

Redg Snodgrass of 5of5.vc

[00:02:18] **Hall Martin:** Hello, this is Investor Perspectives, I'm the host of Investor Connect Hall T. Martin, where we connect startups and investors for funding. Today, we have joining us Redg Snodgrass, founder, chairman and CEO of 5of5.vc. Redg, thank you for joining us.

[00:02:34] **Redg Snodgrass:** Oh thanks so much, Hall, for having me. It's fun to talk about this stuff.

[00:02:39] **Hall Martin:** Great. Well, let's start off with, tell us more about yourself and your firm.

[00:02:43] **Redg Snodgrass:** For me, and I'll try to give you a little bit of highlights and things like that, I've been entrepreneur in the Valley for quite a while. It's not like my favorite term. I like to think we're business people or whatever – entrepreneur shape is almost like a mental defect that we get, born with some of us. So I started SquareTrade ecommerce, early, early days in the early 2000s, and we did warranty programs. So I learned there, went on and helped build a mobile app with a bunch of other founders called Skout. And that was pretty big, they raised money from Andreessen Horowitz. It was one of the largest things. And then I was at Alcatel-Lucent Bell Labs, and working out of Austin and Dallas and all over the world, and around APIs and things. And really on the innovation center. Later in my career, I would start an accelerator that had around 100 companies go through it, in US, China, Europe, based primarily out of the Valley. And we were _____ for the crowdfunding campaigns. We were wearables and hardware. And some of the early crowdfunding campaigns came through _____ we'll talk about those in later conversations. But for me, in 2016, we raised a significant amount of money in China. And so, I wanted to – that was just not the time to like be in business in China. A lot of things changed, and so, I needed to take a break too, just personally, my dad passed away. And so, I spent the better part of last few years as either an _____ or just really trying to take a break and understand what the next iteration is. And so, 5of5 is birthed out of kind of a lot of the experience that I've had personally as a founder, helping other founders professionally with ReadWrite, the Accelerator Wearable World IoT and all those other things. And the whole focus of 5of5 is really, really focused around saving time for entrepreneurs and time we break down into an acronym. Right? It's timing, intelligence, methodology, and energy. And we feel like those are constants, and so, for us, the way that we help entrepreneurs save time is we go over a market map of your industry, your specific market, your competitors, and we just kind of map that alongside you, understand who it is, and then, we look at the teams specifically competing in these projects or products.

[00:06:00] **Hall Martin:** So how do you see crowdfunding as an investment option, how do you compare it to other solutions?

[00:06:07] Redg Snodgrass: So I think it's important to kind of understand macroly where all the stuff has kind of come from. And so, I look at like early days when crowdfunding and pink sheets and NASDAQ were kind of brand new.

[00:07:34] **Hall Martin:** Cool. So how do you see crowdfunding as a fundraising tool?

[00:07:38] **Redg Snodgrass:** So I think the best example of this is a team that I worked with out of Slovenia. So part of my break, my wife and I _____ in Europe, and Ziga Vrtacic, which is a hard name to say – I'll give it to you, because you want to remember his name. He has probably pulled off the most – and I, you know, Skully motorcycle helmets, there were a lot of companies in early days that went through our labs that we saw, notoriously known, and some that actually went off and did some pretty great things. What Ziga did with Bird Buddy – are you familiar with them?

[00:08:15] **Hall Martin:** No.

[00:08:16] **Redg Snodgrass:** So Bird Buddy is a connected birdhouse that you hang in your backyard, and, I believe, last I checked, and I should have looked right before the podcast, but it was like 11 million euro raised, small team out of Slovenia. Ziga takes that concept that I have of time, and he crushes it. I remember early days when he started, he was adamant and disciplined around that product market fit, and pulling all those things together. It's a wonder what Bird Buddy has pulled off. I don't think anybody – in terms of happy, excitability, like, right now. It's got to be one of the number one, if not the top product over the last year.

[00:09:06] **Hall Martin:** Cool. So where have you seen crowdfunding solve the startup funding problem the most, which group you think benefits here?

[00:09:15] **Redg Snodgrass:** Oh it's definitely smart, intelligent people without the connections for early stage capital. That's it. I mean, it's, you know, I remember, I was raising for one of my fourth companies, and one of the VC I met, said something along the lines of, well, if you don't put in a million dollars of your own money, I'm not going to put any of my money. I was like, okay, cool, but that just means you're only investing in other rich people.

[00:10:18] **Hall Martin:** Right. So how does crowdfunding cooperate or compete with angel and venture capital investing, where do you see it overlapping?

[00:10:25] **Redg Snodgrass:** I think it's very complementary. I mean, it's, you know, I take – so Ziga, they started raising 50,000, and at a really low valuation, and then they closed another round recently from decent VCs based out of Europe at a decent. Valuation's unheard of. They would never have gotten, just starting this idea, without the ability to use Kickstarter. And I'd love for Ziga to tell the story. It's like, I'm fronting a little bit too much. I'm more admired at than anything from far. But if you look at, like, what you're able to do with product market fit, creating a good ecosystem of rabid fans around that

thing, I mean, it does, it makes it a little bit easier for you to trust where your money's going to go. You can line out where your cogs are going to be. I mean, the issue is that the early product they usually create, your early prototypes, it's very difficult to scale, because you don't the same component _____. It takes talent to be able to go from 400 pieces to 40,000. That's very different than those 400 pieces. Different mindset.

[00:11:45] **Hall Martin:** Cool. And so, what startups are successful with crowdfunding, and why are they successful?

[00:11:51] **Redg Snodgrass:** You know, I, over and over and over again, I would look, you know, I was trying to figure out what were the key things with the startups that always worked, and to large or small scale, the startups that I saw most successful are the ones that were able to create an audience initially, create influence in the audience, create products that align specifically to what that audience wants, and then create this feedback promotion level of joy and excitement, like, getting those early dopamine hits.

[00:15:48] **Hall Martin:** So who is not successful with crowdfunding, and why do you see some of these campaigns fail?

[00:15:53] **Redg Snodgrass:** Oh it's always, it's just the inverse, man. Somebody with a great idea that thinks their product is amazing, but doesn't take the time to be disciplined to build audience.

[00:19:02] **Hall Martin:** Absolutely. So the _____ limed moved from 1 million to 5 million this past year, what do you think we'll see next coming out of crowdfunding?

[00:19:10] **Redg Snodgrass:**-So if you have people in equity crowdfunding markets that are locked in, and the secondary market is starting to become available, you know, I was reading a little bit about it, if you have that equity open up, it's another highly volatile asset that's extremely liquid with the ability for fast returns.

[00:22:13] **Hall Martin:** You think we'll see a lot new regulations coming up from the SEC around secondaries now that they're on the crowdfunding portals?

[00:22:20] **Redg Snodgrass:** No. I mean, it's, well, I haven't seen very much come out of Spax. Right? How long has Spax been in market really? I mean, it's like, five years now, like, since they started really kind, it was the hot thing. So crowdfunding and by nature of it, there's a lot more regulatory stuff that's already there. So the people that have those jobs, like, they're going to do some stuff, but seeing a major shift where there's real policy change, you've seen minor nips and tucks around the cannabis industry, you're seeing minor or things around crypto assets. And when are they going to have time? How many years it's going to take for them to actually come up with real thorough plan? I would love to see a strong regulatory framework. I don't know who would deliver it, that has the experiences, that cares about it, that has lobby money to actually make it an issue. Right. The people that have lobby money in this regard are the ones that don't want there to be regulatory constraint.

[00:26:49] **Hall Martin:** Great. Well, thanks for sharing this with us today, and hope to have you back for a follow-up soon.

[00:26:54] **Redg Snodgrass:** All right, I appreciate Hall. I appreciate it.