

Jeffrey Cherry of Conscious Venture Partners, LLC.mp3

Speaker1: [00:00:04.75] This is the Investor Connect podcast program. I'm Hall Martin. I'm 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. Hello, this is Hall Martin with Investor Connect. Today, we're here with Jeffrey Cherry, founder and managing partner at Conscious Venture Partners, the conscious venture fund to find the finder could find to is an early stage venture capital fund by conscious venture partners to find partners with their business accelerator, the Conscience Venture Lab, based in Baltimore, Maryland. The fund is being created to find, train and invest in diverse entrepreneurs, are working to make cities and urban environments more livable, sustainable and prosperous. Jeffrey, thank you for joining us.

Speaker2: [00:00:53.84] Thanks for having me. It's nice to be here.

Speaker1: [00:00:55.97] Great. So what was your background before investing in early stage companies? What did you do before this?

Speaker2: [00:01:01.16] Well, I have a long and varied career. Actually, I started as an architect actually back in the mid 80s, and I went to college in Washington, D.C., architecture school at Catholic University. And for lots of different reasons, I started my firm right when I graduated from college, which was a little unique, but for lots of different reasons. Over the course of the 20 years I ran that firm and turned it into more of a management consulting and technology company than the strict architectural firm. Lots of things we saw happening in the marketplace, that or the last ones with right now. But it really sort of influences or speaks to where and why why I got into early stage investing. We just sort of saw the beginning of what we are now referring to as stakeholder capitalism or conscious capitalism starting to emerge as we were as we were building that business. And I just got really excited about this idea that there was a new narrative being developed in the world about the purpose of business and society. We ended up selling that that business in 2006, started the hedge fund and ran that for about six years, and then got to the point where I just thought that the best way for us to make this new idea about the purpose of business to be the norm and not the exception to the rule was to

build early stage businesses. So I was an operator, a consultant, a public equity investor before starting where I am now.

Speaker1: [00:02:34.07] So what excites you right now?

Speaker2: [00:02:35.93] Well, I think that we're really excited about a few things. One, we have a focus on trying to identify as many minority female underrepresented founders as as we can. So really excited about some of the ideas we're finding in places where other people are looking. That's sort of one of the things that drives us. We're also very excited about this. We continue to see this notion that the purpose of business is not really to focus myopically on shareholders, but rather create value for all their stakeholders. We're seeing that gain more and more speed, which is, I think, great for us, great for business and great for society. And I think that one of the other things that we're really excited about right now is that we've started to in our fund and particularly here in Baltimore through some organizations, I'm working with one call upsurge, which has been built to coalesce the innovation ecosystem in Baltimore. We're starting to see the emergence of this idea that we're we're calling equity equity or equity tech, which is any company who's using technology to break down barriers to access. So we've been investing in those ideas for for a while, but starting to really see some interesting things happening there. Right.

Speaker1: [00:03:59.48] So you see a lot of startups and a lot of investors out there. What's your advice for people investing in startups in this sector? What do you tell them to do before they write that check?

Speaker2: [00:04:08.09] Well, I think to get to know the founders as best as possible. All right. Because in the space where we play in the precedes each stage, there's one thing that we know for certain that over the time that we're dealing with them, their ideas are going to change. It may not change wholesale, but it's going to change somewhat. So we really focus a lot on getting to know founders, getting to know what they're all about, getting to know sort of their hopes and fears and their dreams and how they interact with the with their co-founders and us. So we really believe and betting on a cohesive and coherent teams that want to do big things in the world. So if nothing else, if I had to give one piece of advice would be get to know the

founders and don't don't get overly married to any specific idea, but get really excited about what you think are sort of thoughtful founders

Speaker1: [00:05:03.69] Then on the other side of that table. What's your advice for people running startups? What do you tell them to do before they go out to raise funding?

Speaker2: [00:05:10.19] Yeah, well, we tell them a lot of the same things, right? We tell them that the misalign capital will pull you off the path of talks. They were misalign capital will make you do things you might not otherwise want. To do so when I was coming up and, you know, you and I are probably of the same vintage or when we were coming up, venture capital was a new customer. So we say get as much traction as you possibly can. And we understand sometimes from the represented founders, that's hard. They don't have access to friends and family networks. So we get that. So but we're focused on something that customers want. Find out. Find a way to figure out where the customers really want the thing you're creating and then be very be very discerning in terms of who you take capital from, because we think that cultural, emotional worldview alignment is really important.

Speaker1: [00:06:07.82] Let's talk about the state of investing in this space. How do you see the industry evolving?

Speaker2: [00:06:13.13] Yeah, I think that one of the things that we're seeing and we hope to be sort of leading the charge on this is that there was a lot of people out there thinking about how do we make this early stage investing industry more based on data and systematised and less on just sort of our gut feeling. So when covid hit, we teamed with a group of Annapolis, Maryland, co-founder track. They were building a platform for helping them understand how to invest in early stage businesses. And we've been working with them for about the last year that them purrfect that that platform and see if we can systematised this I this this sort of process. So what data can we get back as we continue to invest in new companies and be able to use that data to make better decisions in the long run? And how do we see companies working through, particularly through our accelerator program and what can we learn from that? So I think that that's a big trend. People trying to figure out how do we do this with more data in a more systematic way,

Speaker1: [00:07:17.40] You know, over the next five years. What do you think is the biggest change you will see in this space?

Speaker2: [00:07:22.28] Wow, that's a great question. All we've been thinking about, can you if you think about the space or early stage investing is one thing. So we've been thinking, can you apply artificial intelligence to some of that decision making? Right. Because right now it's sort of really it's a very manual process. And so going back to this system is ization of the process. So is there a way to apply some of these new technologies that we're seeing to the process? We also think that there's going to be the pending on what happens within the cryptocurrency world and the block chain. There's got to be some developments about how you create contracts. Right, and how you create relationships with customers or with what startups that we think that, you know, I'm not sure I know if I'm smart enough to figure out what those all are going to be yet, but we think that that's coming. And then I think from if we're looking at the areas in which we invest in early stage, we're seeing a lot, as we said, about this sort of idea of equity tech. We're also seeing a lot of it, which is probably not surprising to people in this environment. A lot of ideas around mental health. How do we how do we support each other from that standpoint in different ways to think about social and emotional health? Lots of things happening there, and then just the whole nature notion of what's the new normal going to be post Kove it. Right. And how do we support each other? Because I think that the summer of covid in the summer of George FOID have uncovered lots of flaws in the system that people are trying to figure out how do we solve? So I think that those are some of the megatrends I think that we see.

Speaker1: [00:09:03.86] Let's talk about your investment thesis. What exactly is the thesis and what are your criteria for looking at startups?

Speaker2: [00:09:09.86] Yeah, so probably covid some of the most of this, but the thesis is really around what we call three legs of the stool. One is that we believe that the winners of the future are going to be those companies that understand creating value for all of their stakeholders is much more powerful than focusing myopically on shareholders to. We think that I spent a lot of time on the rise of the rest Busquets, Steve Case and his team and Revolution and those folks and Steve talks about there are smart, talented, innovative people stretched out, strewn all across society. But opportunity is limited. So we think that that's very similar to

where we think about the world. So we try to do a better job of seeking out underrepresented founders and checking our own biases so that we can. So we're uncovering ideas where other people aren't seeing them. And I think that the third thing is the third piece of our investment strategy revolves around this idea of can we find companies that are doing things that make society, particularly living in urban environments, more jobs, more joyous, more equitable, more sustainable, more prosperous for all so that. Ties into this idea of equity tech that I mentioned earlier, so companies that are using models, creating new business models and using technology to break down barriers or improve access, and it could be all access to anything, access to water, access to technology, access to health care, access to getting food deeper into food deserts and cities. So it's a pretty broad mandate.

Speaker1: [00:10:49.50] You talk about one or two startups that fit that thesis.

Speaker2: [00:10:52.53] Yeah, I think that of our one startup that we invested in about a year and a half ago is a company called Ar3 Score, which is two African-American women, mother and daughter team from here in Baltimore, that are creating because of their experience, the mom's experience with the criminal justice system or creating a better way for banks and hiring managers to understand the risk of working with returning citizens. So where it is right now, you've got a felony. You're trying to get a loan. You try and you're trying to apply for a job. You get asked that question, you say yes. And even if you know you've got the capability, the person on the other side of the desk doesn't know how to think about that. So what are three score as developed as an algorithm that takes all of the data that we use for sentencing and wraps that with context and to see to give those specific customers, loan officers and hiring managers a better way to understand the person sitting on the other side of the table from them and what sort of risk they face. So when you think about that, as we're trying to break down barriers to access to new jobs, to new opportunities, by giving those customers a better way to think about this huge cohort of people in the United States who have a criminal record, one in three Americans right now that has some sort of criminal record, which is pretty astounding.

Speaker2: [00:12:23.34] So that's sort of one of the companies that we really love and is doing great things here in Baltimore are probably the most successful company is a company called Hungry Harvest, which is a food delivery company, produce delivery company that was trying to solve hunger all over America by tapping into this notion that there are six billion I think is a

number of pounds of produce. It goes to waste every year for either supply chain inefficiencies or aesthetic reasons. So they try to use one problem to solve the other. So it's a tech enabled, sort of community supported agriculture CSA where we can buy boxes from them. So they were covering food and they work with local nonprofits and different programs they've created to help get more food into food deep into food deserts and cities. So it's a really interesting model. They have very high margins. They've grown fantastically. They were growing great before covid. And obviously with people staying at home and doing more cooking and ordering in, they they've had a tremendous growth spike. So those are two sort of companies that we think about that sort of really fit the mood of the of our investment thesis.

Speaker1: [00:13:36.46] Right. We see a lot of startups and a lot of investors. What is the main challenge you see startups facing in your sector these days?

Speaker2: [00:13:44.64] Yeah, we've been seeing a lot of interesting challenges. I think that we're seeing this sort of East Coast, West Coast divide, if you will, from a valuation standpoint. So we think that that is something that people are trying to figure their way through. We see that both investors and entrepreneurs are struggling with to figure out the best models for for support beyond money. So value added support, that money isn't really the only thing that matters, that how you support entrepreneurs and doing things that are best in class and not trying to do everything. So we see both entrepreneurs and venture funds sort of struggling with those issues. And then obviously we see that underrepresented founders and getting access to capital is one of our main themes. Right. So that continues to be a problem even with, you know, a greater focus on that after George Floyd's untimely death this summer and lots of lots of attention that has been put on how economic inclusion impacts the relationships that, you know, society has with minority communities. Still an uphill battle for underrepresented founders and finding capital. And that makes its way all the way down to us as a minority fund manager, getting our kids to understand that the best way to get capital to minority founders is to support minority fund managers. That's it's still a challenge,

Speaker1: [00:15:18.16] I say right now. Yes, at that table. What's the challenge you see your investors face? These days,

Speaker2: [00:15:24.32] Yeah, I think so, I think that trying to separate. We used to call in our hedge fund, these are the pretenders from the contenders. I was a lot of funds that have popped up since the summer and trying to capitalize on on the moment. And that's fine. We don't take exception to that. But there are firms that have been around like us since, you know, we've been doing this for, you know, going on eight years. And I've been investing for since the mid 2000s. And then there are some people that are coming to this pretty new. And so I think that LPs are working hard to figure out how to address how to think about that in the marketplace,

Speaker1: [00:16:08.52] Where you see a lot of different sectors and applications out there. If you had to pick one or two that you'd put at the top of the list for investors to pursue, what would you call out?

Speaker2: [00:16:17.82] Wow, that's a great question, because we've got a pretty broad a pretty broad lens. We think that this whole idea of access, which is what we're trying to do as a fund and what we're trying to invest in is pretty interesting to us. Right. And I guess if we had to if we had to think through it a little bit, it might, you know, start with just access. How do we how do we create more access to opportunity or more broad access to opportunity? And can we think differently about, one, the way we practice business to provide more access opportunity, but also about the businesses that we invest in? Right. We think that there are a lot of ideas because of unconscious bias that are going unfunded that could provide a tremendous value not only to underrepresented community, but to society at large. So it's not your typical answer. All of it's not your typical sort of this sector or that sector. I think it's more of a cultural social phenomenon that we're looking at. But we find that when you find those companies that are that are thinking that way and solving those problems, solving for some of that problem, they end up being wildly successful. So we're encouraged by that.

Speaker1: [00:17:41.84] That's great. When the last minutes that we have here today, what else should we care that we have it?

Speaker2: [00:17:46.61] Well, this has been a pretty thorough or pretty thorough interview. I mean, well prepared. So I appreciate that. I think that for us, the most important thing is we want investors, particularly LDP's corporate, these other sort of large venture capital companies,

to sort of think more creatively about how they support underrepresented communities and underrepresented founders and and fund managers like myself, who, you know, not for a lack of experience, are finding it more difficult than perhaps it ought to be to raise capital. So we're always you know, I have a standing call with a couple of, you know, sort of major Silicon Valley venture funds every quarter just to sort of discuss this. And, you know, there's no no expectation of, you know, we're doing anything to get our investments, but just to sort of so we're having a conversation about what's going on in the marketplace. So we welcome those sorts of conversations with anyone who's who's listening to you. Right.

Speaker1: [00:18:53.12] Well, how best to get back in touch with you.

Speaker2: [00:18:56.24] Oh, we're we're very open to email correspondence so anyone could reach me at Jay Cherry at Sèvres Partners, DOT v.C. I think you have that that email. But anyone happy to to engage and I probably do more calls a day or two, but we're happy to have folks reach out to us that way.

Speaker1: [00:19:17.51] We'll include those in the show notes. I want to thank you for joining us today and I'll get you back for a follow up soon. Yeah.

Speaker2: [00:19:22.98] Thanks for having me. We appreciate you doing.

Speaker1: [00:19:25.08] The Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Envestra eg. Alti Martin is the director of Envestra Connect, which is a Fiber 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. Should not be relied upon for the basis of investment decisions.