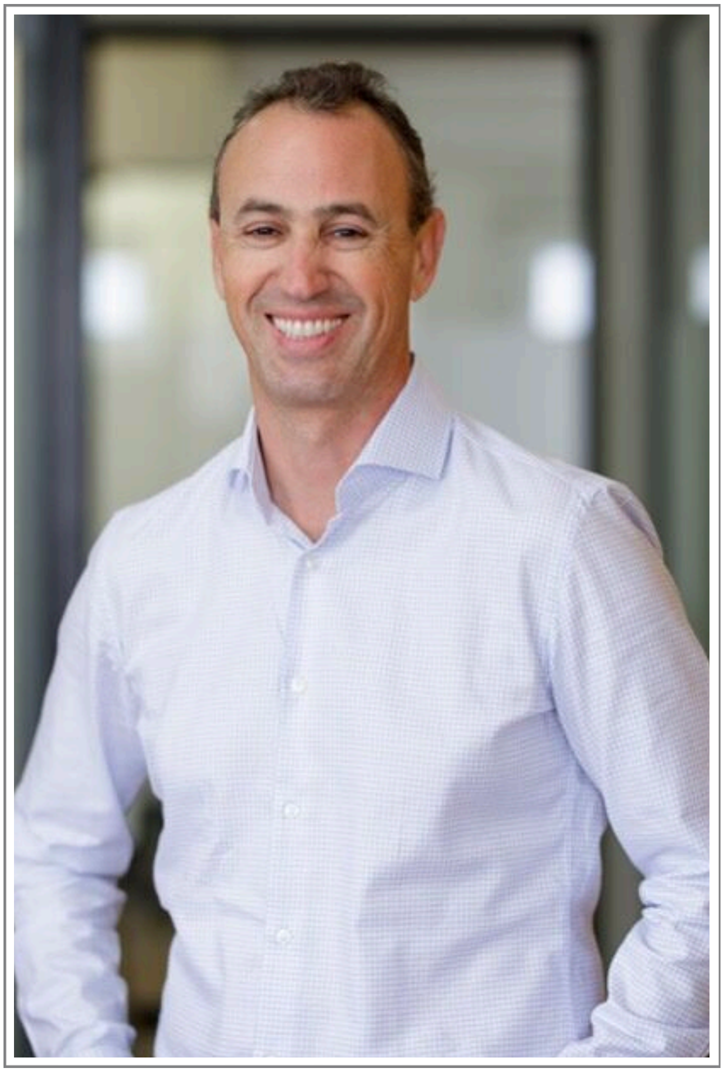
Ask the Expert

Craig Weiss, Flagstaff Ventures



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ASK THE EXPERT
DUSTIN BURLESON SEMINARS

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It turns out early-stage consumer is this massive unaddressed need in the venture capital marketplace.

Craig Weiss, Founder of Flagstaff Ventures, is a former patent attorney turned serial entrepreneur.

As the former CEO of NJOY, he led the company to a $1B valuation, raising $200M in equity.

Recognized by Goldman Sachs as one of the 100 Most Intriguing Innovators and a Forbes Disruptor, Craig’s expertise in scaling consumer brands makes him an invaluable partner for startups seeking growth and long-term success.

Dustin Burleson:
Welcome everyone. I'm so excited to have Craig Weiss back on the program. Craig, thanks for being here.

Craig Weiss:
Thank you. It's my pleasure.

Dustin Burleson:
Give us an update. Maybe there are new people that haven't heard of Flagstaff or heard of you. So, tell us why in the world venture capital is important and an update on what's going on at Flagstaff.

Craig Weiss:
Sure. So, I really appreciate the opportunity. And, it's always fun to talk to you, Dustin. I'm trying to think how many years we go back. But, I mean, life is measured in pre-COVID and post-COVID. So it's pre-COVID, which sounds like 10,000 years ago is how it feels.

Dustin Burleson:
Yeah.

Craig Weiss:
Yeah. So, in fact, actually here's the real way we can date it, when you and I first met, I was not a venture capitalist.

Dustin Burleson:
That's true. Wow. Wow. Pre-VC.

Craig Weiss:
Pre-VC. And the real question is, and are you still an orthodontist?

Dustin Burleson:
Yeah, good point. I teach. But yeah, when we met I was a private practicing orthodontist. And, I am not any longer. So, I am out of private practice. So, things have changed a little bit.

Craig Weiss:
A little bit. A little bit. Well, so yeah, Flagstaff Ventures is an early-stage consumer venture capital fund. And, I have a little presentation I can give to just give… This is really more a broad overview about what is venture capital, because I think a lot of people hear that term, they don't really know exactly what it means. And, in terms of my background, I was a patent attorney for the first decade of my career. And, to be a patent attorney, you have to have a bachelor's of science degree. I was a philosophy major in college, so I had not one credit towards a bachelor's of science degree. And so, I had to go back to school after law school to take the equivalent of a BS in biology and chemistry to qualify to take and pass the patent bar.
And so, I did that for a decade. And then, my life, the trajectory changed pretty dramatically. And I went from being a patent attorney providing legal services to clients, to becoming an entrepreneur and a CEO of this company called NJOY. And, it's its own wild story. But the 30 second version is, the day I take over, we have eight employees. We're in litigation with the FDA, the controller said we'll be out of cash in two weeks. That was my introduction to becoming an entrepreneur.

Dustin Burleson:
Welcome to the company.

Craig Weiss:
Exactly. So, I had a very strong mentor, who was a friend who became my mentor. He'd taken three companies from founding to IPO in his 20s, built Israel's first unicorn, was one of the 10 partners at Benchmark that did Twitter and eBay, has a quarter of a billion dollar venture capital fund of his own. Today, a really impressive guy. And he became my chairman of the board. And, I leaned heavily on him. I probably called him every day for two years. "What should I do about this? What should I do about that?" But, raised $200 million in private equity from Sean Parker, Peter Thiel, founders from Catterton, Fidelity, Morgan Stanley, Bank Capital, and we got the company to a billion dollar valuation, three and a half years later, manufactured 80 million units of a relatively complicated product and distributed those products in 130,000 retail locations.

So I had this wild, crazy ride. And, I exited in 2015. Android just got acquired for $2.75 billion not that long ago. And so, when I left in 2015, I was like, "Okay, now what?" And so, one of my best friends in the whole world, Dr. Blair Feldman, says, "Hey, I've got this idea." And, pitches me on this idea for Retainer Club, and then Mouth Guard Club. And I'm like, "This is a great idea." And so, we start building this company together, and we got venture backed in 2020. And so, I went out in 2021 to raise additional capital for Custom Club, the parent company of Retainer Club and Mouth Guard Club. And, a friend of mine introduced me to 10 VCs. And, I forgot how much I hated VCs. All the cliches were true. It was 10 young dumb

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Building a business in the real world is hard, and it's messy, and it's not clean, and simple, and easy. It's super, super, super hard. And it's not for the faint of heart.

white guys who had never run a business in their life, and thought that the world runs on an Excel spreadsheet.

Dustin Burleson:
And, almost none are operators, right? Which is really unique about... I'll get into that with Flagstaff. But it's so unique. But I love that. I mean, you went from an $8 million valuation over a billion in three and a half years. And how many retail locations?

Craig Weiss:
130,000.

Dustin Burleson:
130,000 retail locations.

Craig Weiss:
It was all 50 states and most of Europe.

Dustin Burleson:
Unreal.

Craig Weiss:
So, Walmart, Costco, Sam's Club, Walgreens, 7/11, Circle K. And so, yeah, we had commercials in Europe in different languages. We had commercials we ran in the Superbowl in a bunch of markets in the U.S., billboards in Times Square, doubled-decker buses in London. I had 130 employees. We had offices in three continents. It was a wild ride.

But I, of course, learned what I think every one of your listeners learned, which is, building a business in the real world is hard, and it's messy, and it's not clean, and simple, and easy. It's super, super, super hard. And it's not for the faint of heart. I mean, as we all know, not everyone is cut out to run their own business. And we all have employees, and the vast majority of them, they just want to get a paycheck on Friday. They don't want to worry about making payroll. They don't want to deal with the stresses and anxieties that I know every one of us who's listening to this have had to live and deal with.

Dustin Burleson:
Yeah.

Craig Weiss:
Yeah. So, what was really interesting was I was so frustrated by these conversations with these 10 VCs and I was complaining to a really good friend who is a very sophisticated guy, he's at the top of the power structure on Wall Street. And, he says, "Well, if you think they're all idiots, why don't you do it yourself?"

Dustin Burleson:

I love that. I love that.

Craig Weiss:

Yeah. So, at first I'm like, "No, but I'm trying to raise money for Retainer Club." But the more I thought-

Dustin Burleson:

I just want *them* to *not be idiots*.

Craig Weiss:

... Yeah, exactly. Where's the magic wand for that?

Dustin Burleson:

Yeah.

Craig Weiss:

Yeah. So, in the end, it was okay... Well thought about it, and thought about it, and I thought, "Actually, this makes sense to me. I think there is an inefficiency in the marketplace and I can take advantage of that. And what's more is, I actually think this'll help me raise money for Retainer Club and Mouth Guard club, because now I'm not asking my investors to necessarily put all of their eggs in one basket, even though I'm very confident that that's a good basket to be in. This'll be a diversified portfolio of companies that will include Custom Club."

So I launched in about two years ago. And, what happened next was its own crazy story of unexpected. I didn't realize that no one else is really doing early-stage consumer. I'm not a SaaS guy, I'm not a FinTech guy, I'm not a cyber guy. I'm a brand guy, built an international brand. And so, I didn't know when I launched that no one else is really doing this. I mean, obviously, Warren Buffet is a consumer investor, but he's doing Coca-Cola, and Walmart, and Apple, right? I'm an early stage guy. And, I just didn't realize that all of a sudden I was starting to get all of this deal flow and it was all inbound. Everyone was calling me, "Oh, it's consumer, you should talk to Craig." And so, I didn't know that when I launched, I didn't know what I was stepping into. But it turns out it's this massive unaddressed need in the marketplace. And, especially now, as interest rates have gone up, and Silicon Valley Bank has collapsed, that capital markets are even harder. And so, there's even more of a desperate need for cash. So the deals are only getting better. And, it's the best possible time to invest, as it's turned out, which of course I didn't plan when I launched two years ago.

Dustin Burleson:
Yeah. Highlight that for the listeners who might not be familiar with SaaS and FinTech, and just explain the difference real quick.

Craig Weiss:
Sure. So, something really interesting happened. We all grew up in a world where you essentially bought products, physical products, right? And, starting a few decades ago, there started to be this software as a service or SaaS. And, now, today, of course, we all use SaaS products, and now some of those are consumer and I would invest in a digital service that was a consumer facing brand like Netflix or Uber, right? There's no physical product there, but they're consumer facing brands. We've all heard of Netflix. We've all heard of

Uber. And so, those are consumer brands, but there's no physical product. It's just a service. And so, in the Silicon Valley world of investing, there was this obsession with not just software as service but enterprise or B2B business to business software as a service. And the reason why investors loved that product is because of course it's very scalable, right?

If you have to make a million physical products that's capital intensive, that costs money. But, if a million people want to download your app, that doesn't cost anything, right? You only have to build it once. And so, it's very scalable, and the margins tend to be very high, because you don't have any cost of manufacturing, right? You've just got this digital product.

So, because of those dynamics, it was a gold rush. Everybody focused on SaaS. And, what's so interesting is, especially with the Silicon Valley Bank collapse, what we saw is that the market for B2B SaaS is on very shaky ground right now. And a lot of these big Fortune 500 companies are pressing pause on onboarding new vendors and all sorts of things. Whereas, the reason why Warren Buffet is such a consumer investor is because one of the companies which I'll talk about briefly in our presentation today, sells french fries. And, I talked to that CEO on the day of the Silicon Valley Bank collapsed. And I said to him, his name is Flip, and I said, "You know what's funny about this Flip? Is, what percentage risk is there that Americans stop liking french fries? Zero."

Dustin Burleson:
The world's over if that happens.

Craig Weiss:

I said, "Now look, you can fail, because you run a bad company, right? Because you don't do a good job of managing your company, but your market will never go away." Right? And so, that's one of the benefits of why Buffet does consumer, and I'm obviously at the very other end of the spectrum doing early-stage. But, brands are what people become loyal to. And, it affects their purchasing decision. And I think it's a lot safer. These brands aren't going away. People are going to go buy things. They're going to go out to eat. Those behaviors aren't going to change. Even that global pandemic, now everyone's traveling, everyone's going out to eat. That was just a brief momentary pause in consumer behavior.

Dustin Burleson:

Yeah, that's a great, great point. Yeah, it was an epiphany for me, first that even a venture capital opportunity exists for investors like me, but then, that one was truly unique and yours, and that it wasn't just solely focused on the standard Silicone Valley pitch. And, we love it. We, not only love the firm, but we love the products in it. So, I mean, the family consumes almost all the products that are in the portfolio. So, I want to make sure listeners get a chance to learn a little bit more about that. And, again, thanks for being here and sharing your expertise. So, I'll turn it over to you. Yeah.

Craig Weiss:

Yeah. So we were thinking for today maybe just doing a broad overview of venture. And then, if people want to learn more specifically about Flagstaff Ventures, they can

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When you think about consumer brands like Frites Street compared to the traditional Silicon Valley model of investing in SaaS and FinTech which carry high risk, what percentage risk is there that Americans stop liking french fries? Zero.

reach out to me, or of course we can do a second presentation just on that.

Dustin Burleson:
That's awesome. Cool.

Craig Weiss:
Okay. So, one of the reasons why I say early-stage is less risky than you think is because the days of buying your IBM stock, and putting that under your pillow, and holding it for 50 years, those days are over. Things are changing, and the pace of change is increasing. So, the idea like, "Oh, I'll just invest in the S&P500. And, I'll just buy such and such stock." I mean, that's just not as safe as it used to be, right? And so, what's interesting is now, again, venture and early-stage venture, it's not like these late stage companies like Sears and Roebuck are rock solid or Macy's, right? I mean, these established brands

don't necessarily survive. So, where did venture come from? Where is this venture capital? What are its origins, right?

So, what's really interesting is, it actually began as a solution to a very specific problem, which was the whaling industry in the 1800s. So, you had this weird dynamic, it cost real money to outfit a ship, and crew, and food. And they'd go for three years. And a lot of them didn't come back, right? But the ones who landed a whale and came back were very, very profitable. So profitable in fact, that they financed the entire whaling industry, including the ships that didn't return. And so, they would give the captain a share of the profits, and that was the origin of what is now called carried interest.

Dustin Burleson:
Cool.

Craig Weiss:
Which is, essentially, I'm the whale ship captain, right? So, if I bring back the whale, you get 80% of the profits, I get 20% of the profits. And, that's the model of venture capital that we still use to this day.

Dustin Burleson:
Yeah.

Craig Weiss:
So, one of the main points that I feel is so important is that venture outperforms every other asset class. There's really no debate about this. This is not a controversial statement. It's the most illiquid, that's the trade-off, but it's

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Cambridge Associates is the premier firm that tracks all venture capital performance in the United States, and they've been tracking and for 25 years as an index, venture, every fund, if you roll them all up, 17.5% net IRR every year. So that's pretty impressive and better than any other investment opportunity.

going to perform better than the S&P500, then oil and gas, then real estate, then private equity. It is the best investment, assuming you're investing in the right... But even, not just investing in the right fund. So, that's 17.5% net IRR over the last 25 years. So Cambridge Associates is the premier firm that tracks all venture capital performance in the United States, and they've been tracking and for 25 years as an index, venture, every fund, if you roll them all up, 17.5% net IRR every year. So that's pretty impressive and better than any other investment opportunity. And of course, part of what fuels that incredible set of returns is the fact that you can invest in these early stage companies that potentially can become the next fill in the blank, Uber, Google, Apple, what have you.

What's really interesting is everyone talks about Sequoia and Kleiner Perkins and these big $10 billion venture capital funds. But the reality is, that's actually not where you want to put your money. So, I mean, as an example, 65% of the venture capital funds that were a 5X on returning your capital were a 100 million or less, right? So, you actually don't want to be in one of these big, big, big, big funds. You actually want to be in a relatively small fund, because the problem with these big funds is their strategy changes. So for example, with early stage, I have a friend who's one of my investors actually, who started off with a VC fund like mine, a relatively small fund, and now he's got $3 billion under management. Well, I was just hanging out with him in New York, and he's like, "Yeah, the smallest check I can write now is $30 million." Okay.

Dustin Burleson:
That's way too big for early-stage, right?

Craig Weiss:
Yeah. Then, you're not playing in the early-stage game anymore. So, you want to stay in a small fund. So, there used to be this big thing in Silicon Valley about chasing unicorns. And a unicorn is a privately held company that reaches a billion dollar valuation. And, the strategy, if you will, typically was very simple. It was, "We're going to swing for the fences 10 times. We'll probably have 9 strikeouts. And then, hopefully we'll have a grand slam home run and we'll land one of these." Right? And so, that's not our approach at all. And I actually think it's a bad strategy. We hope in 10 at bats to have half a dozen doubles, maybe only one or two strikeouts, and still hit a

couple of home runs. And so, part of the reason why is in that statement that's on the page there that, we're investing in companies that we think have an incredibly high likelihood of success. They may not become billion dollar companies, but they're very unlikely to fail.
And so, what's an example of a company that fits that profile? I mentioned french fries earlier. So, when I met this kid, Flip, I was like, "Wait a second. He's made the best french fries in the world. He's shipping 50,000 pounds a week to the top 150 steakhouses in the United States. He's the most expensive french fry in the whole Cisco, Shamrock food distribution system." But, I go, "But, how come there's no premium consumer brand for the most popular food in the world?" When we were kids, it was Ore-Ida at the supermarket. And I think it still is. And it's not a good product.

Dustin Burleson:
It still is. And it's awful.

Craig Weiss:
No. And so, this is Frites Street is their brand. And I met this wonderful founder and his team. And, they make these amazing french fries. And so, what I learned is, I did all of that crazy operator thing building my unicorn with Android. And, that took me to China. And I had to go through manufacturing and learn 80 million units, a lot of units, and it's a complicated product, and there's regulated hardware, and all of this, but it translated. And so, I've been to the great potato fields of Idaho to see how they take the potatoes out of the ground, and process them, and eventually turn them into these incredible french fries that Flip and Izzy are able to make.

And so, that operator perspective and experience has really helped me as I talk to other founders, because I can relate to them. We've all heard a lot about AI, right? And it's certainly in the dental industry, and I know Pearl and other companies are getting a lot of attention on AI. It's really disrupting pretty much every industry. And, unlike previous technologies like electricity for example, that tended to disrupt the lowest wage earners in society, AI is actually disrupting the highest wage earners, right? I certainly would not want to be a radiologist, because those guys are finished, right? AI's going to look at all that film and do a way better job of analyzing it. And, you're seeing that over and over again. Well, "I went to an Ivy League university, I went to law school for three years. I spent three months full-time studying for the bar exam. ChatGPT-4 just passed the uniform bar exam.

Dustin Burleson:
That's wild.

Craig Weiss:
So, what we're seeing in the legal industry in particular is that AI is incredibly disruptive. And so, one of the companies that we invested in fund one, this company, Marble, which is now **Flare**, I invested at a $21 million pre-money valuation. And it was essentially an app for hiring a lawyer, consumer, legal. And, their premise was very interesting to me, which was, "Okay, most Americans don't have a lawyer. But if you get pulled over for a DUI or served with divorce papers, guess what? You need a lawyer." So, what's your process for obtaining that lawyer? You either have to tell your friends and family some embarrassing or private thing that's going on in

your life. Or, you got to go on the internet, or remember the jingle, or look at the billboard. And then, you get in front of that lawyer, which takes days. And, you essentially have two questions. What's going to happen? How much is it going to cost? And the lawyer's like, "Well, I charge 7.15 an hour." "Well, how many hours?" "It depends." "What's going to happen." "It depends."
So, they have algorithms in AI and machine learning to do outcome prediction, cost prediction, and they have their own lawyers who are able to do the works. They've cut out all of those pain points. And so, I knew my claim to fame as a first time VC was my Android story, that I built a unicorn myself. But I knew that a sophisticated person would say, "Okay, fine, you know how to build them. But do you know how to find them?" It's a different skillset set now. So, better to be lucky than good. I was in the right place at the right time to invest in this company. But, I invested a $21 million valuation. And, a year later, they were at a $2.2 billion valuation. So I got a double unicorn in fund one, which I was just told at a conference that the odds of investing in a double unicorn are 1 in 6 million. So, in our case, it was 1 in 11 so far.

But, we may have another unicorn in there, which we'll get to in a second, which leads me to this one. I don't know, for those of you who remember the movie American Psycho, but there's this great theme throughout that movie of **Dorsia**, this fictitious restaurant that no one can ever get into. "How come we can't get into Dorsia? Why can't you take me to Dorsia? We can't get in. We can't get in." So, I got pitched on basically an app for getting you into Dorsia, right? So, what does that look like? So, it's a VIP app on your phone, invite only. And so, you pull up

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Early-stage venture is optimized to take advantage of qualified small business stock (QSBS) and the significant tax advantages that come with it.

this app. And, they've partnered with all of the top, top restaurants, the restaurants that we can't get into. And so, here's an example. This is New York City. I pulled this up that day. Michelin Star restaurant that you could go that night, no reservations, right? Second Michelin Star restaurant, if you didn't like the first one that you can go to that night, "Oh, you didn't like that one?" Picky Dustin. Three Michelin star restaurants that you could go to the same night.

And the way they do it is they did a very clever thing. They went to these restaurants and they said, "Look, you don't think you have a revenue problem because you're sold out every night, but you actually have a monetization problem, because you didn't realize that Dustin and Craig just wanted to say we were going to eat at carbon and we're going to order water and split a salad." Right? So, you know what a four top generates for you at 8:00 PM on a Saturday night, 500 bucks. We'll give you grand. In exchange, you give us the inventory, we'll charge a 7.5% commission on the first three tables and a 5% commission thereafter. But what's beautiful about the business model is it's not a crappy Ticketmaster service fee. When you show up at the restaurant, you have a $1,000 credit. Well, you're not going to spend it all on food. You'll get a $500 bottle of wine. That's a 90% gross margin product for the restaurant, but you get value for your money. It's just a guaranteed minimum spend.

And so, for a lot of people, "Hey, I'm in New York. I'm here with my wife." Or, "I've got a client that I want to impress." You just want access. And you're willing to pay for it, right? And you get value for your money. And then, people ask me about consumer versus SaaS, as we talked about earlier. I was like, "Last time I checked two thirds of U.S. GDP was consumer. And what is it that consumers spend money on? They're spending their money on brands. And, to me, when I think about how would I define a brand, I would say, it's a relationship of trust between the company that's selling me something and me the customer. And so, the company that I trust most in the world is Apple. It's my favorite brand. And so, I've always loved this quote, if you're an Apple user and somebody offers you 10 grand, but the only provision is they'll take away your iPhone and you'll never be able to buy another, you're not going to take it. And, this is Warren Buffet, right? The number one investor in the world. He's right. I don't know a person who owns an iPhone that has yet to disagree with that statement.

Dustin Burleson:
Yeah. He's dead right. Just spot on.

Craig Weiss:
Yeah. And so, I've always loved Steve Jobs, of course, being an Apple super fan, and he was this remarkable

storyteller. And, that was what I think he was known for. I mean, he was obviously a visionary, but he was able to take that vision and tell that story to all of us of how he wanted to change the world. And I think we've learned a lot about how to tell our stories. And, I know you're an excellent marketer, you've been helping people tell their stories for quite some time.

And so, this is really interesting, this piece, because most people, myself included, up until a few years ago, have never heard of QSBS, which stands for qualified small business stock. So what is qualified small business stock? So, it's basically a provision of the tax code section 1202 for those who care. That basically says, "If you invest in a C-corp and that company has less than 50 million of assets at the time of the investment..." Well, the first two were easy, I'm an early stage investor, so all of my companies, I make sure are C-corp. And of course, they all have less than $50 million at the time that I invest. "And if you hold that investment for five years..." Now, the five-year hold time, for most people, that's the long pole and the tent, that's hard to hold onto something for five years. But if you do those three things, first two are easy, last one's hard. "You are exempt from taxes for the first $10 million of profits exempt from federal tax.”

So, I realized early-stage venture is optimized to take advantage of QSBS. A typical venture capital firm like mine is a seven-year fund. Well, so that's perfect. Most of my companies are early-stage companies, they're going to be around for at least five years before you're going to get your liquidity event. And so, people always say, "When's the best time to invest?" Right? "Timing is everything." So, I love this quote, especially the fact that it happened in May of 2023, but the reality is, as interest rates have gone up, as these capital markets have dried up, as some of these banks have collapsed, entrepreneurs, founders, early-stage companies are desperate for capital, more than they ever have been, or at least in the last decade. And we're seeing deals like you can't possibly imagine in terms of the quality of the deals. People are telling me, "You tell me the price." It's unbelievable. I mean, I've been doing this now for two years, I've never seen anything like it. It's remarkable what's been happening in the last three to six months.

And so, anyhow, that's Flagstaff Ventures. And, for fun, I always like to say, if you did like the slides in this presentation, every image you saw was generated by AI.

Dustin Burleson:
That's awesome. That's so cool. They're cool images. I was like, "Yeah, that's very cool."

Craig Weiss:
Yeah. No, so it's fun because it taught me and I'm not the one who... So, I have an amazing genius graphic designer, and for years he's been helping me on pitch decks. And for this particular one, he said, "You know what'd would be really cool, Craig, is if they were all generated by AI, because doesn't that underscore your meta message that you're trying to deliver?" And so, I'm like, "How did you get those images?" And it's all this thing called prompt engineering, right? Because, you got to type just the right words to get just the right images. And so, of course, none of those were a first try, right? So, you got to iterate, and

iterate, and iterate, and then you got to make sure it's the right resolution, and the right background and everything.

Dustin Burleson:
They did a great job. They're beautiful. I'm so grateful every time I get to spend time with you and hang around with you. I don't know if I told you that I do this, but I've got to spend some time interviewing and talking with several of the CEOs inside of Flagstaff in the portfolio. And I always ask them, because we're all very impressed with you, and I think you're one of the smartest people I've ever met, but I said, "Why'd you choose Flagstaff? Why'd you choose Craig?" And they all have the same answer, which is, "There's a lot of people that know how to raise money. There's a lot of people that know the VC world, but almost none of them were an operator. They don't get both sides of it." Which is really powerful. I don't know that investors understand that. It's really, really, really unique. And we just are so grateful to you're that you're doing it. It's been a lot of fun to watch.

And, man, I tell friends, I'm like, “If you’ve ever been to a steakhouse. And you go, 'Man, these french fries are out of this world.'" I'm like, "Those are our french fries." "They are so good." And I was talking to Emily Miller. I mean, my whole family's addicted to **OffLimits** Cereal now. We use the **Mastry** app all the time. These are great products that you're going to love to use and share with your patients and friends and family. But also, again, we can't predict what returns you're going to get, but I can just tell you in the last handful of years, the markets for me have done nothing. And I think, don't you want something to be stable and held for a few years? You don't want to be trying to move it around every 18 months trying to chase return, because it just hasn't been there. But my investment with, like I said with you guys, I think I'm allowed to say, it's been just phenomenal. I've been very, very happy. So, thank you.

Craig Weiss:
No. Yeah, I appreciate it. And I appreciate all the kind words. I was at a conference last week, and a very sophisticated VC who I've gotten really close to very fast, really, really brilliant guy. We were talking about returns, and I mentioned this 53% net IRR, which he was impressed with. And it turns out it's the top 5% of not just all venture capital funds that launched in 2021, but of the last 23 years is the top 5% of 1,764 funds. And, he said, he had a 30% return, which is awesome. Super impressive. And, he said, "You know the math on 30% IRR?" And I said, "What do you mean?" And he said, "Well…" He goes, "If you start with $5 million, you have a billion dollars in less than 30 years." I was like, "Whoa."

Dustin Burleson:
It's truly where wealth is built in this country and other advanced economies, because not only is the capital structure set up for it, but the tax code set up for it. And I just don't know anyone who's going to get significantly wealthy based on earned income alone. I don't know anyone who's done that. And we're not saying put everything you have into VC.

Craig Weiss:
No.

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High net worth is at least 15%, ultra-high net worth 30%, in terms of alternatives, which venture fits in.

Dustin Burleson:
We are saying to diversify and have 20, 25% of your net worth into something like this.

Craig Weiss:
Yeah. No, and that's what the math says, right? High net worth is at least 15%, ultra-high net worth 30%, in terms of alternatives, which venture fits in. And I think, it's funny when you say that it's so true about earned income. When you look at the real, truly wealthy people, they all have one thing in common, which is that, their money makes more money for them than they can make for them.

Dustin Burleson:
Absolutely. Yeah. That's just how it works. And, you can debate whether that's right or wrong, but that's how capital works in this country. And it has for a long time. And it has since whaling apparently.

Craig Weiss:
That was my favorite image in the whole deck. I'm like, Elon, in the 1800s in the whaling outfit on the docks. I thought that was-

Dustin Burleson:
The whaling captain. Love it. And his ships would always come back somehow, right? It was just, he'd be the one coming back. Yeah.

Craig Weiss:
… Riding the whale.

Dustin Burleson:
Right. Exactly. I just am so honored that you're the captain of our whale ship on behalf of me and my kids and Ashley. We're just honored and thrilled. And, we'll make sure we get a link below the webinar so everyone can reach out to you. I want to do a second part of this. I know we have a lot to cover. So I'd like for everyone to join us again for part two. We'll talk about what Craig's doing at Flagstaff in fund two. You'll meet some of the venture partners in that, introduce you to them, and share what we can about where we're headed with the next one.

Craig Weiss:
Love it. Love it. Thanks so much.

Dustin Burleson:
Awesome. Great. Thank you.

Craig Weiss:
Thank you.

ASK THE EXPERT

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