

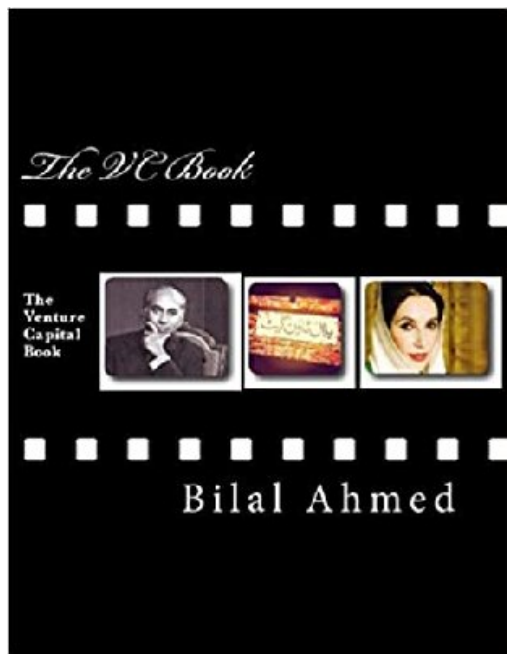
The Venture Capital Book

Subtitle: Entrepreneurship - Training Manual

Author: Bilal Ahmed

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Learn the secrets of VC and entrepreneurs In April 2015, I spent a lot of time studying the venture capital industry. Lots of things have changed since 2010 - 2011 when lots of startups were born. Many startups were shut down. In many places, the software methodology old and the engineering teams cannot execute as venture capitalists desired. A battle takes place between VCs and CEOs. Heavy political battles where startups are destroyed because of VCs battling each other. Many lives change, as when the startups shut down, employees lives change as well. Building a startup is not as sexy as it seems. There is blood and there is sweat. But the glory is tasty. VC Disruption - A change takes place where innovation stops. The disruption helps soul search to resolve conflicts between VC and CEOs. Lots of money is available, but only for those that have real business plans and path to execution. The venture capital industry is expanding globally. There are startup accelerators everywhere. China is heavily investing in United States. This book is a tribute to Bhutto family, the true leaders of Islam and Pakistan. I had the opportunity to work with two venture capitalists who initially came to trick me into my startup mytweetmark, but I was able to play along for five weeks and worked very closely with them on twitter, twenty four hours a day. I asked all the important questions and documented them. This book contains all the answers of those questions. The questions were posted on quora and twitter websites, while I was working with the two venture capitalists. Hence, this book is for anyone that is truly passionate about learning how to build a startup, from a venture capitalist's perspective. This book is dedicated to my gurus, Brahmananda, Sivananda, Vishnudevananda, Satchidananda, Rama Krishna, Ramana Mahasri, Father Rose, Auro Bindu, St Germain, Sai Baba, my Soul-mate and guru, Yoginanda, Steve Jobs, Jimi Hendrix, Tupac, Cheiro, native american elders, Vivekananda, the Mother, and all the great teachers of the world.



Chapter: What is level of loyalty between VC, middleman, entrepreneur and other VCs?

There is no such thing as loyalty in the venture capital business. The venture capitalists are working to protect their own investments. The pressure is large. They have to do everything in their power to get the maximum return on their investment. Most startups are a loss. More than 95% companies shut down. Once a startup takes money from an accredited investor, the money always has to be raised by accredited investors only. Therefore, the pressure is large. Either the startup survives, or its shut down. This is not a good moment for anyone, including the founders, employees and partners. The VCs appoint middleman to do the work that they dont want to do themselves, if they are active in search for the next startups. The middleman do everything that protects them from law. The VC are responsible for millions of dollars and a direct law suite could be dangerous to their careers. Because of Twitter, this whole system needs to be reworked because the fact is many VCs and angel investors are pure transparent to founders and entrepreneurs of successful startups. There are many cases where the middleman are serving multiple VCs. Because of this, information leaks out. This could be damaging for a startup if the competition VC finds out some dangerous information regarding their investment. There are other cases where certain schools like Stanford and MIT put such a deep stamp on their entrepreneurs, that sometimes their loyalty is questionable in other situations.



Chapter: What is the relationship between @LarryChiang,

South by Southwest (#SXSW) and @Stanford University? cc @startupljackson @emilychangtv

Larry Chiang is a master of disguise. A brilliant entrepreneur but very secretive. It's very important to be discrete, if you are doing something of value. Larry has that in him, to one day go all the way up the ladder. But for that to happen, you have to be patient. Not invest overexcited early and burn out, rather be patient. This goes back to his roots, that have very strong Oriental foundation, coming from parents, to make him so strong, to be able to deal with today's venture capital industry. You need to have a skill. A set of uniqueness, if you are going to be a business entrepreneur and stay in overcrowded venture capital workforce. There are a dime a dozen players, running around, chasing deals. However, how many actually land a dream position, where they are in control of their own destiny? Not many. Larry has balanced that by identifying key players and have an eye for players. He spend a lot of time with Stanford, looking for the next Mark Zuckerberg. Looking back to his track record since 2010-2011 where we spend a lot of time together at South by South West (SXSW), the results are not bad, but no unicorns either. There are many startups sold, in between and the whole network wins, but no unicorns that can make all these people instant millionaires, in the lines of paypal.



Chapter: What's the dry clean money pattern in the venture capital industry? Money movement across countries and governments.

Money holds a very interesting energy of karma. It's a great tool to determine what's inside people. The venture capitalists want to invest in the best people, that can win, no matter what. Right now, that's not happening. So it goes back to the root of where is the money coming from? There are great, hard working entrepreneurs that turned into angel investors, super angels and now venture capitalists. Because these people have used their blood and sweat to hold the position they are at, that's dry clean money. People you want to work with because their money actually has blessing. Hard working people's money go a long ways, but if their money is utilized in a bad way, it brings it's own set of problems and karma. Then Krishna has to appear, to find all the people with bad dealings. The opposite of dry clean money is black money, which is a term heavily used in Asia. There are various smugglers, that turn their black money, of some sort of crime, but then they invest the money back into the community to turn it white, or clean money. In the venture capital industry, there are investors from all over the world, especially from China, Russia and India. Each country has it's own set of regulations. However, as the startup culture spreads across the globe, it's going to be very interesting to see how Asia and

Middle East reacts. They are great people, with lots of money saved up in private equity. Especially in United Arab Emirates, the foreign workers, running banks, software industry, etc. are not allowed to buy property but perhaps can invest into startups. There is huge opportunity in Asia and many investors are heading that way. So it's very important to understand the difference between black and white money.



Chapter: Introduction - Learn the secrets of VC and entrepreneurs

In April 2015, I spent a lot of time studying the venture capital industry. Lots of things have changed since 2010 - 2011 when lots of startups were born. Many startups were shut down. In many places, the software methodology old and the engineering teams cannot execute as venture capitalists desired. A battle takes place between VCs and CEOs. Heavy political battles where startups are destroyed because of VCs battling each other. Many lives change, as when the startups shut down, employees lives change as well. Building a startup is not as sexy as it seems. There is blood and there is sweat. But the glory is tasty. VC Disruption - A change takes place where innovation stops. The disruption helps soul search to resolve conflicts between VC and CEOs. Lots of money is available, but only for those that have real business plans and path to execution. The venture capital industry is expanding globally. There are startup accelerators everywhere. China is heavily investing in United States. This book is a tribute to Bhutto family, the true leaders of Islam and Pakistan. I had the opportunity to work with two venture capitalists who initially came to trick me into my startup mytweetmark, but I was able to play along for five weeks and worked very closely with them on twitter, twenty four hours a day. I asked all the important questions and documented them. This book contains all the answers of those questions. The questions were posted on quora and twitter websites, while I was working with the two venture capitalists. Hence, this book is for anyone that is truly passionate about learning how to build a startup, from a venture capitalist perspective. This book is dedicated to my gurus, Brahmananda, Sivananda, Vishnudevananda, Satchidananda, Rama Krishna, Ramana Mahasri, Father Rose, Auro Bindu, St Germain, Sai Baba, my Soul-mate and guru , Yoginanda, Steve Jobs, Jimi Hendrix, Tupac, Cheiro, native american elders, Vivekananda, the Mother, and all the great teachers of the world.



A tribute to the Bhuttos - Quillips and Bhuttos
The leaders of Pakistan and Islam
Pakistan People's Party
(In the mode of the 'The Bhuttos' - is Pakistan)

Chapter: Where was @startupljackson born?

StartupLJackson was born August 2011 as a result of misfortune from learning about angel investors and venture capitalists. Interestingly enough, this is the same month as my birthday, right when I hit my misfortune with my startup, mytweetmark. My cousin shot his dad on my birthday that year, August 17th, 2011 to be precise. There is some connection between StartupLJackson and mytweetmark, but for that to understand, we would need to go back in time … StartupLJackson was Dave McClure in his past life. Dave McClure was running social networks before all the angel investors and venture capitalists showed up on twitter. Before Twitter, Dave was instrumental in FB Rev Fund, really weird name for a fund, but it was instrumental in the adoption of Facebook games, which was instrumental in huge adoption of Facebook worldwide. Look at both twitter and Facebook now, kicking ass in the public market. On the world's center stage, while Dave is still running around, helping these companies behind the scene. It's work that you don't get credit for, but that's where the pleasure is. He continues to run around, and do more. Never tired, rather trying to build more startups on the footprints of the great soldiers of social networks. There is a method to the madness. It's just that the players have disappeared. Many for their own reasons, perhaps their own limitations. The families come in the picture as well. Most people are family bound, hence don't have time for thinking outside the box. It's hard to build leaders. Dave has a great background with coding in his previous lifetime in Paypal, hence he understand the tech geeks and technical founders really well. This is a huge plus in the venture capital industry. The industry looks at the tech guys for all the answers, especially the smart ones. Therefore, Dave continues to expand his wings outside United States. The work ethic speaks for itself. There is none that I have seen as a business entrepreneur out there better than Dave. The reason for that is that he understand data. If you understand data, you can read analytics charts. From the charts, it's easy to predict ups and down for startups. The problem is when you are surrounded by people that are not listening, or get tired of hearing the same voice, are not affected. So hence, there hasn't been any unicorns for the past few years. There is a tough balance, whether to build the startups, or go outside and look for funding for them? The money is tight. The startups are not getting sold. China perhaps has influence on the deals. Dave will be fine, but the rest of the venture capitalists look affected. Superstar VCs from 2010 are showing pictures of their food and kids on their social media profiles, to look more legitimate, a hope to get funded. There is turmoil, but nobody is facing it. Hence StartupLJackson is born to raise awareness in our existing venture capital and entrepreneurship system. Running around, chasing investors and entrepreneurs, encouraging them to become business and technical leaders. He is enlightened, which gives him a extra sensory perception to look through all the bullshit. It's tough when you are running around, looking like money. This is where he has to deal with his own shadow constantly. His appearance brings the devil out in others, that he has to deal with. But overall, the venture capital industry is very sweet. They act tough, but inside, they are beautiful souls. The guru souls, hidden inside a venture capitalist body.



Chapter: Can I solve your problem?

Not a good question because the answer is infinity. There is a human pattern of asking people around what the problem is. This is a tactic to get into the energy of interesting people. Another way to look at it is, if I had a problem and I loved you, don't you think I will come and ask you? Or whether, if I have a problem, and I am not coming to you, the question is why? Or maybe I have a problem, but so do you, so whether you should fix your problem first? Asking what's your problem is also rude. So as you see above, it's a very complicated question, but it's very easy to go down the rat hole, a cluster fuck situation. Then most of the people, sit around, examining their conversation and figure out an upper edge. This is all because of the root of the question. Why should we ask anyone whether we can solve their problem? When I myself have problems of my own to solve. Rather ask, what's your question? This goes into Socrates method of communication. If you encounter people that have very strong opinions, rather imposing your opinion, ask questions. Then decide if it makes sense to give an answer or not. This saves energy and people get the message that you understand what's going on beneath the surface.



Chapter: Why is it so difficult to connect with VC or angel investors on AngelList?

Most of the deals that are actively invested on AngelList are by venture capitalists. They come in groups. The VCs are always tapping on each other, where the popular deal is. There are various aspects of the deal, whether it is early stage, middle or late stage. For successful startups, the angel investors and VCs like to come early. The problem is that there are tons of bad deals out there. A successful conversion for a superstar VC is around 4/200. That's a lot of running around to invest and due diligence in 200 startups and only be hopeful on four of them. Remember, we haven't seen a unicorn for a while, so even the 4 successful are not a sure bet. However, VCs invest on a 10 year run on a startup, because that's where the big payout is. Everything is following the model of investment by what happened to Facebook. This takes out startups that are bootstrapped. There are many bootstrapped startups out on AngelList. The VCs look at them, they might send out a follow, once in a while, but most of the time, they are just looking. The herd mentality is large in the venture capital industry. They follow each other's research. One wrong signal for a startup by a venture capital can bring down any future funding possibilities. On the other hand, any signal could be a great validation for the startup. The venture capitals are looking for a sure win. Those are hard to come by, but when they do, everyone jumps on it.



Chapter: What percentage of non-technical skills is trolling on AngelList, to get funded by VC? The dead cohorts?

The AngelList has created an interesting problem of too many regular people having exposed to investors. The access to investors was granted to a select few, after they were thoroughly groomed by schools like Stanford, MIT, etc. in the past. With AngelList, there is no secret anymore that VCs exist. They walk like common people on the street. The myth is gone. There is no woo about venture capitals anymore. If anything, the VCs that don't have access to regular people are looked at in a funny way, understanding that their network is weak. This weakness is capitalized by other VCs that are much closer to the deals and people. The best deals are around people because this is where the grassroots of entrepreneurship is. The bigger the risk, the bigger the reward. Many VCs that don't have access to entrepreneurs end up getting bad deals. Recently, when I was looking for hiring for senior developer, full stack engineer on AngelList, I received many emails of people that were interested in the job. The problem was that hardly anyone match that criteria. They were young developers, claiming to be full stack developers. I could tell they were trained very well, in terms of knowing all the buzz words. They understood the terminology, talked very well, understood the urgency of startups, but were most interested in either founding engineer, CTO or big chunk of equity. As you can see, this opens up the door for huge recruiting scams, as AngelList continues to expand. I asked one candidate, who had 'Full Stack Developer' on their resume, what is a 'Stack'? They couldn't answer. It almost seems like the fresh out of college to about 2-3 years of experience engineers are missing training, how to be a good engineer. Unfortunately, a lot of older talent pool of engineers have already migrated to India and China where their roots were to begin with. They came in for American Dream, and then when the economy went south, moved back to their countries and created very successful startups there. As a result, China and India economy is on a recovery mode. In America, we are struggling for talent, and the cost of a full stack contractor is \$250/hour, to help late staged, troubled startups. I think right now, about 98-99% of the non-technical skills are trolling AngelList, since they opened up the website to everyone without closely watching their cohorts, i.e. who are their users? This is called 'Dead Cohorts'.



Chapter: What is a "growth hacker"?

A growth hacker is a blend of marketing and development. A growth hacker can: Write code. Write blogs. Build analytics. Understand growth patterns. Can build solutions to capitalize on trends. Understands advertising. Understands current development frameworks. Understands branding. Understands social media. Understands mobile.



Chapter: What are factory entrepreneurs, build by Stanford and MIT, backed by VC?

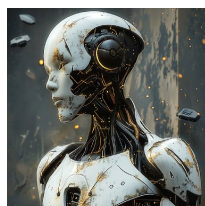
There is process engineered by schools like Stanford and MIT where they can produce volume entrepreneurs with very high chance of success rate. There are programs and associations focused solely on the well being of the entrepreneurs. The associations provide a wealthy network to make sure all the proper guidance is available. There are many specialized books and research provide for Stanford and MIT students that is not accessible to mainstream schools. Mainstream schools don't provide any entrepreneurship help, compared to Stanford, MIT and Ivy League school, etc. Many literature includes understanding traits for future successful founders, investors, their reason for success, internal motivation, will and skill. By the school, it's easy to identify which network a venture capital or entrepreneur might have access to. With the social networks, it's easy to trace who is connected to who. The mechanism is still introduction based, where introductions are made to jump across various networks, whether school or venture capitalists. With money, the venture capitalists and entrepreneurs have to learn the law very quickly because there are many bad people out there, fool CEOs and VCs for little cash. Crimes are committed, when the stakes go too high. The factory entrepreneurs go to same networking events. They have access to same people. They understand the same core business and school values.



Chapter: What are the effects of long term money loss and agony for entrepreneurs in startups?

While the venture capitalists are dealing with a volume of startups and their founders, the startups are going up and down. 95% of the startups backed by venture capitalists won't

see daylight. The failure rate is too high. Once the decision is made that the startup is no longer serving the venture capitalists purpose, everything starts to go downhill. The venture capitalists are very aware of emotions within the company. Most of the time, the investment tends to stop. The same venture capitalists that looked interested before, are now questioning more. More and more people tend to ask questions about the dynamics of the company. Everything comes under microscope. What went wrong? What went right? In many cases, the venture capitalists would like to do everything in their power to try to help the startup, but also most importantly, they want to get information. The information will be valuable in their next choice of funding, in the same sector. In many cases, the original round money is already in the bank. Unless, the investors really want their money back, they might allow it to burn out, before shutting the door. This gives the entrepreneur a little more time, to run around, and find money. Gathering money is the responsibility of the CEO. There is lots of time spend, lunches, coffee, happy hours, dinner, ski trips and all sorts of things to connect deeply between investor and entrepreneur. Many schools like Stanford and MIT have mastered this skill. Once the decision is made that the startup is going to shut down, initially the founders have to do everything, to legally help in shutting down the business. There are lawyers involved, making sure there is no risk to the venture capitalists and investors. It's like a head rush. But then afterwards, severe depression. It's not easy to let go of power, if power makes you strong. There are severe health hazards and only entrepreneurs that have daily regimen like yoga, or some other way to release stress, can survive. The venture capitalists are also generally very stressed people. It's not easy to deal with money because there is always responsibility and consequences. Money doesn't grow on trees.



Chapter: What is the sniff bite pattern between VC, middleman and entrepreneur in a startup?

The venture capitalists like to 'sniff' the deal, as part of their due diligence process before investing. There are many startups to look at and for active venture capitalists, they have to split the work. The venture capital industry sees millions of dollars of transactions, hence being discrete is very important, because any wrong information leak can cause millions of dollars of losses. Most of the big venture capital events in San Francisco Bay Area happen in Law firms. The middleman do all the due diligence. For many organized venture capital and angel investors firms, the investors themselves do all the due diligence, and have teams that focus on various aspects. There are many special hires that deal with recruiting, greeting entrepreneurs, looking for partners, social currency in the form of contacts, organize events, throw parties, offsites and all other social events. The goal is to build a solid network, where deals can happen. The venture capitalists all talk to each other. There are almost five events a night happening in the San Francisco Bay area, where the entrepreneurs have a chance to meet venture capitalists and middleman.



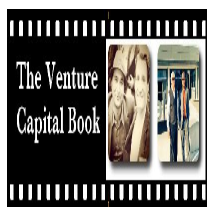
Chapter: What's the snake bite pattern within Venture Capital Industry?

There is a lot of competition in the venture capital industry. If you are a visible entrepreneur, you have to crack this knowledge. It's very important to thoroughly understand the landscape, because then you are helping your boss, the venture capitalist with making important decisions. Everyone has a special skill, a domain expertise. It's very important to understand that line and not cross. Because crossing it could have consequences. Hence the adoption of the snake bite pattern. There is copying of ideas, bringing the ego and self-esteem of upcoming entrepreneurs down, spying, haunting, talking trash among groups for distractions, calling, disrupting the time and place of work, threats and all sorts of patterns that exist in the industry. However, it's very important to look at these patterns but don't react. In the court of law, the first thing the judges examine is emotional traits. So then there has to be other ways to solve this problem. Anything that is a problem, is something for us to learn from. Hence, no need to be emotional, rather play the emotions. In Vedanta, we call it 'Krishna Lila', the 'Play of Krishna'. God puts situations in front of us, just do the best we can. I have gotten a lot of training from yoga ashrams and schools around emotional intelligence. My mom, a lawyer herself for over thirty five years, told me recently, 'Bilal, just watch your emotions in front of the judge'. So then we have to come up with alternative ways to communicate with very negative situations. A lot of venture capitalists, interested in investing wants to see how far an entrepreneur will go, fight the battle of life with startups, when angry situations are put in front. The solution is the snake bite pattern. Find the weakness of the opponent. Come up with a one line statement. But a statement that really envelops their weakness. There is no argument after that statement. The opponent gets quiet because it is truth. You just hit their burning nerve. If they fight the weakness, it makes them weak, angry and you know it. If they accept the weakness, you might see them again, victorious over their weakness and bright. Those are the entrepreneurs you want, not the ones that fight you for giving them a blessing. The guru rule is, only give to one that is looking for it. Otherwise, you are just wasting your time and energy. You can tell a lot about a person by just looking at their aura, not words.



Chapter: Why are there startup wars between the venture capitalists and the startup CEOs?

There is currently a disruption going on. The venture capitalists, thanks to twitter are becoming very aware of their investments. There is a paradigm shift, between old investors and the new super angels, that have turned into venture capitalists. There is a war going on, however you have to be within the network to see it. There are massive exchange of words. In vedanta, the first principle is 'no harm'. Back in the Krishna days, harm was physical. However, thoughts, words are as bad harmful to someone, as much as physical. So hence, the current word exchange is signs of war. Call it the venture capital mahabharata for our Indian audience. The venture capitalists have investments in usually a few players in a sector, take for example mixpanel and kissmetrics, within the startups analytics space. The venture capitalists expect perfect visibility, for example how are all the startups doing? Sure enough, an analytics company has all the data, so it's up to the founders and venture capitalists, how much data is ok to expose. Another example is that the venture capitalists are usually fighting for their investments. Only the first one, the leader is the unicorn, the rest are followers. When there is no clear winner in the market, there is a lot of copying of ideas going on. Hence the venture capitalists are always mad at each other. There is a competition for deals as well as who is going to produce the next unicorn. The money value has changed. The venture capitalists are watching the entrepreneurs very carefully. This is needed to define the future of America since the grassroots are startups. There has been great super angels that pushed for startup visa a couple of years ago, that encouraged more foreign founders to come to United States and start companies. These super angels are the reason why we have seen such a huge volume of startups recently. Now what happens next remains to be seen.



Chapter: What are some of the techniques learned by entrepreneurs at Stanford or MIT by VC?

The most important aspect of going to school like Stanford or MIT is access to network of Venture Capitalists. They form a very tight bond with the students. The venture capitalists like to groom these exceptional students with proper mentorship. The connections are deep and there is a school print that is stamped, which contains the core values and principles. The venture capitalists have seen many students, and hence understand the student strengths and weaknesses very well. There is a father figure and teacher bond in many cases and long term relationship investment. The venture capitalists introduce them student entrepreneurs to their social network. There are after school parties and dinners. Many other successful entrepreneurs stop by the school on a regular basis and keep connection with the faculty. The successful entrepreneurs are investors that are looking for the next great, shining entrepreneur to change the face of the technology industry. The student entrepreneurs are the eyes and ears of the venture capitalists. Through them, they are up to date on the technology changes. Every investor is looking for the next successful startup, so they can invest earlier. The return on investment is much larger if the

investor can invest early. However, there are many startups out there, so the investors have to be very careful to make the right decision. If a major investor is working with a startup, that is very good indicator for a successful investment. The student entrepreneurs have full access to the venture capitalists. There are lawyers, technical founders, business founders, investors both active and passive, college professors, mentors, advisors and any guidance that is required. In some cases, if the entrepreneurs are too bright, the venture capitalists give them lots of cash and encourage to go directly into building a business.



Chapter: What are some of the biggest back-stabbing moves between co-founders to get ahead?

There are many startup founders out there. A dime a dozen in San Francisco California. That's a great thing because eventually this will help the national ecosystems, on the grass roots level. The San Francisco Incubator scene is totally changed because of social networks. You can't avoid backstabbing. Some of the founders who are not fit for the role by skill, but have family money to get them started, are the worst. They feed on energy vampirism. They get impressed easily and when the time is right, get you from the back. They are trying to get an edge. The key is awareness. Don't step on the same shit again. Walk away. Find the best synergy people to work with.

