

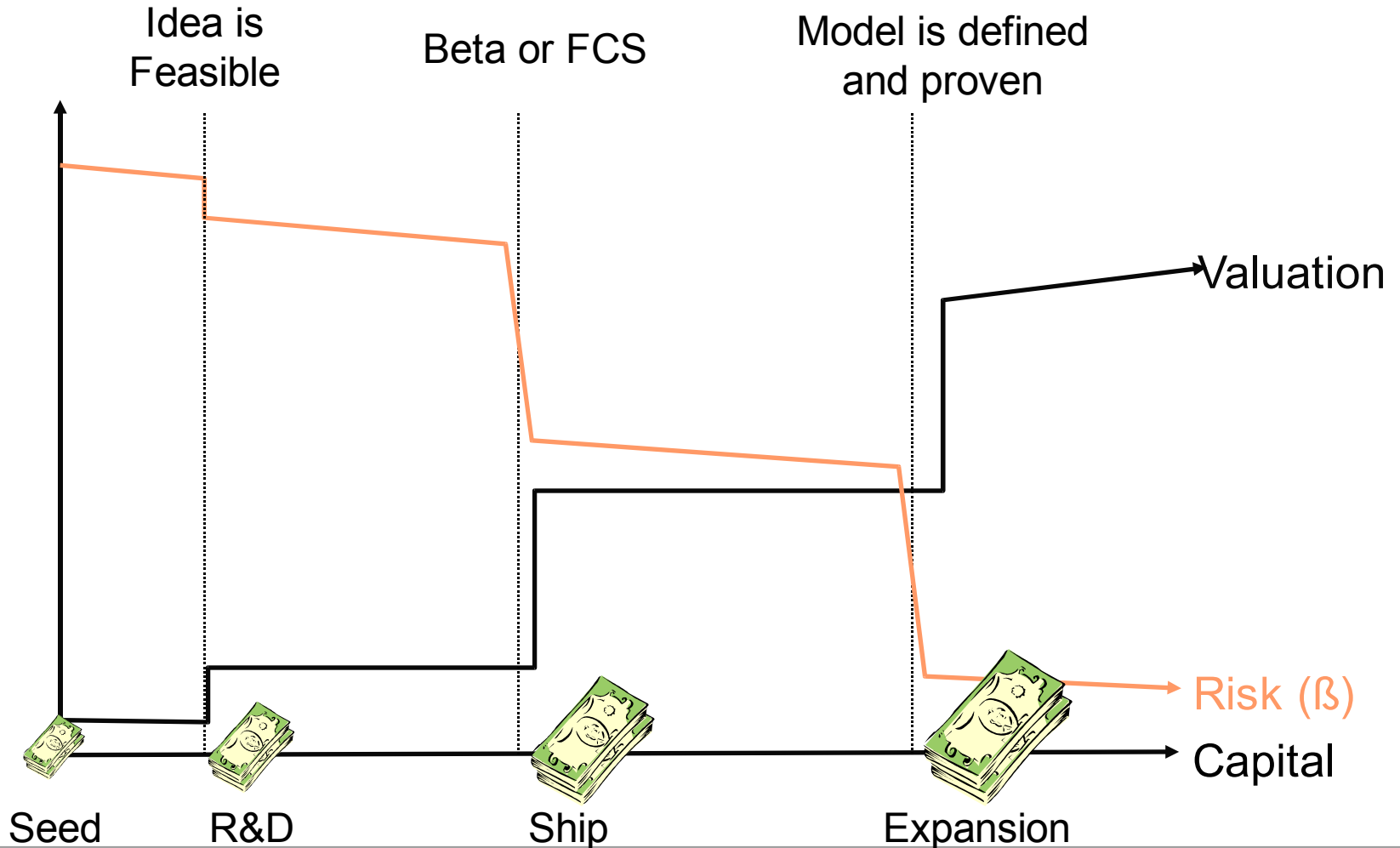
Increasingly Darwinian Environment for Internet Companies

- ▲ **Cost of “starting-up” approaching zero in many internet businesses**
 - <\$250k to scale to 1MM+ users (consumer or enterprise)
 - Driving higher rates genetic mutation

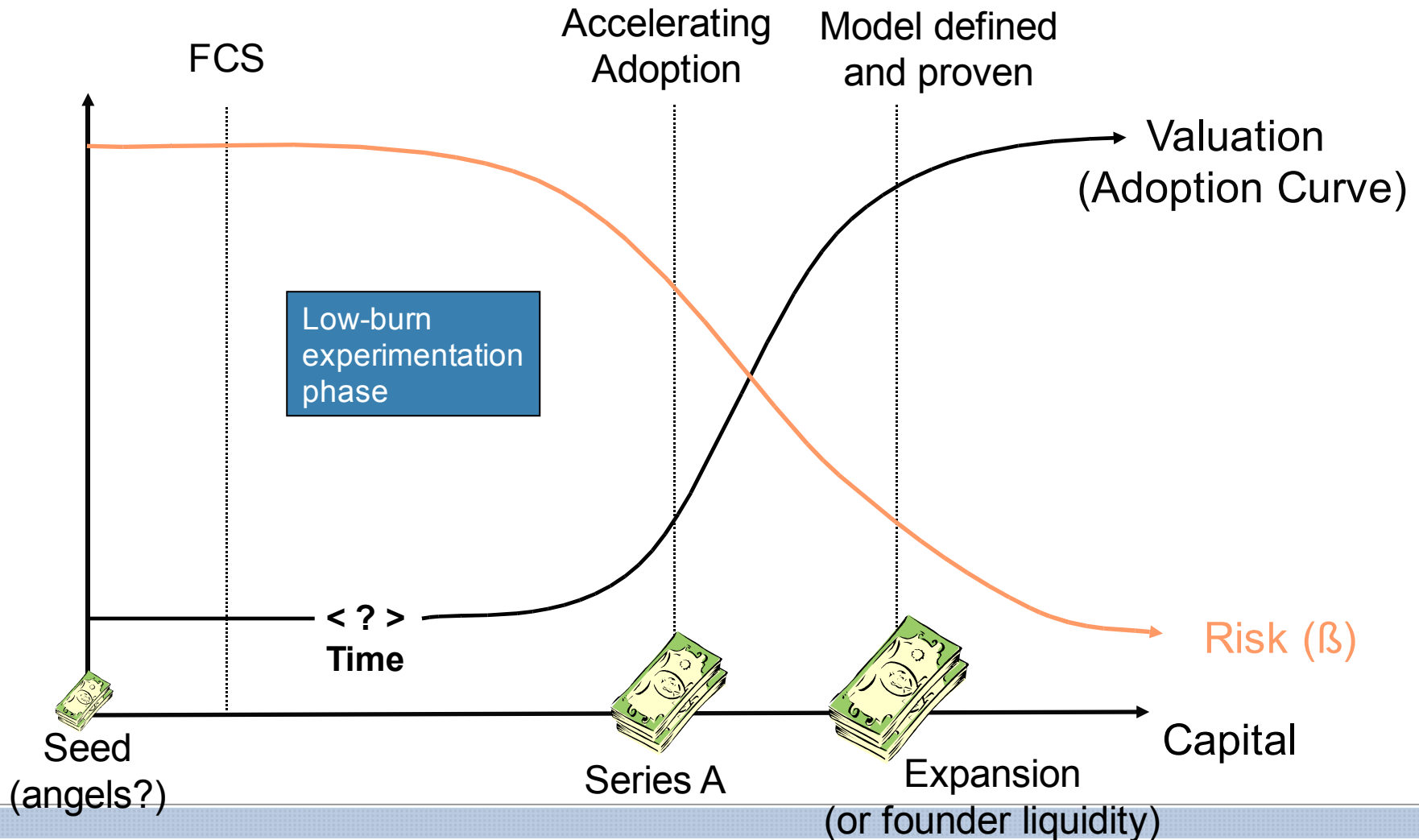
- ▲ **Selection bias shifting away from traditional funding milestones**
 - Non-linear “tinkering” process vs Alpha/Beta/GA
 - Intense user engagement required...pulled forward
 - Ecosystem and/or network effects visible prior to scale
 - High risk of corruption with excess capital...potential for loss of authenticity

- ▲ **Subsequently, new funding model emerging**

Funding Model: "Farm Raised"



Funding Model: "Free Range"



Caveat: Usage and Adoption Are Not the Same

- ▲ **“Hot deals” with high growth often followed by stagnation**
 - Early usage data can be misleading
- ▲ **Second and third-order metrics crucial**
 - Repeat usage...3 mos, 6 mos, etc.
 - Fraction of “active” vs “registered” users
- ▲ **Increased usage doesn’t always enhance community**
 - Spam-like behavior can cause rapid abandonment
- ▲ **Best services/products become more embedded over time**