

Kenneth Alan Goodwin of Jeanensis Ventures

Speaker1: [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. Interested in learning more about investing in startups, launching a new startup need to raise funding to start funding as as a daily podcast and a short, concise format delivered to your inbox every day Monday through Friday, the time it takes to drink an espresso to learn about startup funding. To subscribe, go to a dog and put your email into the Pop-Up Box.

Speaker2: [00:00:43] Hello, this is Hall Martin with the Investor Connect the Day. We're here with Kenneth Allen Goodwin, general managing partner and founder of Jeanensis Ventures. Jeanensis is an award winning Capital Markets Advisory and digital asset management firm. It focused primarily on advising multinationals and mid-market firms. Thank you for joining us.

Speaker3: [00:01:00] How? Paul, thanks for having me here. I appreciate it. It's a wonderful time and it's hot in New York City. And you mentioned that it was hot in Texas. So I like to challenge you to say which cities today.

Speaker2: [00:01:13] Well, we're in Austin, Texas, and there's always hot technology going on here for sure. And it seems like it is in every city in the state to be politically correct. Lots going on around the state for sure. But glad to have you with us today and to kick off with what was your background? What did you do before you started investing in early stage companies?

Speaker3: [00:01:32] Sure. My background, I started my career at the lovely Federal Reserve Bank in New York when our Fed thanks. I was there for about 10 years on Wall Street, Maiden Lane. Throughout that period time, I became the first Mike Mansfield fellow and Mike Mansfield is the former ambassador to Japan is only one that's been this that's been designated straight from the Fed. So I spent a lot of time at the Bank of Japan to research the Tokyo Stock Exchange, Japan FSA, also the Japanese diet. And at the Tokyo Stock Exchange, I was actually the first and only foreigner to trade Japanese government bonds on the trading floor, and I didn't realize that at that time. So it was kind of a treat. But my my ultimate role there was to use high level projects at that time to go into the post reform system. So I was responsible for that one

point three trillion dollar implementation of that system. And then I came back to New York and I came back to the Fed and guess what happened? So that's when the collapse happened in 2007, 2008. And I got tapped by our president at that time, Tim Geithner. And I was very fortunate to work on the TARP program, the Term Asset-Backed Liquidity Facility program. And that kind of set me up in dealing with primary dealers, major banks, financial institutions, hedge funds, all these major firms. And after that completion of that successful program, I got an opportunity to choose whether I wanted to go to because people knew who I was and I decided to go to TWC. And after I got bought out by RBS and RBS was great, the Royal Bank of Scotland, even though it was a sinking ship. But I was able to jump on HSBC and from that went on to Grant Thornton and created sinensis from that period of time.

Speaker2: [00:03:24] Well, that's great. So what excites you right now?

Speaker3: [00:03:27] Oh, many things, actually. One of the things that really is sticking out to me the most is digital assets. I like the idea of having firms that are in the block chain application fintech space that are using this kind of digital transformation. And I call it digital transformation. These are firms who are using artificial intelligence, big data, using a lot of technologies they're targeting to solve issues and challenges in our society. So this social impact side to this and these firms are very innovative. So I like the idea of really working and investing in digital assets and advising the founders and CEOs and giving them deploy to capital. That's more fun to me now because I do enjoy speaking to the founders. I do enjoy working with VCs, venture capitalists and finding that nice balance between where to invest that, because I think that's really key. We talk about scaling and scalability for each firm is different because they have a different lifecycle. So, for example, if you're in health care, health care is slightly different in fintech, which is different than great tech, which is different artificial intelligence. So finding that nice balance is the key. And that's what really keeps me going is the financial energy, which is really your intellectual property. And that energy, that vibration is what really drives you on in this day and age.

Speaker2: [00:04:54] Great, will you work in the block change face and you see a lot of investors and a lot of startups in this space. What's your advice for people investing in the Blockin sector? What do you tell them to do before they write that first check?

Speaker3: [00:05:06] That's a great question. This is my experience in this space during the period of time of initial coin offering, the IPO period, it was yeah,

Speaker2: [00:05:16] I remember the ICAO's. It was a wild and crazy time.

Speaker3: [00:05:19] It was the party of nineteen ninety nine. We think of Prince, right. That's exciting. Jumping up and down and you have the white paper and white paper was the way that they value would that Tolkien would be at. Now the lesson I learned with that, you know, you go back to the fundamentals, the fundamentals are who's your boy? Who's who do you have as your board of directors and who do you have as your senior management? And how do they actually have a strategy? How do they have a mission and a vision? And how do how do they have a purpose? What problems are they saw? So to answer your question, I would say start off that way, start off with understanding the fundamentals, which is the board of directors, the senior management, and then go into actually whether these firms are actually generating revenues and organically. And do they have the actual applications or do they have the technology to address the proper the proper challenges? And are they solving that? So that's really the key. Those are the key areas I would recommend for folks get back to the fundamentals and then start to get into the numbers. The numbers are really tricky about space because a lot of people get caught up all with the tokens. We tend to focus on engineers, geneticist. We focus on the enterprise value of the firm. So we're concentrating mainly on whether or not that firm has a business plan in place. Do they have a product or do they segment the market correctly? Are they actually creating the right type of customer services? So we get back to that organic revenue generating model and that goes right back tie right nicely into how management are managing their cash flows. Are they making the right decisions in terms of investments, operations and finance?

Speaker2: [00:07:03] And then on the other side of that table, what's your advice for people running block chain start ups? What do you tell them to do before they go out to that first round of funding?

Speaker3: [00:07:12] You know, I tell them all the time, I think about what problems are you solving first? Think about where you solve your problems and think about how your strategy is working. That's really important in a blotchy space, because this is a technology that's

constantly moving. And so what you have is you have these pivot's, these constant pivots, which you got to find a way to say, this is our mission, this is our vision, this is our purpose. This is what we want to be to the Tweed for the five years. Very important in this space, because what happens within this technology is that you can pivot away from an opportunity where you have organic growth. So I think really stay focused. Your mission is very important in terms of revenues blockin in terms of these companies. Is it sky's the limit. I mean, you can go anywhere from ARS from anywhere from 10 percent to 20 percent to 50 percent. And we see those those numbers are really astronomical. I like to see that slow rolling where they're still part of that business lifecycle. And is that area of maturity. So those are the things I would say to those businesses.

Speaker2: [00:08:22] Great, so let's talk about the state of investing in chain startups. How do you see the industry evolving from here?

Speaker3: [00:08:29] It's constantly and hears and I don't mean short to be shut down at all. Here's what I mean by that, because the industry is based off data and data is the key in this industry. And so data allows for this, what they call platform optimization to occur, the ability to build apps and apps and so forth. And that leads to these new products. And the products that you see in this space now are products that include decentralized finance, DFI non with tokens and so forth. So this space will always evolve. So I see the evolution of the space, which is very critical. Now the question is, are you able to recoup that revenue that you want when you create that product? And are you able to provide the service? The customer service experience is very important. And then there's other issues that goes on with the space taxes and regulations and everything else that's been a challenge in these days.

Speaker2: [00:09:27] So what do you think is the biggest change we'll see in the next 12 months?

Speaker3: [00:09:31] Wow, definitely. What happened recently with this bill, the the infrastructure bill, the idea, the notion of the whole net that goes to non-custodial, which basically what that bill did was it actually does the argument whether or not non-custodial should be a part of the reporting process and if they are part of the reporting process, are they going to get taxes? So it's really a tax treatment bill. But here's the biggest challenge in this

baseball. And I've always said this in many of my talks, publicly as well as privately, is that for the regulatory standpoint and being a former regulator, the first key to do is to classify. You have to be able to classify what is a block, and it's because it's the technology. The challenge would classify it as a technology. You deal with data and you deal with intellectual property. So the closest you can come to is the core definition of which is really what I say is a digitized payment system. So if it's a digitized payment system, then maybe kind of the character of that is that is geared towards a currency, which is why you have Bitcoin and a derian classify as cryptocurrency. And if this classified as cryptocurrency in its heart attacks by how our tax laws here in the US, we treat it as a property.

Speaker3: [00:10:53] So we taxes as a property. And I always say that that's the biggest challenge, is the classification, because that leads to treatment. How do you treat these particular assets? This is a new technology. So how do you treat these assets and these assets? They act as if they're commodities. They act as if they're securities. They act as if this currency is a utility function to it. So how do you have a treatment? Was that but the first step is you've got to classify. I think that is the key right there, because what's going to happen is if we don't get this right, call these. Not only are we going to lose the innovativeness of this, the key is we're going to lose the economic development. That's the impact. Innovation leads to economic development, which creates jobs, which creates financial energy, which builds the wealth that we have in the household. So we don't get that right. That's going to be a missed opportunity. So I think the next 12 months is very critical to watching space.

Speaker2: [00:11:53] Great. So let's talk about your fund and your investment thesis. What exactly is your investment thesis for this sector?

Speaker3: [00:12:00] Yes, it's a it's called a one forty four Trailblazer Fund. And the fund is it's a unique fund. It is a security token offering. So there's only three firms out there that have this similar type of approach where necessarily they're not investing directly in digital currencies, but we're using a security token offering which will go into the registry duty. And this was the SEC way of handling initial coin offering. They basically say, hey, you've got to Demet, that it is security, which we're happy to do, and yet we have to do the proper for it. So initially we were going to do a deal. And so initially we're going to do the deed because we like the idea of the private placement, because that gives us the idea of targeting certain investors that had the

history of doing digital assets. So these are names that you probably heard in the in the industry. I won't say their names, but they're very active and holding tokens and then they probably have some privacy on the public side is the actual launch of the token itself. So ultimately, the goal and the thesis of the 144 Trailblazer Fund is to target firms in that seed to kind of series A level. There's kind of a middle there where these firms, they're between one million and about five million in revenue and they're at a point where they're about the scale and they're trying to figure out their scale.

Speaker3: [00:13:27] But they need that liquidity and they don't need a lot of liquidity, but they need enough liquidity to either do market segmentation, product development, bring on new types of business development, new types of clients and so forth. So we want to be able to with the token, at least with the founders, they're going to have access to that token DNA wallet as well as we see that capital injection from those investors. So they're going to be able to constantly be able to use that. They can use that token for decentralized finance. They can actually they can do a liquidity pool, lending and all these things that they can use to help them grow out their business. So that's really basically the thesis behind that. Now we actually have firms and we're targeting particularly firms in fintech red tech EHI Block Chain Agritech. These are the types of industries that we're focusing on because we believe that they're using this kind of transformative technology to solve problems in our society. So there is a social impact, but then at the same time is also the ability to get these results on a consistent basis.

Speaker2: [00:14:35] Greg, can you mention one or two stars that fit that thesis?

Speaker3: [00:14:39] Yeah. Yes, we've been very fortunate because actually a good out of the twenty four firms that we've been working with already, a good 50 percent of Bayport, 60 percent a woman. So we've been fortunate to work with firms like and equity chain is based down in Australia. It is a company that essentially what they've done is they've digitized the idea of cattle. So they recognise that cattle is a paper based industry. And anywhere around the world, you notice that you see these little stickers on the cattle. And even with those stickers, you take that cattle, you go on and you put that cattle on the actual car or a truck is still has to deal with legal documentation on paper all the way to the slaughterhouse, all the way to the actual grocery store. So they recognize that one of the things they can do is that they can digitize that or automate that to QR codes. So they're going to QR code the actual cattle itself

and they're going to use logistics intelligence, which allows for both the investors and the buyers and sellers to see this cattle move as slow as you go along the supply chain process.

Speaker3: [00:15:49] This opportunities where they can provide and collect data and use that as a way to look to shorten the time period to to to actually get this cattle out to the marketplace. But then at the same time, it gives enough information to the investors, to the farmers and so forth. So now we have a better product at the tail end. And that's been a great firm to work with. Another friend we work with Aphid Aphid is based out in Los Angeles and Aphid is an artificial intelligence. But so basically the chat bot allows for it's a it's a personal a personal assistant to that essentially allows you to do different types of assignments. So now you don't really have to worry about typically what we normally do with our calendars and everything else. We can rely on this chat about that. I actually gather all that information and is able to shape how your day is going to be like and so forth. So that firm is using a block chain, Cosmina, as a way to actually capture that data and report the data. And that's been very exciting. They've been very great to work with.

Speaker2: [00:16:56] Great. So what are the challenges that a block chain started faces today in order to get their business up and running?

Speaker3: [00:17:03] A lot. A lot of a lot of it is based on in terms of education. So I'll give you example this, there's opportunities, one, it's fairly new, it's only been around for about 11 to 12 years. So the perception is that is it is still new, but the perception is that people don't know what it is. And so that's an opportunity. That's an opportunity for education. It's an opportunity for training. And but what happens is people tend to try and block crypto. And that's the cryptocurrency portion of it where let's say a friend like Aphid, it's a blotched application. So they're actually having a blocking application to solve a problem. And that's slightly different. They may be using the token as a way to give back to the investors what the core value of what they do is applications. And so I think that's one of the biggest challenges that they have, not from the capital raises are, as you know, one of the biggest challenges as an investor is trying to figure out how do you value these firms with the valuation for a block chain application or blocking technology firm? It's not the traditional sense that we traditionally like to use that discounted cash flow model that doesn't work in the space of the firm relies on crypto. Crypto is very volatile, so it's always going to fluctuate. So you can't really use that as a way to measure

the valuation of the firm. There's got to be other matrix, new matrix that there needs to be apply to measure the least allows for tools as ways to calculate the valuation. That's that those seems to be the problems or the challenges within the blocking space.

Speaker2: [00:18:53] Great. And then on the other side of the table was the challenge of block chain investor faces today

Speaker3: [00:19:00] In terms of the longevity, I'm going to say to fall and I say longevity, meaning in terms of whether or not, at least in the traditional sense, you've got an idea of how long the firm is going to last. So you can kind of kind of sense where a firm is going to be upon in terms of two to three or four or five years. And the blotchy space is a little bit different because the business life cycle changes frequently. It definitely is tied to, let's say, token. Now, the other area is regulatory. That's a big challenge because now you have this regulatory oversight that's fairly new. It's not as precise as it could be and should be here in the United States relative to other parts around the world. But that's a headache because what that brings on an added additional risk that we need as investors need to look at, we traditionally have done that in the bond market. So when you look at the bond ratings, they're going to look at sovereign risk. And sovereign risk is political, economic and financial risk. The block chase space. The risk is regulatory risk and legal risk. And we see that frequently. And cybersecurity risk, which is what I should be adding because that deals with data. So there's some areas that we have to really adjust because this is a technology.

Speaker2: [00:20:19] Well, that's great. So you see a lot of different subsectors and applications within the block chain space, if you had to pick one or two of those areas, you'd think are good immediate opportunities to pursue. What would you put at the top of the list today?

Speaker3: [00:20:32] Yes, I agree, tech definitely number one, I think about in terms of the how covid-19 has fared on digital transformation, but the idea that we are working at home and we are actually using computer more and kids are staying at home for schools and so forth. I think the key is the actually recordkeeping components that Edgett tech is definitely one of the areas, food, food, sustainability, Agritech Agritech is very important. We know that now that we're having some challenges with our supply chain, at least in terms of the food industry. So the ability to actually find a way to track and trace the actual supply chain for food, but also in terms

of the ingredients, what's going into the food, that's very important. Supply chain, supply chain, both on the manufacturing side, which is really key in terms of the products that we're producing. Tech, I think is very important. Health tech is extremely important in terms of the actual not just to recordkeeping of health care records, but also the ability to use those records here in the US. You may have some problems with with privacy laws here in the United States, but the ability to to key in those health records to the actual customer itself, and that lowers the opportunity for, let's say, not token decentralized finance that could occur with that individual because they own the intellectual property. They have the opportunity to make additional wealth. So those are really the three key. There's a couple other areas I would I would target, but those are the areas I would actually look at to say that there's some great opportunities.

Speaker2: [00:22:18] Great. And so in the last few minutes that we have here, what else should we cover that we haven't?

Speaker3: [00:22:24] Mainly on the centralized finance, non funded, betokens, but that it falls nicely into into what we just mentioned in terms of the industries and non tokens, that it's not new is the thing that most people think. A lot of people think NAFTA really knew for a long time. But and the reason why I say it's been around for a long time, because the original idea that was established was how do you actually digitize your digitized assets and digitizing those assets, those assets that were being targeted were assets that were geared towards music, but also assets that were guarantors, let's say, of buying patents. So Bank X, I'm going to share the name Bank X actually had a platform and that platform was geared towards taking those paintings and finding a way where people could own a piece of that painting. Now, the key would not function betokens is that, yes, it does tie directly to the actual art itself and the original IP. The question is, do you as an investor own that IP? That's the big question. Or do you own the right to say that you own the IP? So and that's the challenge behind that. So it is because of what's happening with the NCAA, which is. Great for athletes, a lot of athletes are saying, hey, we are intellectual property, which makes sense, we have a namesake, we have a brand, we have a value. And that's where we didn't want to. There's not a token that most people are trying to do not define unique.

Speaker3: [00:24:05] I always say DFI is you digitized Treasury function. So you take the Treasury function of any bank or financial institution. You have to deal with asset management and

liabilities and liquidity. And if you look at these five products, I guess we're dealing with the same thing on a digital level. So if you are able to take that nonrefundable token and now you have the ability, the interoperability ability to actually take that and go course change and multiple chains, you can trade it across different marketplaces. Now, the challenge with doing that is that the question that the SEC has, Paul. Is this the market making feature? Right, so that's that's a challenge. Is it a market making feature? Are you using your intellectual property to market, make it to market, making you not unsuitability? So there's no disclaimers of disclosures or anything like that, because typically we as investors, we know before we go out and launch any product, we have to kind of get a smell test of the investors, of our consumers and everything else. I'll target audience. So this has to be a level of suitability. So this there's a challenge behind disclaimers and disclosure is the proper process to ensure that risks are mitigated. And that is the key, I think, that's happening here. So those are areas that keep me up at night other than my other other than the founders.

Speaker2: [00:25:33] Well, those are certainly hot areas. And certainly the world is looking at how those shape how is this the next generation of launching applications? And appreciate your sharing with us how those work and what to look for there. So how best for your listeners to get back in touch with you?

Speaker3: [00:25:49] You know, I spend more time on LinkedIn. My LinkedIn address is, is the way to reach me because I spend a lot more time in LinkedIn. I don't tweet tweet as much. I'm not a big tweeter. I stay away from that. I don't really have time. And I always joke with my B.S. colleagues that I spend more time looking at term sheets and deal flow so that we don't have time to tweet and understand.

Speaker2: [00:26:13] It takes time,

Speaker3: [00:26:14] Takes time to tweet. I rather spend that time with the founders, with the investors and give them value. Time is valuable and given that financial energy and hopefully we can build wealth across the board.

Speaker2: [00:26:29] Well, that's good, good advice. So in the last two minutes that we have here, I want to just thank you for taking time to share that with us. We'll put that information into the show notes. And we hope to have you back for a follow up soon.

Speaker3: [00:26:40] Thank you very much for having me. I look forward to being back.

Speaker1: [00:26:48] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect. Doug Alti Martin is the director of Investor Connect, which is a 523 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.