

Patrick Ryan of PSR Lawfirm, LLC

[00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode.

[00:00:24] Hello, this is Hall Martin with Investor Connect today, we're here at Patrick Ryan, founder of Aardvark Research. Patrick founded this company and it's a legal practice in 2004 and has added venture and seed investing to his roster. Patrick, thank you for joining us. Thank you. So can you tell us a little bit about your background in these different companies you formed? And so what were you doing there?

[00:00:46] Well, I've been doing lots of different things and I don't know what I'm going to be doing in the future. It always changes. But my career started out working in telecommunications and I was just fascinated with building networks and traveling the world.

[00:00:59] Right after college, I was able to travel around to Brazil and Canada and build all these different networks. But the thing that was really interesting to me was the very heavy regulation that was involved in all of these things that all of the legal issues that were required. And so I wanted to go to law school and I went back to law school. After working for a few years, the consulting firm I worked for kept me employed. The CEO of that firm is now the CEO of a great place to work, and he was just a fantastic boss. That was the best place I've ever worked. His name is Michael Busch. And Michael told me when I went to law school that I should keep on the payroll and then start doing due diligence. And that's where I really started getting my getting my experience and looking at companies in the sense of mergers and acquisitions and whatnot. When I graduated law school the very next day, I got on a plane to go to Germany and founded a business for for Michael. It was a consulting firm to do consulting services for for Comcast, which was doing a wireless rollout all across Europe. And so this is a fantastic experience to live in Europe and work in Europe. Of course, this is back now in two thousand and the bubble popped. And so I shut the company down in two thousand. One was the last employee of this company. I got transferred over to Comcast and I was the last employee of that European venture and had the experience. A little bit of you remember the George Clooney movie Up in the Air?

[00:02:20] Yeah, that was a I had that experience.

[00:02:22] Yeah, it was it was really quite a quite a quite experience go around and shut down businesses. It's really hard to tell people that you're you're going to let them go and whatnot. But it was a really good experience. I went back to school again and at that point I was in Europe and I negotiated an exit package to be able to stay there and do some continued studies there. And I got a Ph.D. At that point, I'm thinking maybe I'm going to be a professor, maybe to be a lawyer, maybe an investor. I wasn't quite sure. I moved back to Colorado and did a little bit of both. I started as a lawyer and I started working at the university and I started publishing articles and I ended up becoming the chair of the department at the university. This is the interdisciplinary interdisciplinary telecommunications program that combines all of these different interdisciplinary things involving technology and telecommunications, business and law. And that was a really good experience. I came out to Google and started at Google in twenty eleven and that really moved into big tech at that point. And while I've been here since then and I've just been living this combined life of academics and, you know, investing and working, I think continue like that forever.

[00:03:32] So I get great ride. So given all of that, what excites you right now?

[00:03:38] Well, I'm really excited about cybersecurity. I work in cybersecurity. My day job is at Ticktock. And I had a team there that handles cybersecurity issues. And so I'm very interested in the future of cybersecurity. Some really interesting trends happening there and mergers of technologies. We're bringing in A.I. and Blockin and a lot of other things are happening there. And it's I just think there's a real area of interest there.

[00:04:03] Well, that's right. So you've been working with startups for quite some time and investors. What's your advice for people investing in startups? What do you tell them to do before they write that first check?

[00:04:11] It's a good question because I put myself through that. My advice is to really study it. I kind of fell into this through my employer and then through my own work as a lawyer by taking small equity pieces in startups. But when I got into angel investing a few years ago, I took a step

back and really wanted to study what this looks like. And I think that's really important for for angel investor to do. And there are a number of programs that angels can, can, can take on or understand startups.

[00:04:41] I'll give you example in right here in Berkeley, there's a there's a program that's online now and there's a joint program with the NVCA and teaches you all about waterfall tables and all of the different stages of investment kind of walk you through it. Another thing that I really recommend to angel investors, if they have the time and are really interested in this, is to participate in one of these fellowship programs. There's a number of different ways to do that. You don't have to go full time to work for a venture capital firm. I did a part time fellowship program with a group called Rebel One led by Sergio Morero, and he has a fantastic teaching skill and really walks everybody through all of these same things that they studied in Berkeley. And but. It's live and they what they do in these fellowship programs is look at companies, analyze them, and then we'll make an investment at the end and it makes it very real, but they kind of hold your hand through it. And that was just a fantastic opportunity and experience for me.

[00:05:36] All right. Well, then on the other side of that, what's your advice for people running startups where you tell them to do before they go out to raise funding?

[00:05:43] Same thing. The educational side goes both ways. The founder group has a has a similar program that's really focused on founders. And there's a number of forums are similarly available in to educate founders about what VCs ask for. Look, if you look at what these documents are that people are using to sign up for for for venture funding, the SIF agreements and all these different things is absolute alphabet soup. And it's not clear to founders and frankly, is a licensed attorney. It's not clear even to licensed attorneys what these things are. So in order to really understand what you're doing, either as a founder or as an investor, you really got to step back and understand what's going on. And it's not intuitive. Somebody has to teach you. And if you don't take the time to learn it, you know, you can really get in trouble. Right.

[00:06:27] Well, let's talk about the state of venture capital investing. How do you see the industry evolving there?

[00:06:32] Well, I'm very interested in these new platforms that are forming in venture capital. I mean, if you look at Refunder Republic Angels, it's becoming very easy to invest in venture capital. The secret is out a little bit, but it's actually becoming a lot easier. Some of these integrations are making things really easy. So, for example, Angel, this has an integration with an eye or a platform called Aalto.

[00:06:59] And through that process, you know, an angel investor can make a choice and it's automatically comes out of your retirement account and goes into startup funding. That's an unbelievable experience. It's just like investing in stocks. Is that easy? You have to be accredited and there's a number of hurdles you got to get through. But the facility to be able to do that is, I think, really going to revolutionize that has not yet taken off. That's kind of still starting out. But I think once that really starts taking off, it's going to be really something impressive.

[00:07:28] Great. And so what's the biggest change you think we'll see in the next five years? Is it that or something else?

[00:07:33] I think that's it, yeah. I think we're going to democratize this. The related point that is related to this, but separate is the opening up of this to other markets. Accredited investors are fantastic. And we need to certainly keep that keep that program going.

[00:07:47] But so many people, normal people who aren't accredited, you don't have the will to do that, are interested in startup funding. And this should not be closed out to them. And that's what these platforms like Republic Public and we fund are doing. They're really democratizing, investing. You can invest in platforms like that for just one hundred bucks or so, and you're getting the same terms as as venture investors or angel investors. And it's aggregating under these new rules that were set up to be able to allow that in the last couple of years. And I think this is all a distinction between the two of these things, just the existence of the technology and the platform put this together, but also the opening up of a new market to increase the participation. I think it's going to be really revolutionary.

[00:08:27] All right. So let's talk about your investment thesis for investing in startups. What is your criteria? What do you look for?

[00:08:34] Well, I'm very interested in seed stage companies for the most part, mostly because that's been my experience working as a lawyer. And I like working with founders. And there's more opportunities to engage. Right. If you invest in a startup, you're more likely going to have conversations, the founders, and really develop strategy together. The further up you go, you can certainly talk to the company, but the influence gets more diluted because there's more people and you're just one of many voices. And so I like I like to influence things. And so getting involved at early stage, it really presents that opportunity for any particular sector or is it more general across the board?

[00:09:12] It's you know, it's relatively general. I like regulated markets and whatever at the end. And most of my work has been regulated markets. I was at Google for nine and a half years and I focused on developing regulated products, for example, the the stack products that's now within GCP in order to serve the banking sector is is something that I worked on at Google. And I really enjoy those types of challenges. It's bringing together the technology, law and policy in a way that delivers new products and services.

[00:09:41] Great. And so if you look at today's funding environment, startup fundraising environment for the startup, what we see is the main challenge those stars face in going to market. When you say go to market, are you referring to going to venture or standing up your company and then going out and raising funding that that process of going to the market and raising funding and standing at the company and moving it forward?

[00:10:07] Yeah, the biggest thing I see is this is, I think, an opportunity in some way. I don't know how to take advantage of it, but I believe the biggest problem that I see with founders and startups is they jump in and they either get the wrong advice from. Lawyers and spent too much money and don't don't get things going on time or too conservative, or they wing it and do it on their own and set things up like partnerships or whatever the case may be, that you really are ineligible for any sort of venture investing. So, again, on the educational front, there needs to be some education there. This is an area that I don't think is really very well addressed. And part of the problem here, this is a much more complicated conversation. But part of the problem here is accessibility to law and lawyers in the law and lawyers are still very sort of separate in our society. And yet founders have to have to engage with corporate governance issues and bylaws and all these things all the time. The problem is they start realizing what those things mean a

little bit too far down the road. We need to have a way of bringing this information to founders earlier so that there's already way that founders know what types of companies to form in order to make an order to make an investment. I'll tell you what, it's really hard if you get into this as a lawyer later with a company that is maybe one or two years down the road, they don't have things set up changing that is just really hard and really expensive.

[00:11:27] And then what's the challenge the investor faces in today's market?

[00:11:31] The right now, the challenge is, frankly, there's a lot of covid opportunities with it, frankly. And there's a I don't know that that's a challenge as much as it is an opportunity, because it's really spread out the the opportunities for access to capital. I think the like always there's there's a there's a lack of information available when you're doing startup investing. And so the challenge that investors have is being able to make sound decisions with very limited information. And that's always going to exist. But it's made more complicated now because there's so many more opportunities out there. Well, great.

[00:12:05] Well, you see a lot of different startups with different sectors and in different applications. If you had to pick one or two applications or sectors you think are good opportunities for investors to pursue today, what would you put at the top of the list?

[00:12:17] Cybersecurity and privacy. OK, I mean, there was a time when we described cyber security and privacy as being two sides of the same coin. And now it's really just one coin and there's a lot of really interesting opportunities coming together to be able to address those things, the biggest problem that I see in cybersecurity, frankly, is not the technology, it's people. And in particular, right here in Silicon Valley where I work, we don't have enough people. We cannot hire enough cybersecurity professionals. And in fact, the problem is made worse because we have an immigration problem. Seventy five percent of the employees in big tech were foreign born. Many of them are H-1B visa holders. Twenty sixteen between Apple and Google, 5000 of the of the H-1B were taken up. And so we have a real crunch here. And just just having the adequate education and skill set to be able to address these things, that's fixed by fixing that, by improving education. But it's also going to be addressed by it, by some of these new companies that are going to bring in automation and technology to be able to fill the needs that humans just aren't available to satisfy.

[00:13:27] Well, that's great. Well, the last few minutes that we have here, what else should we cover that we haven't?

[00:13:32] Yes, I'd say that the one point I would make is that I'm very excited about the blockade. Right. Not in the sense of a lot of people think of it because it's a very, very general concept, means lots of different things. But I'm very interested in one particular aspect of block change, and I'm not even sure how to invest in it yet. But the area that I'm interested in is a truly distributed systems. These are distributed systems like Bitcoin is a good example because the the governance of these systems does not have itself any sort of a company that people go after the block chain organizations like Bitcoin, which actually aren't organizations, because there are these loose, sort of highly diversified, totally distributed organizations, I think represent the future in many ways. And I'm very excited to see how that develops. I think there's a lot of opportunities. I'm not talking about investing in the cryptocurrency itself, but I think there will be a lot of opportunities to invest in the infrastructure to develop that kind of thing. If you look at the geopolitical problems that exist in this world between China and the United States and all of these places, all governments are creating a lot of issues for investors and for companies.

[00:14:38] I mean, you just saw last year the US government trying to essentially change the ownership of finance, for example, and then these things are going to continue forever. The solution for that, I don't think, is to have governments behave better. I think it's for investors and for those of us that care to come up with different structures that make governments less relevant, to make it harder for them to make those decisions, to make those divestments and to bring a little bit of independence to companies, but also present opportunities for users to have their own privacy and security and to control their their future. There's a lot of opportunities in that in the future that I really see and very excited about. It's very research focused, and that's what I do. I founded this archive, our research for my own personal research and writing and interest primarily in looking at some of these blocks and opportunities. And I've taken in some other areas. But that's an area that I think is really, really going to flourish in the future.

[00:15:32] That's great. Well, so how best listeners to get back in touch with you?

[00:15:36] Well, I'm available on LinkedIn. That's usually the best place I might. It's pretty easy to find if you type in Patrick Ryan. I don't know what actually search term would pull me up. I've ever been asked to give this over a podcast and see we have our laws.

[00:15:53] The link. Yep, that's it. Thank you.

[00:15:56] Yes. So we'll put that in the show notes. So anybody that wants to contact you can go through LinkedIn and get back in touch with you and see your background there as well.

[00:16:04] I want to thank you for joining us today and hope to have you back for a follow up soon. That's great. Thank you.

[00:16:09] I enjoyed the conversation. Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Connect, Doug.

[00:16:29] Alti Martin is the director of Envestra Connect, which is a viable one C3 nonprofit dedicated to the education of investors for early stage funding of opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinions of investors. Connect. This podcast is for informational purposes only and should not be relied upon for the basis of investment decisions.