he looked at me funny..

And he said, you know what? He goes, it's impossible for me to tell what will make a VC fall in love with a deal.. Right? And I think if you ask the VC themselves, if they were really honest, they would tell you the same thing.. Right? It's one of those you know it when you see it kind of things.. And for me, it's always the question.. I ask myself, if I wasn't in venture, would I want to work at this company? Would I want to work with this team? Is this the job I would take for the next five to 10 years? And am I waking up thinking about it the next day? And if I am, that that's when I'll do the deal.. So that's a little bit about what we look for.. Of course, we love marketplaces and network effects and anything that can have a moat around the company.. But they're often just some higher level things than that that I think really drive the investment decision at the end of the day.. So I have 10 minutes left.. They asked me to give you some advice, things that I wish I would have known when I was 20..

And maybe somebody told me, but I probably didn't listen very well.. So happy to offer a little bit of advice.. One thing is just life happens.. And often things that may seem like the most tragic and dismal at that point in time are actually the catalyst for something even better.. And what makes it a catastrophe or something a catalyst is really your attitude towards it and how you see the next day.. And so really always be looking ahead.. And think about well maybe this just created an opportunity for me to do something different.. The other thing is you're really-- I don't need to tell you this.. We all know.. You're really fortunate to be here..

None of us would be here today if it weren't for some phenomenal mentors or people in our lives that helped us along the way and made that possible.. And that we owe it to people to do something in return and to help others that were very similar to us in those situations in big and small ways.. So one of the initiatives I was lucky to be invited to be a part of was EIG, the Economic Innovation Group.. And it's a group with Ron Conway and Sean Parker and others that are really looking at how do we create technology and innovation opportunities in the Midwest? Right? Or in distress communities in general.. Because a recovery happened, but it sort of missed the entire middle of the United States.. Right? And so I think those are really interesting opportunities as you're looking for ways to get involved and just opportunities in general.. I've always wondered why offshore doesn't just mean somewhere back in the Midwest.. And actually there are a few companies that are exactly starting to do that.. My favorite piece of fundraising advice-- I'll do that and one last piece of advice and I'm done.. Favorite piece of fundraising advice comes from Jeff Tagney, who was in GSB actually..

He was a founder of Epocrates.. And then he is my CEO and founder at Doximity, which is the largest doctor network.. It's LinkedIn for doctors.. They have about 2/3 of all doctors in the US on the platform today.. And he always says, when you want advice ask for money, and when you want money ask for advice.. And that's always true.. If you call anybody, you know, like, hey I need to raise around.. They're not going to talk to you.. But if you want advice, most people would take that meeting, right? So typically it's cliché.. And then in regard to life in general, I'll just leave you with this..

I do a lot of talking to women and startups and things like that.. And I always tell them this.. It just applies to everyone, though.. Really do what you would do if you had absolutely no chance to fail.. Right? So typically it's cliché.. The things you regret in life are what you didn't do.. So I always tell my founders when they're thinking about well do I do X or do I do Y? I said, OK, well let's just pretend that you had no chance to fail.. And then tell me what it is you would do and then let's just do that.. Right? Because you can always figure out plan B and C and D later.. Right? But what you're going to regret is that thing that you really wanted to do that you talked yourself out of..

So that is my departing piece of advice.. So with that I would like to turn it to questions.. And I think I'm six minutes ahead

of schedule.. Thank you.. I choose? Oh wow.. Does anyone have questions? Yes in the red.. What's the deal that you didn't do, that you regret the most? Uber.. Uber.. Would you repeat the question? Yeah so he asked me if-- this is a funny story.. So he asked me if the things I did in life are things I didn't do, what deal did I not do-- you guys are tough-- that I regret the most? Every VC-- their anti-portfolio is phenomenally better than their portfolio..

Right? Everyone.. And actually Bessemer used to have their anti-portfolio on their website.. I don't know if they do still.. I haven't seen their website in a while.. But it's really great.. And everyone has these stories.. Because the thing is that the company that I funded, I mean, Lending Club probably talked to half of the valley, right, as did Practice Fusion as did Doximity.. Most entrepreneurs will tell you it was impossible for them to raise money until it wasn't.. Right? And so everyone has these stories.. And probably half of Silicon Valley has an Uber story..

But literally I had called Travis Kalanick.. And he was in Kerio and I was in Practice Fusion.. And our founders had an issue.. So he was in the office.. And he'd been a really prolific angel investor.. He'd done Red Swoosh.. His Red Swoosh story is really phenomenal.. And I was just kind of going through his angel portfolio, which is impressive.. And he said, you know, there's this company Uber that I founded, and I'm thinking about maybe taking the CEO role, and you should look at it.. And I'm like, no, no..

I don't think so.. I've seen near three or four companies like that.. And I just didn't get it.. Right? And so fast forward.. I've got my little guy Zane who's five, and we go to the city for the day.. And he's melting down.. And he's losing his mind.. I'm like, OK I need to get him out of here.. Forget the trolley.. So I called Uber..

And I'm, like, look.. And I show him, and he's, like, wow, Mommy.. Right? And I sent the video clip off.. And he's just so enamored and he gets in the car and he closes the door.. And we get home later and we're at dinner.. And he looks up and he's, like, Mommy? When I grow up, I'm going to make a lot of money so I can go out to eat dinner every night and Uber will take me everywhere.. And I was, like, wow.. What a rock star I would have been had I done Uber, right? So I ruined that one definitely.. OK.. Who else? Yes..

With the 98% valuation loss in one day-- Yeah.. How did you deal with that personally? OK.. So it wasn't easy.. So there's a longer part to that story.. I was actually in France.. So that makes it even more interesting, right? I'd worked tirelessly for four years.. It was a crazy-- this was back before you had cloud computing.. You bounce the servers at midnight and hope that you got the thing going before the east coast woke up.. So it was really a crazy four-year experience.. And so I had decided to leave and take a little sabbatical and go to this equestrian school in France, which was like boot camp..

So I was riding five horses a day, including race horses and cleaning stalls and doing crazy stuff.. And so I got a phone call while I was in the middle of nowhere in France that that had happened.. And I remember my husband told me, and I was, like, wow.. And I said, OK.. And I said, tell you what.. I couldn't digest it at that point in time.. And I'm, like, you know what? Let me just think about this for-- why don't we just talk in two days? And it is just something that-- I mean, we had never-- we're pretty conservative.. So we hadn't, like-- it was paper, right? We hadn't thought about it.. But it was really-- I was pretty young actually.. And it wasn't that much money for us, because I was pretty junior at the time..

But yeah it definitely has shaped a lot of how we think about things.. I mean there are a lot of people at that time that had margin loans.. So for us it was not that traumatic.. We saw a lot of people that they were talked into doubling and tripling down and taking margin loans and doing all kinds of crazy stuff.. And those people it was pretty bad for actually.. Yes.. Do you have certain habits or some sort of mindset that you had seen you had before when you were younger that brought you to where you are now or that helped you? Habits or mindset.. I think the only habit I was always just wanting to learn more and just very curious and loved to travel.. I always loved to learn about people's ideas.. Right? And about science and technology..

It makes it to where I love the job I do.. Right? It's just kind of a natural fit.. And I think you're really lucky when you can do what you love.. But the habit or mindset was just I was always very curious.. And some people might call that ADD.. I don't know.. Could be classified that way potentially, but I was always very curious about things that were out there and wanted to learn about technology and science and stuff.. So that was good.. Yes.. I also like to gamble, too, so that was probably the other thing..

That helps.. Yes? So for VCs with operating background, what do you think they can offer that a VC with no operating background can offer to founders? Yeah she asked a VC with operating background versus not.. Now, there are very good VCs out there, amazing ones, that have no operating background.. Right? And it cuts both ways.. A VC is really about pattern matching.. Right? And about seeing a lot of things happen time and time again.. So I think the operating background-- what that gets you is somebody who has seen it and been in your shoes before that can sort of help you figure out the next few steps.. Right? And I think that's what somebody who's been an operator can really do for you.. They have perspective, right? And VCs that don't have it sometimes could just be a little too cavalier.. Like, oh we'll just do X..

You're like, of course, I would do X if X was easy, but it's not.. And here's the 10 other things that have to happen before X can happen.. And so with the operating background, I think you have that perspective basically.. Yes? So last week we had this Scott Cook that he said that when he founded Intuit, he went to raise money, and he talked to 34 investors and he was

rejected.. Yes.. But then the story ended up very well for him because he is a billionaire without so bootstrapping the company.. I guess the question for you would be what would you tell a CEO to convince him or her to go the VC route instead of trying to bootstrap and grow the company? Yeah, I think it's-- oh yeah, I'm so sorry.. So he asked-- so Scott Cook had talked to sort of 34 VCs that said no.. And then he bootstrapped the company, right? And it worked out quite well for him.. And his question was what would you tell somebody? Would you tell somebody to bootstrap or to raise money? There have been a lot of people that I said, god why would you raise venture money? It's just going to screw it all up..

Right? I've had a lot of people come in that have interesting businesses.. Right? And they're profitable.. But they think they want to raise venture.. And I look at this and I'm, like, wow.. That's going to throw off some pretty significant cash pretty quickly.. But it's not going to be venture scalable.. And if you sign up for venture money, there's a different expectation for you.. Right? There is an expectation.. And instead of growing like this, you're going to grow like this at some point in time.. And there is an exit event as well..

One of my favorite companies in the world is Epic.. How many of you guys know-- health care? Epic is amazing.. And I think recently they've taken some money.. But that company is like 80% owned by one person.. Right? And that's a pretty phenomenal company.. So there are other ways besides venture.. But really venture is where you see there is an opportunity and you need the capital to realize it and to scale fast enough to get there.. That's kind of how I think about whether you take venture money or not.. Yes, in the back? Question in regards to coaches.. Besides finding someone who has done or gone through the process of what you're trying to do, like someone who's gone through all the rounds of funding to the point of successfully having a multi-billion dollar company, what are the things to look for when you're looking for a coach? What do you look for when you look for a coach? You know, it's interesting..

I think coaches are a very personal thing.. I think it's so personal it's hard to answer that.. My suggestion is you don't just meet one.. You meet half a dozen.. And then you start figuring out where the chemistry is, right, And where their focus is, right? Because somebody who works really well for one CEO doesn't work at all for somebody else.. I like to suggest that-- I actually got a coach when I saw some of the amazing work some of these coaches had-- and when the CEOs came back and said wow, this person really helped me with X, Y, and Z.. I thought, well, I should try this, too.. And it really helped me as well.. Because here's somebody without a dog in the fight that can give you some really constructive feedback.. Their only goal is that you become a better person in whatever it is you're doing..

And they're going to give you that feedback.. And they don't have an agenda.. And so I think what you have to do is have a chemistry where you trust that person and that you actually respect what they're going to tell you.. And that just comes from really meeting a bunch of them and figuring out where that fit might be the best, I would say.. Other questions, yes? Rebecca, we've talked about the bold and outrageous ideas that have yet to find addressable markets-- Yes.. And how these ideas typically become the biggest winners if executed right.. So I was wondering personally are there any heuristics that you use to recognize and identify these ideas? When somebody really smart sits in front of me and they tell me something that I just think sounds insane, I think twice.. Right? So I've learned that over the course of time.. So I don't know if there's any heuristics, but I always pay attention to things that disprove a belief I have.. Right? So in other words, if I have a sort of set thinking in a certain market vertical or something, and then somebody comes and shows me that what I believed as my set of truths to be wrong, that's when I really pay attention..

This is a small example but Practice Fusion-- we thought acquiring doctors' offices is going to be a feet-on-the-street trench warfare effort.. They figured out how to do it online.. Right? And that really made me wake up.. How did that work? And then we talked to that model.. So a lot of times it is when you have a belief system, you've seen a lot, it's when somebody shows you something that just surprises you.. Right? And that's when you learn to really pay attention.. I hope that answered your question.. Yes? So VC funds have traditionally assisted investee companies by helping recruit talent, being thought partners to the management team.. Do you see the role of VC evolving? And if so, what is the future for VC? I think that will remain in terms of what VC funds do.. And for us we only do a deal or two a year per partner..

Right? So we do a lot of recruiting.. If you ask Renaud at Lending Club, the main thing I did was recruit and help him hire at every point in the company.. I enjoy that a lot.. We help a lot with PR.. We help a lot with marketing, with strategy.. But with our firm, it's us that does that.. Right? And then we also have a marketing partner.. With other firms they've built out whole resources for that.. And so really it depends on the entrepreneur in terms of the fit.. I think both models work..

And I just think it depends on what the entrepreneur is looking for and where you want to get that from.. Yes.. Do you see venture capitalists as we're going into more global economy, do you see them looking to other regions of the world and especially where would you be looking? Yeah.. We do.. We have stayed very focused on the west coast.. I think David Morgenthaler put it well.. Don't fly over good deals to look at good deals.. Right? But there have been really big successes in China and India now is a big area of focus.. Europe.. There's a lot of things going on in Europe that start there and they may come over this direction..

I actually saw Zero, believe it or not, when I was in New Zealand.. I walked into a-- I was in New Zealand.. I was looking at some incubators there and walked into a Zero board meeting before Founders Fund had put any money into it.. And it was a very interesting company but then based in New Zealand.. And then they came over here.. Right? So there are a lot of things



that are like that.. App Annie started in Hong Kong, I believe, and came to the US.. So you are seeing venture firms sort of expand globally.. I think two approaches-- one is to invest in a company that's a Chinese company in China.. Right? The other one is to look for companies in other markets that may then want to expand into the US..

And so I think there are really two different approaches to that.. And I think it's hard to do everything, just like it's hard to do C, A, B, C, D, and growth.. So yeah, I would encourage you to always look for a firm that's focused on what you are doing, right, at that point in time.. Yes.. How do you like to be approached by recruiters with new ideas? And what are the biggest mistakes you see entrepreneurs make when they approach you with those ideas? Yeah.. The biggest mistake is somebody coming to me with a company that-- like, a gaming company, right? I'm not a gamer.. The reason it's a mistake is there are so many VCs that are, right? If you're picking me to run that by, I just think, wow, OK.. It's a couple of things.. Either you've talked to a lot of people, and you just keep going.. Or the homework wasn't done..

Right? So that's one thing.. The way I like to see it done-- the best way is to find a common point, to learn something about me.. And the best way is to find somebody I know to introduce you.. Right? I even had a rule.. When I was hiring at NextCard, if somebody that worked in our organization did not know that person personally, I wouldn't hire them.. Because I thought the value is so small that if you can't find that connection point, there is a problem.. And my only hires that were ever problematic were when I deviated from that rule.. Right? So I think it's a pretty small ecosystem out here.. And we have LinkedIn.. We have LinkedIn and you know, God knows what..

You can find somebody that knows me and figure out how to frame that.. And ask for advice.. Don't tell me you're raising money.. Yes.. Who else? How much more Time Do we have two more questions, maybe, you think? OK.. Go ahead.. The question is, what are some sectors that you think are ripe for destruction? And on the flip side, what are some sectors that you think are overheated? Are overheated? So what are sectors that are ripe for disruption and what is overheated right now? There is a lot of heat overall, I would say at this point in time, right? But I think lending is definitely overheated right now.. So with Lending Club's success and a couple other companies that have gone out, you're seeing just every other day there is a new lending company or mortgage marketplace or something like that.. Right? So definitely those are overheated.. Not to say there won't be more winners there..

But it's really hard to tell who's going to win.. And what happens when they get overheated is that they're all fighting over the same customer.. Your star customer acquisition costs goes through the roof.. And then it's just really hard to win.. In terms of areas that are interesting, we continue to-- in FinTech, for example, we continue to look at the insurance markets both here and in Europe.. We look at-- what else are we looking for? The business lending factory and accounts receivable.. There's a lot happening there right now that it's beginning to get a little bit noisy as well.. And so when that starts happening, that's when you really kind of start looking outside.. You start thinking, OK well, what's the next thesis? Right? What is next? And it's funny because in '09 when we did Practice Fusion, there were very few other VCs doing anything in health care IT.. I actually had a couple of VCs pull me aside and say, wow..

If you want to have a really short career in venture, invest in health care IT.. Because here's all the bodies that have gone before you.. And so that in '09, that was complete white space.. Right? Nobody was doing that.. And it seemed very bizarre to think of it.. But there were a few things changing.. Right? They had the High Tech Act and the Affordable Care Act that rolled in '09 and 2010.. But when Practice Fusion went to raise their series B, it was really scary.. Because my list of who might possibly work at that company was like three people long.. Right? So we actually started a whole conference for them..

We called it DC to VC.. We brought out Aneesh Chopra, who was a US CTO at the time and Todd Park, who was the head of HHS, and invited every VC firm we could think of that may possibly be interested in health care IT.. And then partnered with Venrock to do that.. And then put-- because Venrock was really-- they've always done health care IT.. They're very good at it.. But they were kind of it.. Then we brought some corporates and some startups and had a little conference around it.. And got Practice funded with the series B but that was hard.. And now you look at it.. And there were no health care incubators in 2010 that we knew of..

I think there's like 1300 now around the world if you just fast forward a few years.. So things get overheated pretty hot.. And I don't know that next thing.. We're doing a lot of searching on what that could be.. I think it's early innings in mobile and business, still.. Mobile and enterprise.. Very early innings.. There's a lot of opportunities there.. And there's always opportunities, I think, in financial services.. In every single cycle there are multiple, big financial services opportunities created..

Thank you, Rebecca.. Thank you...