

nth Venture Second Annual Letter

Hell of a year. They feel like dog years.

As an operator living out of a suitcase more than a pontificating “vison guy” this year, it’s been a while since I’ve stretched the writing legs, so please forgive me and bear with me as I stumble to share with you my sense of the year and some notes from a fellow traveler.

Results First

Revenues to Date

	2021	2022	2023
Audily Inc.	\$5,000	\$47,883	\$927,657
SBR2TH Recruiting Inc.	\$0	\$24,005	\$195,083
Falconer Inc.	\$0	\$50,000	\$92,693
Merchant Boxes Inc.	\$0	\$141,774	\$89,461
CERTD Inc.	\$0	\$0	\$1,505
Total	\$5,000	\$263,662	\$1,306,399

There are lies, damn lies, and statistics. Please take our apparent early progress with little raised capital with cautiously optimistic suspicion rather than surprise.

This year, generally the companies followed a strategy of “grow as much as you can without burning other people’s money”, which basically mathematically enforces a breakeven, which the companies all more or less achieved. Audily as an exception reported a preliminary loss of \$61,308, or roughly 6% of revenue. Mostly that was attributable to transaction costs of acquiring the seven figure Rococo Punch business halfway through their second year.

Venture capitalists might cry for joy at that performance, but private equity managers would also cry.

I would caution against the “draw a line” bias. The growth from a tadpole to a frog is on relative terms massive, but that doesn’t necessarily mean it will grow to the size of a cow.

Here’s to trying though.

Long Ukrainian Boomerang

In college, yours truly joined the Army reserves. It was either that or go Magic Mike.

After a couple false alarms over the years, as many of you know, I got called up to active duty and expect to be gone for a year.

At Ellis Island over a hundred years ago, I imagine a family of Ukrainians with a much longer and foreign sounding name got a knowing look from a clerk when they said “we’ll go with Sawhook.”

This week – a hundred-plus years later – a soldier named Sawhook, under orders from the United States Commander-in-Chief, reported to duty.

The mission is a year overseas in Poland under Operation Atlantic Resolve to demonstrate commitment to our allies and in hopes to deter further aggression in Ukraine.

So be it.

A War Without Enemies

Our purpose at nth Venture is to **set talented people free through the power of ownership.**

As I make some sophomoric critiques of our current state of capitalism, please keep in mind that it’s coming from a dude with a golden retriever and house quite literally painted red white and blue.

Even laissez-faire hard-liners and dyed-in-the-wool free market capitalists would agree that there is an inclusivity problem that comes hand in hand with the miracle of capitalism.

We don’t disagree that it may even be necessary.

Here we simply believe there’s no need to give up and knowingly throw the baby out with the bath water.

We progressed out of feudalism without losing agriculture and writing. Why not save the best parts and work on known issues?

In some respects, modern capitalism has issues that are derived only from its own success. The heights that individuals can achieve in such a system are, historically speaking, fantastical. They are also arguably among the most historically just. Say what you will about Bill Gates - he’s a little different than Genghis Khan.

But of all the millions of children that have been helped by the Bill & Melinda Gates Foundation, how many of them will ever fly in a private jet, let alone own a fleet of them?

At the same time that the gift of capitalism has helped us build a temple of progress, it has made the benefits of society accrue so unevenly that the gaps are the source of endless strife and now can hardly be overcome in a single generation.

While it was mostly decried at the time, today an honest economist would probably tell you that Walmart stores exploding across America and putting local shop owners out of business was a significant net good for the economy. I would agree – but tell that to the shop owners.

Today too many people learn of the benefits of capitalism only from lectures and the costs directly in the scars and holes in their families.

When deep social stratification hits a boiling point, it can beget blunt and forcefully redistributive (even vengeful) political solutions that we know without a doubt pose existential threats to otherwise thriving societies by damaging the spirit that makes economies successful: that you – yes you – through hard work and smart decisions can create wealth for your family by creating value for others.

It's clear in the rearview mirror why the legacy of communism is resoundingly appalling. We should know by now that forceful government intervention in issues of inequality rarely do any good and often end in disaster.

Before Ice-T, it was actually Stalin that said, "Don't hate the player, hate the game."

I think we're saying love the player, enjoy the game, do what you can to make it a little better.

nth Venture is a humble act of optimism and a living experiment to see if we can find voluntary ways to build competitive companies together and include more people in the wealth-generating miracle of capitalism.

Our bread and butter mechanisms for doing that are building companies that use a talent profit pool (TPP) and restricted stock units (RSUs).

TPP is the cash. It works similar to a law firm partnership. Here's how much we made and have available for TPP > here's your share in the pool > here's your cash this month. Pretty simple. When people get an offer letter from any of our companies, it indicates not a salary, but an interest in the pool.

RSUs are the equity. We use ten-year RSUs that vest annually. They are special in that all returns of capital are done on the full un-vested amount and in the event of an acquisition all immediately vest. One of the things I don't like about RSUs is they don't grant the ability to vote the stock. But generally, they do a good job and we tend to like the alignment mechanics more than traditional options (strike price misalignment issues) which is partly why more companies these days are moving to RSUs.

The mechanisms we use are certainly not perfect today and never will be.

We've already made updates to things like adding a second "qualifying sale" trigger to RSUs so folks aren't hit with taxes on earnings of illiquid stock, and we've experimented with setting TPP levels for a quarter vs. monthly recalculations.

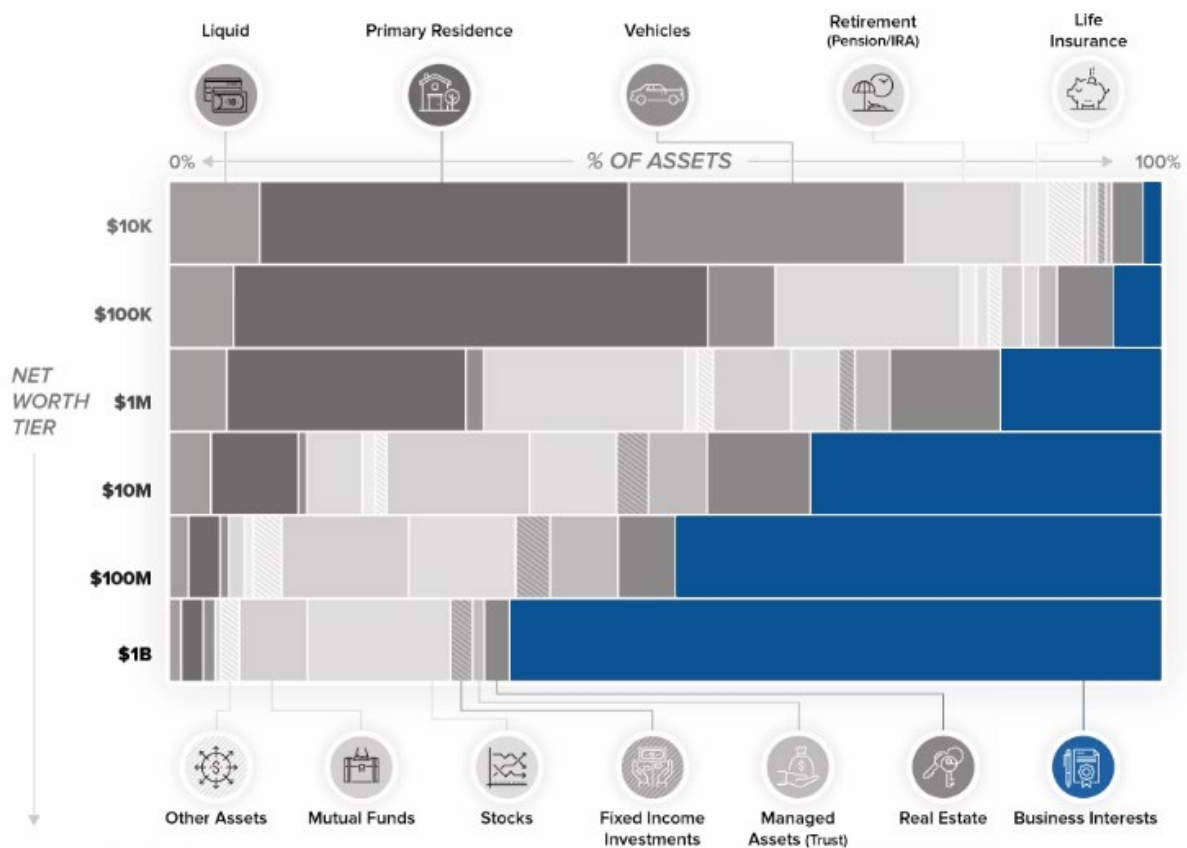
Earning stock where you work is as American as apple pie and private military contractors.

If our "Why" or radical approach to incentive alignment is like a religion, then I expect it's Jewish.

Being an owner is very hard and it's not for everyone. There's no excuses. Cash flow is unpredictable. Mistakes can cost your livelihood. Risk is one thing on paper, it's another when looking your family in the eye.

Like our Jewish friends, we don't need or want to convert or proselytize to the whole world. We'll usually try to talk you out of doing it.

But the reality for us is company ownership is how wealth is built. Period.



Source: Federal Reserve data via Visual Capitalist

The (Unofficial) Perspective from the Nest

nth Venture Inc. (the studio entity proper) has less than a handful of shareholders and this letter is not written for them exactly.

Our strange model of launching companies means investors – and very importantly, the employees – in nth companies hold equity interest in the portfolio companies directly.

And notably - **without someone taking fees out of the middle.**

These now independent companies report on their performance and I believe many of you have enjoyed the annual meetings this year as each of our companies get into a rhythm and direct relationship with their shareholders. Their exciting feats are no longer mine to report.

As companies launch, the launchpad naturally fades in importance. This is a good thing. During a moon landing no one is thinking about the concrete back in Florida.

This year, nth Venture's share of the successfully launched companies from the first two cohorts were spun-out (ie. distributed to the small nth Venture ownership directly). I like that mechanism. I've written about the spin-outs in some depth before but in summary: king bad, partners good.

Putting ownership in people's hands directly is why we're here.

Most companies put their best foot forward to make presentations and write reports to the powers that be for permission to carry on or grow larger. Our permission needs are rather few.

This year I simply put my naked, stinking foot forward and say this is what I am doing.

If you would like to do it too be my guest, but do so with clear eyes, knowing full-well why in the ever-loving hell this kid, and these people, are doing this.

Devastating Failures

About once a week I visit my best friend's grave. It's part of the reason I live in my hometown.

In middle school we were big rivals. He was the gentleman and real athlete.

I was a smart, arrogant, wannabe athlete. But tough.

In highschool we fell in love, or at least I did.

A lot of girls and booze and medicinally-assisted late night soul bearing.

His parents thought I was the bad influence but it was 100% the other way around. So I thought.

One night in college he came to visit Austin, taking a break from playing football at Columbia.

We got shitfaced and I told him in no uncertain terms that I loved him.

He moved to Denver after college with his girlfriend and I followed him with my girlfriend.

The gals got along and it was some of the best times of my life.

I had to move back to Austin for a new job. In short order both of the girlfriends broke up with us, mine a little sooner than his. His fiancé by then actually.

His absolutely perfect life started to crack back in Denver.

I made a trip out there at his ex-fiancé's request because, after a tangle with the law, he wasn't allowed to be alone and she had to go on a trip and couldn't check on him.

I went and didn't know what to do or how to act, but I loved him and he knew it.

Pretty soon after he made a trip to Austin and met my new girlfriend (now wonderful wife).

He looked like a cancer patient. I stayed up with him all night trying to figure it out with him.

Dude, I just need to know whether you're ok because I'm so worried about you and I can't lose you.

It didn't work.

A couple months later he died on his couch, alone.

And now I have voicemails from him.

Sam, please pick up the phone.

This year my uncle died. Or rather I helped kill him.

He was one of the funniest – and most fun – people I have ever been around.

He taught special ed students at a San Diego high school and coached the softball team of both of his beautiful daughters.

He was a big, handsome guy with mittens for hands like he'd been building houses without power tools all his life. He liked parties, and drugs, and women. They liked him back. He loved his family and was probably one of the best dads I've ever known.

The guy was the fucking Fonz.

Around the time his daughters starting leaving the house to college, the drugs started to become a problem.

This beaming, walking good time got infiltrated by tiny chemical compound reactions.

It was a disorienting experience because the light of his former self was almost always on.

Anyway, after a more naked than usual Thanksgiving, my mom (his sister) decided after some thought that they would still make a trip up to Austin the next day to watch a UT Football game. It'll be good for him. I smelled trouble and stayed home in Corpus. And as usual, I was drowning in work.

Things got weird and he wound up in the ER. Didn't do much good.

I got asked to drive up there and talk to him.

After he quickly batted down a come-to-Jesus to go to rehab from my mom, I took him for a drive with just the two of us and told him we could instead take a trip to Big Bend (a desolate, gigantic park on the border with Mexico in West Texas).

Four or five days, dry out, no rehab. Save face. Guys trip.

I picked the most remote river trip on offer, we picked up a canoe, a map, and we hardly saw anyone for three days as we paddled and drifted along with all of our supplies down an empty and brutally beautiful river.

His withdrawals scared the shit out of me.

We camped both nights in the middle of nowhere while he was losing his mind and hallucinating.

The river was punishing. The low water was a mind-breaker. You'd get going and then hit a low spot and have to push the hundreds of pounds of dude and canoe and gear through a rock bed.

At a couple points he gave up. I think that feeling of getting truly humbled and letting go was part of what brought life back to his eyes.

We saw and experienced things you can only find days away from the world.

On the last day we drifted into a group of wild horses crossing the river. When they finally saw us we had floated to within spitting distance and they – all together – galloped out of the river like they were casually trying to make a scene that belonged on a National Geographic cover. It was probably the most magnificent shit I've ever seen in my life and difficult to even describe the glistening, splashing, naturally powerful water scene these beasts full of life made exploding out of the river.

Eventually, we made it out alive and in a muddy heap of exhaustion sat on one of the shittiest beaches known to man for hours in the sun waiting for our flunky guide to pick us up.

He asked for our emergency GPS. We didn't get one from his partner at the outfitter - a dreaded beauty who was too busy flirting with my uncle.

The guy went pale. "Well fuck it - I guess y'all made it."

On the long way home, my uncle already looked like a new man.

We talked and agreed and nodded that things would be different. He seemed so much better.

I knew though.

He was fucked.

I told my family to judge for themselves when he got back.

It was hard for them to not be impressed. He looked great, had rather hilarious stories about his time with a lunatic nephew on that god forsaken river.

He was helping around the house and just generally being a mensch. I wasn't going to ruin it.

He left to go back to California to pick up the girls and come back for Christmas in Texas.

He never made it.

I was in Africa when they had his service.

I contend that it's not reflection that refines the soul.

It's the hard irons encountered in a meaningful pursuit that painfully carve a worthy character into both fools and the intrepid.

Without a purpose that transcends the pain of life I will soon join my brothers in the deep.

But there is life in me yet. And I choose to be an intrepid fool.

I'm not sure where exactly we're going or what this next year will bring. But I want to see it.

When I'm Gone

I don't have any standing to tell people what to do or how to live their life.

But, as I go abroad, I hope you don't mind me leaving a few parting words that I would tell myself.

Smile at death and wink at the maker.

Give them a show worthy of the production.

Seek joy and don't be afraid.

Don't seek applause. Make a mark that means something to you.

You will fail and you will be broken. Keep going.

Most importantly, love with all your heart.

I wish you all an exciting and productive year ahead.

For those of you new to the mission, welcome.

For the advisors, staff, and investors in our shared endeavor, it's an honor and a privilege to be your partner.

Best,

A handwritten signature in black ink, appearing to read 'Samuel A. Sawhook'. The signature is fluid and cursive, with a prominent loop at the end.

Samuel A. Sawhook

nth Venture | Co-founder & CEO