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Private Market Talks:

Venture Capital Investing with Primary VC's Jason Shuman

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Venture capital is a unique asset class. In this episode, Jason Shuman, General Partner at Primary VC, gives us a window into his world of early-stage venture capital investing and discusses the multitude of stars that must align to lead to success. Jason shares his perspective on the venture investment landscape, what he looks for in founders when making a “go/no go” investment decision, the importance of the founder-investor relationship, and where he sees opportunities, challenges, and strategies for early-stage venture investing. He also takes us into the room and describes how one venture fund dealt with the days leading up to and immediately following the failure of Silicon Valley Bank.

Peter Antoszyk: Welcome to Private Market Talks, a Proskauer podcast. I’m your host Peter Antoszyk. On today’s episode, I speak with Jason Shuman. Jason is a General Partner at Primary VC, a New York based venture capital firm. Jason leads new investments across built world, fintech, and marketplaces, including such companies as: Latch, Dandy, and Perry Health. He has been featured by Forbes on their 30 Under 30 Venture capital list. And by Venture Capital Journal as one of their under 40 rising stars. During our conversation we discuss his investment strategy, his advice for founders, and where he sees investment opportunities. We also talk about challenges facing venture capitalists today. And he gives us an insider’s take on what it was like when he had to deal with the fallout of the failure of Silicon Valley Bank. You’ll find a full transcript of this episode at PrivateMarketTalks.com as well as links to other useful information. And please -- Don’t forget to subscribe and click “like” after listening. And now, without further delay, my conversation with Jason Shuman.

Peter Antoszyk: Welcome, Jason, to Private Market Talks. Appreciate you being here.

Jason Shuman: Thanks for having me, Peter.

Peter Antoszyk: So today, we're going to spend time talking about venture capital and the world of venture capital in today's environment. So, to get started, if you could just tell us a little bit about your background, what drew you to venture capital and a little bit about Primary VC.

Jason Shuman: I'm from Boston originally, grew up in a family of entrepreneurs and small business owners. I was inspired deeply by people like my uncle who connected us — my father, aunts and uncles — and then also my mom, actually, who's a therapist. I think the emotional intelligence that I got from her and the deep empathy of people was really inspiring.

Peter Antoszyk: And I'm sure therapy goes a lot into VC investing as well.

Jason Shuman: We could go very deep into that, especially around board meetings and outside of board meetings. I just fell in love with startups as a kid. In middle school, I was writing business plans. In high school, I figured out that I wasn't exactly the best student. But business came pretty naturally to me, and I could graduate early if I went out and got an internship at a startup. So, I got to work at a company, learned a lot there and just fell in love with it all.

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I ended up launching a direct-to-consumer footwear company back in 2011. I say that was when it wasn't cool to be starting companies and when Shopify was a pretty brutal platform — no offense, Toby — but it was great market timing in 2011. Facebook cakes were super cheap. I think my market timing was great because it was the early innings of direct-to-consumer footwear and direct-to-consumer businesses, in general. It's probably a mediocre market as we can all see these days, based off of the stock performance of a lot of the DTC brands, and my execution was even worse.

So, if you can't execute, I say go invest. While I was living in Boston, and really, shutting down my company, I ended up driving for Uber at night. During the day – there weren't that many seed funds or early-stage funds in Boston, at the time – I went around and started sourcing deals. Eventually, I got an offer, moved here to New York City where we're recording and went over to Courage Ventures.

It was a single LP, real estate family office. I had an incredible opportunity to work with Ryan Friedman and David Goldberg over there, ended up investing in Prop Tech, fintech marketplaces and then after a couple years, I met the founder of Gerson Lehrman Group (GLG). He ended up asking me to launch his family office. I worked with him for a number of years, including helping restructure and spin out a portfolio company that he had a good amount of capital in. I spent about a year working on that software business and then after the whole thing was cleaned up, I went back into the family office.

I had a realization, which was, "I am incredibly passionate about partnering with founders at the earliest stages, and I want to get back to it full time," and lucky enough, I got a phone call one day by the founder of a company called Latch, and he said, "You should go meet with Ben and Brad," who are the two co-founders of Primary. I sat down with them one day and one thing led to another. We met for three hours that first day, and the reason was because our philosophy around seed investing was completely aligned, which is very different from most other folks in the seed investing world. It really has to do with earning the right to work with the best founders.

We do it by running a concentrated portfolio, only a few investments a year per partner. We invest in New York only. We're spending more money than any other seed firm in the country, maybe the world, when it comes to portfolio impact resources, to go in and work super closely with the founders. We're also incubating businesses here in New York City, combining some of the best operators in the world with ideas and markets that we genuinely believe in, and it's led to world-class results. You know, two top-five percent funds globally, about 25% of our companies are unicorns now that we've backed that seed and about 93% of the companies have raised Series A.

Peter Antoszyk: So, I want to get into how you've accomplished that in a little bit. But before I do, can you tell me a little bit about Primary VC's industry or sector focus?

Jason Shuman: The world of venture capital is institutionalized in a way that it had not been about eight years ago when I first got into the industry. When you look across all asset classes, the more institutionalized they get, the more specialized they get. Primary is no different. We believe that we need to bring a prepared mind into meetings, and that means you need to specialize. We believe that by doing so, we can add more value to founders than anyone else in the market and that we can make decisions faster, which is incredibly important, as we learned over the last few years. And at the end of the day, we're kind of broken up into different teams now. So, we have a specialist when it comes to developer OPS and infrastructure, we have somebody else who's focused on healthcare, we have another person who's focused on fintech and then we have a team that's focused on enterprise software. And although I spent the last few years really focused on the consumer world, I've been digging my teeth much more into the built-world technology, productivity tools, SMB tech, stuff with similar go-to-market strategies and things that I am more familiar with.

Peter Antoszyk: Is the focus primarily early stage, pre-seed/seed funding?

Jason Shuman: Exclusively pre-seed and seed. I think when you come into our office, you quickly realize that everybody on our team is a builder and not a backer, and we don't love spreadsheets. And so, pre-seed and seed is for us.

Peter Antoszyk: So, can you walk us through your investment process from start to finish? Maybe you can even give an example of how you source a deal, how you might structure your conversations that you'll have with the Founders, what works in those conversations — just walk us through the process.

Jason Shuman: So, the process depends really on how the deal ends up coming in. There are a few core sources of deal flow ultimately. One of those sources is our own network. Portfolio company founders are incredible people for sources of deal flow because (a) they've had a great relationship with us, (b) we trust them, and (c) if they've been successful, people go to them for advice. So, they become unbelievable sources of deal flow. The second one's going to be deal nodes. In any sector where you have a specialization, you're going to want to go out and make a relationship with the ten most well-connected people in that sector. Because when people go out to raise money, they end up reaching out to people who are experts in-network to figure out who they should talk to or who they should sell to. The last one, and this is pretty unique for a seed fund: We use a lot of data sources to generate an outbound list.

Peter Antoszyk: Before you go there, what does that mean? Walk us through what that involves.

Jason Shuman: We're using a variety of signals from the market. An example would be... let's say somebody is working at Stripe in product and all of a sudden, their LinkedIn gets updated and their career there ends. That sets off a trigger in our system.

Peter Antoszyk: Oh, interesting.

Jason Shuman: We can then go send them an email and say, "Hey, John. I saw that you're working on a new venture or that you recently left Stripe. I would love to learn about what you're doing next or what you're working on." And that then typically leads to an intro call. The challenge is that when you're sending out as many emails as we're sending out, you really do need to prioritize the cream of the crop — and then figure out other ways to triage the remaining, which usually results in us asking them to send us a deck or a blurb about the company. Our time's limited, but Founder's time is limited as well. So, we don't want to waste anyone's time in that process.

Peter Antoszyk: Right. And then what would be the next step, once you've made that initial contact?

Jason Shuman: Either a principal on our team or a partner on our team, or both, will meet with the founder and do an intro meeting. In that meeting, we're learning a lot about the founder, their background, their experiences, both personally and professionally, how they got to where they are today. We're really trying to figure out, "What pain point are they solving?" You know, is there a problem that is incredibly severe in the industry? How did they learn that? How did they earn the insight there? And what is really the "Why now?" Because there's plenty of tech companies out there, but why is there a reason to exist today versus five years ago? An example of that would be, Uber would have been incredibly hard to start when the iPhone didn't exist because you didn't have the location of everybody. But, all of a sudden, when you have these technology advances, it makes it significantly easier. So, we go, and we have that conversation.

We start understanding the product, how they want to go to market, but more specifically, if I were to dumb down and simplify how we think about startups internally, a founder has an overarching hypothesis and the way that they want to go to market and they want to think about things. Then, they have a series of sub-theses, and within those, they essentially get money from us to test those and prove certain things out. And once they prove a certain thing out, they earn the right to then get to the next round of financing to then test the next set of sub-theses, sub-hypothesis, however you want to think about it. For us, when we get to a founder who understands the tactical levers of their business and how to go to market and how to solve the problem, and we genuinely believe that they can sell stock, people and their product.

That's when all the stars align and we'll go back to them with additional questions after the meeting, we'll send them a pitch deck about ourselves, we'll invite them in for a partner meeting pitch and we'll have done a ton of due diligence by the way. We are back channeling founders left and right.

Peter Antoszyk: I'm curious as to how you discern that person that brings the qualities that you're looking for to the table. How do you make that evaluation?

Jason Shuman: Well, my mom was a therapist, so we can look right into their soul. No, the reality is everyone has a type of founder that they tend to gravitate towards. And these relationships, by the way, last — when they're good — 10+ years. I mean, I think that might be longer than the average American marriage at this point. So, it is very important to get to know each other on a personal level. Personally, what I tend to look for in a founder is somebody who is very curious, very self-aware, incredibly resourceful. And then one of the biggest key factors that I think about with early-stage founders is, "Do you move incredibly fast? Is your sense of urgency at your core so deeply ingrained that I know when I give you money, that you're going to be able to iterate and put as many shots on that as possible?" Because at the end of the day, you know, the analogy is that startups are essentially like this: Founders are flying planes, and they're fixing the engines while they're going down.

Peter Antoszyk: Right.

Jason Shuman: And you need to be able to figure out how to find product market fit, then on top of those things, you are looking for people that can be great leaders, people that can raise a lot of capital, set a vision and recruit. Because they're not going to be the ones, every single day, figuring out how to change that one line in the call script? It's just not that anymore. It's like they need to set the strategy and make sure there's money in the bank and people on the field, and if they do those three things well, you know they'll be OK.

Peter Antoszyk: Tell me an experience where the founder didn't cut it, that just fell flat in the conversation. What didn't work?

Jason Shuman: Founders that do not know their metrics always will fall flat. Founders that do not know basic industry acronyms because they have not done their homework will always fall flat. Founders that have a good way of telling a story – which, by the way, can trick many investors – but then when you get down to the tactical levels like, "Oh, well, how do you execute on that go-to-market strategy? How are you going to find the customers in the market? How are you going to reach those customers in the market? What's an example of a product change that you might want to make and what is your hypothesis around the metric that would drive?"

When you start double clicking into certain things, all of a sudden, the wheels can fall off and those are the founders that fall flat.

Peter Antoszyk: That's interesting. You think that would be the sort of stuff they would have their arms around pretty solidly.

Jason Shuman: At the end of the day, when the Social Network came out years ago and Tech Crunch started to grow, becoming a startup founder became sexy, all of a sudden. The fact of the matter is there's a lot of VC's out there today, and it is relatively easy to get a hold of us if you can network well enough. There are plenty of people that get in front of us who might be able to tell a story and might have even read about this thing and they think that this is a good idea because it's like Uber for X. And when they get in the room, it quickly just falls apart and you know whether or not they're the real deal.

Peter Antoszyk: And what's the funnel look like? What's the hit rate? What would you say is the number of people you see and have those types of conversations with, versus the number that actually turn into an investment?

Jason Shuman: So, most venture firms will probably invest in, call it five percent or three percent of the companies that they see; we see thousands of companies a year at Primary, and we invest in 12. So, we're going closer to 1%. And the reason why, by the way, is venture's not a great asset class. To be clear, it's incredibly hard. If you're in the top quartile, the returns are fine, but at the end of the day, your money is stuck in a venture fund for upwards of ten years, maybe even more than that.

Peter Antoszyk: Right.

Jason Shuman: If you have a liquid investment, you might want to do that because on a risk adjusted basis, it makes sense. So, if you want to be in the top five percent of venture funds, over 15% of your investments at seed need to become unicorns, and ideally, with those businesses, they're well over 30 times returns, because those will make up for a number of the other zeros.

Peter Antoszyk: So, take me into the room where your partners are discussing an investment. What's that conversation like? What's discussed? What is the level of consensus that's needed in order to make an investment? What's that look like?

Jason Shuman: To boil it down to one thing, we have a list of "must believes" in our investment memo, and the "must believes" are the things that we need to believe internally for the business to become a multibillion dollar outcome, and versions of those "must believes" include certain things regarding the founder and whether they are the right person to build this business. But other "must believes" have to do with the customers. If I'm selling you guys legal software using generative AI, I need to believe that your firm understands the value of buying this software and that this software will generate X or Y ROI and it's simple.

When the founder comes in and they pitch, my partners have read a very dense — typically maybe too long, especially at Primary — 15-to-20-page memo, and they've already commented and asked me a bunch of questions on, so they're up to speed. At that point, they want to grill the founder a little bit, and they want to understand which one of the "must believes" do they have that is the least firm, and when the founder leaves the room, the debate, ultimately, is around the "must believes", and more often than not, we might be aligned, but there are plenty of times, by the way, where we are not fully aligned, and that's where trust ultimately comes in. I'm incredibly grateful – we have, I would argue, one of the tightest-knit, best partnerships in the country where we believe, when we look around the table, that each one of the partners can return the fund with one investment, and you need to have that level of trust.

So for us, we're voting zero to three – a "three" meaning "we absolutely need to do the deal", a "two" meaning "I am supportive of you doing the deal, but I'm not totally sure", a "one" being, "I'm out", and a "zero" meaning, "I'm like holding up the red flag". I've never seen a deal in my four and a half years at Primary vetoed, though, when the lead partner wants to do the deal.

Peter Antoszyk: Oh, interesting. So, if the lead partner has bought into the deal and is passionate enough about it and withstands the grilling, then generally that will be approved by the rest of the other partners?

Jason Shuman: That's correct. From a legal perspective, our investment committee needs to have unanimous decision. So, you ultimately need to make sure that you know the four GPs are aligned and willing to sign off on that. With that said, there are plenty of times where you're kind of on the fence as the lead partner on a deal, and you're getting a lot of pushback, and you need to make a decision—

Peter Antoszyk: Right. Is it worth it?

Jason Shuman: —which times do you want to blow through the wall and pound the table and say, "I'm doing this deal," and when is that capital not necessarily worth it?

Peter Antoszyk: Sure. So, walk me through an instance where you made an investment, and it didn't work out. Were there early signs, or were there learnings that you took away from that experience?

Jason Shuman: So, my first investment at Primary, I lost two million dollars faster than I ever wanted to admit, and we actually had to wire an additional few hundred thousand in order to wind the business down for some nuanced reasons that we don't need to necessarily get into, but there are times in every VC's life where they will fall in love with the idea, and they'll fall in love with the market. Unfortunately, in this case, it was a business that was incredibly capital intensive – and if you were off by a few degrees, you could burn significantly more cash. The business was ramping up and growing quickly in one city, then they came to another city, and they started to spend more money in marketing. Well, what happens when you spend more money in marketing? You get more leads. In this business, they needed people to pick up the phone on those leads and to close those leads. The hiring strategy, the hiring plan, did not keep up with the amount of lead growth. All of a sudden, when we got under the hood after a month of not chatting very closely with the founders because they weren't the type of founders that were trying to leverage us as much as most of our portfolio, we caught back up with them, and we realized that marketing spend went up, leads went up, but our conversion rate dropped by like 80%. We're like, "What happened?", and they're like, "Well, we had too many leads," and we're like, "You have salespeople that handle those leads?", and they're like "No, we didn't hire them all yet," and I'm like, "Oh, man."

There's just some stuff where it doesn't click, sequentially, or the cart doesn't come before the horse and vice versa, and this was one of those cases. And even though there are things that are fixable in some companies, there are other things that are incredibly challenging. I think at this point in my career, I know within 90 days whether or not a founder is going to be great.

Peter Antoszyk: Really?

Jason Shuman: Yeah. There are multiple chapters in a founder's life and career as the founder of that business. But you know if they have—

Peter Antoszyk: Within 90 days of making the investment?

Jason Shuman: Oh yeah.

Peter Antoszyk: And what would cue you into that?

Jason Shuman: Learning speed. That's it.

Peter Antoszyk: What do you mean "learning speed"?

Jason Shuman: If you're a learning machine, you're going to do a few things. One, you're going to track down the experts in your space or around the problem that you have at the moment to figure out how to fix it. Let's use the hiring example: "I'm having trouble hiring great salespeople."

Okay, let me go talk to the five best chief revenue officers in New York City or in San Francisco. I'm going to get them on the phone, and I'm going to take all of the data inputs that they're giving me, all the advice, and then I'm going to come up with my own point of view – and time and time again, they'll do that with every single thing, and they'll be maniacal about it, and they will always be learning about their customers and how they need to improve their products And if they're doing those two things, they'll be fine, but if they're not, then you tend to – they can get lucky, by the way. They can find product market fit, and product market fit is hard to screw up in the long run – but it will not be the type of founder that you're most likely to have long term success with.

Peter Antoszyk: That's interesting. So, the world has changed; you and yours have enjoyed only an upmarket. It's been a boom environment and congratulations. Welcome to the real world now, though, and we've spent a lot of time, by the way, on this podcast, talking about how the economic environment has changed with the rise in interest rates, inflation and the whole host of issues that have come through the macroeconomic environment. So, I'm curious now, from your perspective, as an early-stage investor, how it's affected your investing?

Jason Shuman: So, at Primary, we never sped up during the pandemic. I think that's incredibly important to mention because our model of being concentrated means the opportunity cost for every investment is incredibly high. And we have a big team that leans in to work with the founders, and that doesn't work, it breaks, if you try to accelerate.

The beauty of that is that you have a lot of time diversification, and time diversification, as we're seeing, is incredibly important. And what I would say is that right now, we're not changing our strategy incredibly; so the way that we've changed our strategy is by adjusting to the market because the market is efficient, and ultimately, when I say it's being efficient, multi-stage funds have come down to do seed investing now because historically, for instance, in 2020, 2021, when we were doing seed investments, we were investing at a $15 million valuation and then the Series A round was getting done an $80 or $100 million valuation. And that mark up, that four to five times markup round over round, was amazing for us.

Well, what happens when all of a sudden, the market drops, and tech stocks are 70 to 90% down? They need to go find returns elsewhere, and at Series A, the data on companies that are growing is a little bit more democratized where they know who they need to reach out to, and they've hired a lot of younger investors who don't want to sit on their hands. And so, they're coming down, and they're doing seed investments, and they're keeping prices up. So, seed investment valuations are probably $20 to $25 million at times – you can get them $10 to $15 million now, they are a little bit better – but the market's far more competitive than it ever was.

So what we're doing is we're spending a lot more time on incubating businesses now. We went from one every three years, to four last year, and we'll do six this year, and that not only helps us from an entry-price perspective, but we own more of the company.

Peter Antoszyk: So, when you say incubate a business versus a seed round, explain the difference.

Jason Shuman: Totally. So basically in incubation – and there's many styles of incubation, by the way, that different firms do – our version of incubation is we have a partner and a principal working with an OIR, which stands for "operator in residence." We come up with a thesis on a market and a product, and we go out, and we have the OIR do a lot of the due diligence on that. And so, I'll go back to the legal tech example – if we had a thesis about generative AI's impact on legal, we would end up having that OIR leverage all of our contacts to speak with folks at the law firms and try to find design development partners and potential customers and figure out "what should the product look like?". Once we have a fully fleshed out business plan – really a pitch deck in this case – and investment memo, we'll then go to the market, and we will recruit co-founders to come in and to take the idea that is a bit more fleshed out but not fully baked, by the way (this is an incredibly important distinction), and we'll give them a million dollars to go and launch that business. We'll help them raise that seed round either from outside investors, and maybe we co-lead, maybe we let them do their thing, or if they need us to lead the round, we'll lead the round. And that's led to an immense amount of success at Primary at the end of the day.

Peter Antoszyk: That seems like a lot harder row to hoe.

Jason Shuman: You'd think so. It's certainly more time consuming, but what I would tell you is VC's just see a lot of stuff, and we see a lot of markets, and we see a lot of trends and a lot of themes, and we have access. And for whatever reason, people are willing to return our phone calls, and it enables it where we can see a theme in one market, apply it to another market and go out and find initial customers. Our belief is that some of the best founders in the world are incredible operators. But what are incredible operators doing? They're maniacally focused on what their task is at hand and so they're not able to come up for air, come up with ideas – especially when they have two kids and one going off to college, and they're figuring out all these things – and so if we can streamline that for them and we can give them a great market, which – markets are so important – then you know the stars align, and it's worked out very well.

Peter Antoszyk: That's great. Is that a – that's a change than what you were doing in two years ago, three years ago. How have your LPs reacted to that? What are those conversations like?

Jason Shuman: Our LPs love it. Owning more of a company at a lower price point is great. And our belief is, if you look at the economics of it, to give you an idea: if you own 30% of a company instead of 15% of the company, you can return the fund based on an exit that is half the size. And not every single company is going to be a decacorn. And so, you're increasing your probability of success by doing that. And by the way, if we incubate ten businesses and one of them is not a unicorn, we are absolutely not doing our jobs – at least doing them well. So, that has been a strategy that they've been, really big fans of.

Peter Antoszyk: Got it. Other trends that you've seen change in the industry since the change in the economic environment, any others?

Jason Shuman: Well, I think generative AI has certainly exploded onto the scene, so that's been one.

Peter Antoszyk: Before you go on, just stay on that for one second. How do you think that's going to change the industry? What impact is it going to have, both from how you evaluate deals, how you operate and also your investment opportunities?

Jason Shuman: What I'll tell you is we are in inning one, the top of inning one, when it comes to generative AI. And we do fundamentally believe that it's a platform shift. However, all tech innovations have a hype cycle, and the reality is that there will be a crash when it comes to generative AI. We see 30 businesses that are getting started doing the exact same thing on the exact same day, and the competitive nature of that is going to lead to a bloodbath, you know? So, picking the winners in the market makes the bar even higher when it comes to the founders that you want to back.

Peter Antoszyk: Right.

Jason Shuman: That has been changing because the conversations in the room, because of how early we are when it comes to generative AI, are probably the most intellectual and philosophical conversations that I've ever had in my venture career.

Peter Antoszyk: Really?

Jason Shuman: And now I totally understand why people got obsessed with crypto, except for the fact that generative AI has much, much better use cases on the real economy.

Peter Antoszyk: And you started to say other changes in the industry?

Jason Shuman: There are a lot of hard conversations going on in boardrooms right now. We talked about how tech stocks are down 70 to 90%. Some 50%. But at the end of the day, even if the deal was perfectly priced in the last round, even if it was perfectly priced, the business needs to grow two times in order to grow into its old valuation. That's hard. It's really hard. And so, we now need to go out and figure out ways to get these businesses financed because most startups – I know you have a lot of private equity listeners, and they all know – they're burning cash. And so, you need to be much more thoughtful about what are you spending money on, what are you investing in as a founder, and you want to look for what we call tighter J curves. So, if you're going to invest in something, you want the payback period of that investment to be much faster. And if it's not, then we probably need to put it on the back burner for now, because the capital markets aren't going to reward us for what it was doing two, three years ago.

Peter Antoszyk: There's a real tension between preserving liquidity and investing in growth. That's got to be such a difficult thing to manage as a founder today.

Jason Shuman: Absolutely. If you go into the offices now, what the KPIs are being set at requires more from people and more focus and more productivity and efficiency. And when you think about it–

Peter Antoszyk: And discipline.

Jason Shuman: –and discipline, exactly. And so, when you're laying off 30% of the team in order to preserve runway and optionality, but you're not changing the metrics that they need to hit.... Constraints create incredible opportunity for companies, and I have seen time and time again founders and all of the hard-working operators in our portfolio rising to the occasion.

Peter Antoszyk: On the other hand, in an early-stage tech company in today's environment, there's great opportunity to hire people that you didn't have before because there have been such layoffs in the larger tech companies, so the resources for people are much broader than what it was before.

Jason Shuman: Absolutely. Now, I don't think, everyone coming out of Google and Facebook are going to be a good fit for an early-stage startup. It's a very different lifestyle and a very different skill set in many ways. However, there is a ton of talent, and the market for engineers has gotten significantly easier.

Peter Antoszyk: What do you see as the fundraising cycle over the next 6, 12, 18 months? What do you see as the opportunities to raise capital? Do you think it will become easier or harder? How should a founder be thinking about it?

Jason Shuman: We've told all of our founders to go out and raise capital now. We actually started that last quarter, and the reason being is there's going to be an absolute tidal wave of companies going to raise capital in Q3 and Q4 of this year. And the market, whether it's going to be in a better position or not, the reality is, there is a lot more supply of companies and not that much more supply of capital. And you have investors, both young and old, by the way, who are dealing with portfolio companies that are struggling. And so, on one hand, you're spending a lot of time and a lot of effort and a lot of emotional capacity on managing the process that might be recapping or saving a company. On the other hand, you have a generation of younger investors that have grown up momentum investing. And so, they only want to see the cream of the crop, the stuff that's growing incredibly fast. And then that next tier down, it might actually be where the best opportunity is because the assets might be the most mispriced, but a lot of investors just aren't thinking that way. They're not wired that way, and so it's going to be really hard to get the attention from series A, B, C investors. So, I would recommend that they go out to market as soon as they can.

Peter Antoszyk: Really? I would have thought it was just the opposite, which would be to, assuming you have the cash for another year, to wait to see how the market plays out. But you're saying exactly the opposite; do it now.

Jason Shuman: If you have a year of cash, you should cut your burn and make that into a year and four months.

Peter Antoszyk: Yeah, preserve.

Jason Shuman: And then you should go to market. Yeah, I agree.

Peter Antoszyk: Switching gears for one minute, the way you and I first got together was over the weekend when Silicon Valley Bank failed because I was really curious as to what was going on in the room during that weekend and what led up to that weekend for VC investors like yourself and the founders. So, it would be great if you could walk us through kind of the whole sequence of events and how it impacted you and your companies, how you found out about it, what your initial reaction was, conversations with the LP's founders. Walk us through that tense time.

Jason Shuman: Man, I think it was such a tense couple of days, whole weekend, four-day stint that I ended up ghosting you on text by accident, so I apologize. So, let's start out with that day. I was actually in Boston and I started to see chatter on Twitter in the morning, and I was like this is a little odd. I wonder what's going on and–

Peter Antoszyk: This is that Friday?

Jason Shuman: It was a Thursday.

Peter Antoszyk: The day before, right?

Jason Shuman: Yeah, in the morning. And if you were on calls that day, you were starting to hear about certain things. With that said, Silicon Valley Bank had been an incredible partner to us, and the people that are there are wonderful people. And so, that morning, we had a partner meeting, and we had a conversation, and that got brought up in it. We're like, what are the chances that this actually happens, and we really wanted to give Silicon Valley Bank an opportunity to speak. And I think, unfortunately, the reality was as many people saw it unfold. Greg Becker, the former CEO of Silicon Valley Bank, went on and could only say what he could say.

They were in a bit of a quiet period as my understanding when it all went down. And so, what he ended up saying did not alleviate any of the tension. It made it incredibly challenging for us, and unfortunately, I don't think any of us on the venture side are in the business of taking risks when it comes to our companies having cash in the bank and losing it to a bank. And so, we sent over 2,000 messages out on our own Slack that day, talking about this, debating it intensely. Then, each one of the partners really got on the phone, and they were chatting with their portfolio companies, but it was hard. It was really hard because you got to think about it this way. We had portfolio company founders that didn't have bank accounts set up anywhere else so they needed to figure out how to open up a second bank account if they wanted to get their money out. And by the way, you saw the numbers unfold like something like $44 billion withdrawals in 24 hours and so people were scrambling. We wanted to really calm founders down and just be someone that they could come to so we started hosting some webinars. We started having them on and doing–

Peter Antoszyk: This was Friday?

Jason Shuman: This was Friday.

Peter Antoszyk: Think about the sequencing–

Jason Shuman: On Thursday, we started to find out–

Peter Antoszyk: Friday, you're hosting.

Jason Shuman: Late afternoon is when I think a lot of the wires started to go out and where people were pushing to get their money out.

Peter Antoszyk: Thursday afternoon.

Jason Shuman: Friday, we did a webinar with all of our founders. We actually wrote a letter to our LPs on Friday, and at the end of the day, when there are situations like this, by the way, that occur, over communicating with all stakeholders was by far the number one lesson that I learned. We had LPs that– we ended up hosting a webinar, by the way, for our LPs about this thing, and that was on Monday. We ended up talking to them even more, but the weekend was a little bit nerve-racking, you know?

I ended up working with our new CFO Mike, who is incredible, and we had a spreadsheet spun up that started initially on Thursday and that spreadsheet initially was who has their money at SVB. How much money do you have? What is your payroll coming up? How many payroll cycles can you meet? And first, we were planning on doing a capital call from our LPs, and that way, we could figure out, "All right, if we need to prioritize a certain amount of companies, how many are we going to have to prioritize? How much money do they need?"

Peter Antoszyk: Right.

Jason Shuman: I got on the phone with a number of bankruptcy attorneys that are very familiar with the banking space, and I asked them, "Hey. What are the chances that we get our money back? Over what timeline?" And we started to learn about this, which we never had to before, but then over the weekend was when we actually started surveying every company about where their money was. And we started calculating counterparty risk in case there was a broader bank run. That we needed to figure out for our LP's that weren't necessarily just early-stage venture capitalists anymore, but we were real asset managers and figuring out at the portfolio level what was happening.

Peter Antoszyk: And so, roll off the weekend. Monday comes around. Tuesday comes around. Things start to settle down a little bit. And how did it play out from there?

Jason Shuman: I got on a plane Sunday night, when I really didn't want to, to come back to New York because I was worried about what was going to happen on Monday when the markets opened. I landed at LaGuardia, I got off the plane, and I got a push notification from Twitter and Aunt Janet saved the day. I was like, "Oh my God. Thank you." It was a huge relief. I think what people don't realize and really gets lost in the noise, by the way, is it wasn't just the fact that a bunch of venture-backed startups had money at Silicon Valley Bank.

I want to highlight a few things. One, we could have lost a whole generation of, or decade worth of innovation and startups. Imagine what that would have done to the global economy and our place as the United States in the innovation economy. It would have crushed us. Two, I know for a fact that schools had money with Silicon Valley Bank, and that would have left teachers unpaid. Payroll would not have been met. It would have created issues at more things than just venture-backed startups. That includes companies at Silicon Valley Bank that are trying to cure cancer. There was real stuff that should have been saved, and I'm glad that the government, at the end of the day, stepped in.

Peter Antoszyk: Have you changed your banking practices with or encouraged your portfolio companies to change their banking practices?

Jason Shuman: Absolutely. I think we all–

Jason Shuman: They say it only takes once to learn, right?

Peter Antoszyk: Right, right, right.

Jason Shuman: Yeah, we have backup bank accounts now for every one of our portfolio companies, and I can tell you maybe more about sweeps than I knew a few weeks ago. So, we're definitely thinking about treasury management as a core function now.

Peter Antoszyk: That's great. Well, hopefully, that will be the last time you have to experience that.

Peter Antoszyk: Just a few more questions. One, you've been incredibly successful at a young age of building your reputation within the VC community, having been recognized by *Forbes* as on their 30 Under 30 list; you were recognized by *Venture Capital Journal* on their 40 to keep an eye on/Rising Stars. I think it would be interesting to hear what you've – how you've done that, how you've built your reputation in a highly competitive industry?

Jason Shuman: First off, when I tried getting a job in VC, people told me, "The only ways to get in were you went to an Ivy League school, you worked at a venture-backed startup or you started a company and exited it." And none of that were the boxes that I checked, but I could only control what I could control, and, ultimately, growing up in a family that was not afraid to roll up their sleeves and work their tail off, work ethic was incredibly important. I would say combining that with this pay-it-forward approach that that has been ingrained in me since I was a kid, it's been incredibly important where in every interaction that I've had over the years, I've tried to bring my fullest self and be incredibly present and figure out, how can I add value to somebody else to make their life easier and their life better? Oftentimes, you're not doing that in a way where it only makes sense for one of the two people in that equation where, I want to make your life better, Peter, but I don't want to make Ronnie's life, who I'm introducing you to, or Lisa's life. No. I actually think all three of you would get along really, really well. And so, I think that, paying-it-forward and being giving of your time has been incredibly important and is something that can get lost in this world of VC where the power dynamics are a little off and where people get glorified and don't necessarily behave in the best ways. And so, I've just done it the way that I would say like people like my dad taught me, and my uncle taught me, where, when my dad went into the factory in the morning when I was a kid, I remember walking the floor with him, and he shook everyone's hand, and he asked them about their kids. That is the approach that I've kind of gone about with venture capital. I've hung around long enough to get lucky, and things have kind of worked out in my favor.

Peter Antoszyk: And what would you say is your most unusual successful business habit?

Jason Shuman: I'm just relentless. I do not stop and will prioritize things in ways that I think some people are — they find it to be nuts.

Peter Antoszyk: And so, what do you do when you're offline?

Jason Shuman: I do a lot of different things. I love cooking, love meditating, love to travel and then, I'm involved in a number of nonprofits, including the Jeffrey Modell Foundation. I grew up with something called primary immune deficiency, and I was pretty sick when I was a little kid. I felt lucky because my parents pushed me to live a normal life, and as a way to give back and to try to inspire other kids who have grown up with primary immune deficiency, I've gotten pretty deeply involved in JMF.

Peter Antoszyk: Well, it sounds like you have a full, full life and agenda, and I appreciate you coming on and spending time with us in Private Market Talks. Thank you.

Jason Shuman: Appreciate you having me.

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