

Harry Stebbings: [00:00:00] Nick, I am so excited for this. I saw your tweet and I replied like, man, this would be such a good show. I'm so thrilled that you agreed to do it with me. So thank you so much for joining me.

Nick Tomaino: Thanks for having me, Harry. Not at

Harry Stebbings: all. But I wanna start with a little bit of kinda two origin stories, really. One is obviously how you found crypto for the first time, and then obviously is on the firm.

Just take me back on the crypto side. How did you first find crypto and come to join Coinbase?

Nick Tomaino: So I've always been an internet person. In middle school, I was really interested in sneakers. I was, you know, buying and selling and collecting Jordans and Nikes, and I played a lot of basketball, so I was super into sneakers.

I was spending a ton of time on Nike Talk, which was kind of the early sneakerhead forum. So I've just always gravitated towards the internet, more so than the physical world around me in some ways. I think I'm kind of unique in that sense, where, you know, when I first heard about Bitcoin, it was this...

Wired article talking about this magic internet money that was being used to buy guns and drugs on Silk Road. Right, that was kind of the early [00:01:00] media narrative. If I asked the people in the physical world around me, you know, what they thought, like everyone else at that time, they would have thought it was stupid, and they would have...

told me not to spend any time on it. Right. But I wanted to see who was on the internet talking about this. I stumbled across a Bitcoin talk, which was the first online forum for Bitcoin that was created by Satoshi Nakamoto, the founder of Bitcoin. And I saw on Bitcoin talk that, you know, the media narrative is one thing, right?

Talking about this magic internet money. being used for illegal stuff, but the reality was very different. I saw kind of this community of people from around the world. They weren't aligned by physical location, but they were aligned by shared belief system and economic incentives. After spending some time on BitcoinTalk, that's kind of what led me down the rabbit hole and decided I wanted to make a career out of the space.

And you

Harry Stebbings: did make a career out of the space. You joined Coinbase and then you take the decision that actually, I'm going to switch sides of the table from operating to, to venture and investing. I mean, I found one confirmation. [00:02:00] Can you just take me to that moment of transition and why you decided to do One Confirmation and why

Nick Tomaino: then?

Yeah. Well, frankly, I mean, I got pushed out of Coinbase. Like, I wasn't a great employee, I think is the truth. I think I did a lot for Coinbase in the early days. But Coinbase got to a certain point where I wasn't great at kind of office politics and following rules and directions and stuff like that. I technically, you know, left and that was how it was framed to the company and things like that, but I effectively got pushed out.

And at the time, that was very painful. Probably one of the lowest points in my career, I would say, because I believed so much in the space and the company. It was a great thing, ultimately, because it just, it wasn't the right fit. But at the time, it was like. Shit, what am I going to do now? I love this space.

I know Coinbase is going to be a billion dollar company. Did I just fumble the bag? What the hell am I going to do next? You know, it was at that point that I decided that Venture would be, you know, what I could be world [00:03:00] class at. And I thought, I know the space really well, and I see what's going on and I understand products better than anyone.

Why not start a fund to invest and help the founders that I'm, uh, investing in? And that's kind of, that's how One Confirmation came to be, I guess. There's obviously a lot of other stuff, but at a high

Harry Stebbings: level. I've just been thinking about how to phrase this politely, uh, in my head.

Nick Tomaino: You don't have to be polite.

Harry Stebbings: You don't have to be polite. Okay, well then, respectfully, you're gonna I'm really sorry, by the way, for you being pushed out of Coinbase, but respectfully, it also made you who you are today, which is very, very successful, so congratulations in that. I often think sometimes the hardest elements can shape you, but no offense, kind of pushed out of Coinbase, and then raising a 26 million dollar fund?

That's quite a big jump, Nick. How does that happen? You either have a lot of rich friends, how, how did that happen?

Nick Tomaino: No, I don't, I don't have any, I didn't have any really rich friends. I had built a strong personal brand while I was at Coinbase and I think that helped a lot, right? To me, like working at Coinbase.

It [00:04:00] was more than working at a company. I was like working for an industry. Crypto was very, you know, early, obviously when, when Coinbase started and Coinbase was kind of leading the industry in a lot of ways. I wasn't like a Silicon Valley person that just wanted to work for like a brand name company or something like that.

Like I genuinely believe, still believe that, you know, crypto is the most important social technology of our lifetime. And I was going to do anything that I could to help it grow. That was kind of my mindset. Was it

Harry Stebbings: easy to raise that first 26 million dollars?

Nick Tomaino: What helped in between was after Coinbase, I ended up joining Runa Capital, not a super well known venture fund, but really good Russian entrepreneurs that founded a few multi billion dollar companies so I joined Runa. That was kind of my bridge while also doing a lot of stuff personally.

You know, like I started a newsletter called the control at the time where I was, writing about the space a lot. I also founded an event called the token [00:05:00] summit, it was a 400 person event and there was so much demand that tickets were selling on Craigslist for, like four times the price that we were selling them for.

a lot of what I've learned in my career is like, you need to be. At the right place at the right time. It's like timing for both entrepreneurs for venture, for whatever it is, like timing is really important. it's not luck.

You can use your knowledge and learnings to assess. what a good time is right. But timing is important. And I think there were a lot of things that kind of came together for me. What it was, Runa, it was token summit. It was me continuing to believe in crypto and kind of build a brand.

All that came together to help me, raise as you asked, how did I raise a 26 million fund? That was kind of how I was able to

Harry Stebbings: do it.

Okay, play this game. If you were to put luck and skill, which would you say, if you were to put numbers against it, your success is?

Nick Tomaino: I think it was about 90 percent skill. 10 [00:06:00] percent luck it's, politically correct to say, Oh, there's a lot of luck. I think a lot of really successful people say that. But, I feel like I made my own luck in a lot of ways. I feel like I had a lot of bad luck that I persisted through it was my determination and kind of grit more than anything.

And that, that is a big skill. determination and grit and belief, having self belief is. A skill and it's not having These unique traits that I think anyone can have but but you need to have belief first and

Harry Stebbings: foremost So I think it's like being an entrepreneur. It's persistence It's going through the shittiest of days and coming back tomorrow and saying today could be different. What was the worst luck that you went through that you persisted through

Nick Tomaino: good question. Um, Yeah, i'm talking about some things I haven't talked about. really publicly but Okay, so I was working at Coinbase, but still in business school, I had all my money in Bitcoin, on Coinbase.

That's how much I believed, I [00:07:00] basically, emptied my bank account, put it all in Bitcoin. this was before Coinbase had, two factor authentication, right?

Literally like two weeks before Coinbase added Two Factor authentication, there was a fairly sophisticated phishing attack on a number of Coinbase employees. And other people associated with Coinbase and I was one of them. I remember, you know, the morning it happened, I was like, you know, groggy.

I was in this, I was in business school at the time. I was, groggy from a night out or something and woke up. got an email from what, you know, appeared to be a Coinbase email, but it wasn't, you know, I, I wasn't careful and at the end of the day, it was my own fault, but I basically got I got an email saying that Coinbase updated Terms of Service. I clicked the link to try to update the Terms of Service, log into Coinbase to do so. Logged into Coinbase with my password. Boom, uh, the hacker got into my account and drained, all my Bitcoin. it wasn't a ton of, in USD at the time, call it 50, [00:08:00] 000, but it was the only money that I had and lost it all from that phishing attack.

Harry Stebbings: What did you do then?

Nick Tomaino: Well, I think I came close to crying. Honestly, it's like, it was, it was very painful and my wife remembers, but yeah, it took about 24 hours you feel like shit, blame other people or, You know, I certainly thought about like leaving the industry, but at the end of the day, it's like my belief in crypto more than anything else. It's like, led me to the, the thinking like you need to use this to level up. at the end of the day, it was my, you know, mistake, they, they caught me slipping.

So it was like, you need to use it to, to level up and to motivate you to, to go bigger. that was kind of the lesson. And this is still an issue in crypto, obviously hacking, and we all know someone that's gotten, phished or, clicked a MetaMask link or something like that.

And I still, it's kind of a big unknown secret, unspoken secret, I should say in, in crypto, like how many people, actually get hacked and no one really talks about it. but yeah, you basically just have to use it to. To motivate you and to [00:09:00] level up to go bigger.

that's what I tried to do.

Harry Stebbings: I know that you're a sportsman and you're competitive, so we can talk about that later. Um, but that is a shit day, isn't it? You're like, fuck, I don't drink anymore, but that's a day when I would need a mojito at 9am. Um, uh, okay. I want to get to one confirmation. the scaling and the evolution is incredible. I want to start on how big is the, and I'm going to ask some pretty base questions, but I live in standard venture world. it's different. How big is the fund and how do you think through the right size of fund to raise?

Nick Tomaino: Yep. So our first fund, uh, which was launched in 2017 is 26 million.

At that time in venture for like a first time, fund manager is big, but in crypto is actually pretty small. And I actually could have raised much more. And a lot of people in crypto is like, Oh, why is your fund so small? It was like, kind of looking down on me you know, I had such a small fund I thought it was important to start small and be disciplined, particularly because like our focus is, very early [00:10:00] stage, kind of pre seed, seed, you know, the thinking was... 26 million dollar fund make between 20 and 30 investments between 500k and a million or so in terms of initial investment. So that was kind of the first fund and the thinking.

Harry Stebbings: that was the first fund. What do the second and third look like?

Nick Tomaino: So fund two is 50 million. 2019 Vintage. Fund 3 is 130 million, and that was 2021 Vintage.

And the NFT fund, is about 80 million. we're

Harry Stebbings: going to talk about NFTs later. I have to ask in terms of actually, you mentioned that 30 companies per fund, right level of diversification with that.

How do loss rates in crypto investing differ to normal or are they very similar? How do you think about that?

Nick Tomaino: we've seen loss rates have been lower so far. And again, we're still 2017 visage. We're, uh, about six years in. So, there's still a long way to go, but like in our.

[00:11:00] Fund one, we have, 22 investments in that fund, right? So I said about 20, between 20 and 30 and every fund, even fund three, which is 130 million, we're still doing early stage bleeding edge crypto. We're still doing kind of first money in, like we haven't changed our strategy.

We do bigger checks now, but it's really the same strategy. And that's something I think. That has gone wrong in, in cryptos, like, when you have a lot of money being thrown at you and a lot of, hype and things like that, you can go in different directions and raise massive funds, start doing growth stage, shit like that, which I think is, you know, I get why people do it for, to make more management fees and to feel more important and things like that, but we've stayed very disciplined and focused on like what I just enjoy doing, which is like bleeding edge crypto. so in the first one 22 investments. We haven't had any zeros. We've had, two projects dissolved, but they actually gave back, in one case, about 50%, in another case, about, 70%.

So we actually [00:12:00] haven't had any zeros, in the portfolio at all. I think that's pretty unique, and probably within crypto especially, there's all these blow ups and stuff.

And

Harry Stebbings: so these rounds that we're investing in, are these tokens? Are these equity rounds?

Nick Tomaino: Both. we're not religious about anything really. We're very practical in terms of like the private stuff that we, we did for fund one, it was very much equity. But, we also very much believe in tokens as well, so, our token deals were, were more buying, you know, like we bought a significant amount of Bitcoin and ETH, in that fund,

Harry Stebbings: Can I ask, when, when we look, you put, you obviously posted on Twitter the 5. 13, X, distributions back, which is amazing. When you look at those distributions, was that equity that converted and, you know, it was an acquisition or it was an IP or whatever that was, or was that largely tokens? I'm just intrigued how much of the liquidity came from equity versus tokens.

Yeah, it

Nick Tomaino: was mostly, equity actually. So this is another thing too, there's a lot of, Hate I would say for crypto VCs[00:13:00] and I understand that because a big part of the crypto VC game is Doing these private token deals, and then you kind of build some prestige, media narrative, uh, hype, and then sell the token to retail, and then retail gets sucked in, and the VCs kind of dump tokens on retail.

That's like a big... Game being played within CryptoVC.

Harry Stebbings: Is that even allowed?

Nick Tomaino: This is what FTX, a lot of people weren't paying attention.

Silicon Valley invested hundreds of millions of dollars into FTX. FTX was doing exactly this, no one was paying attention to it, apparently, and, and, and retail was getting sucked in, so FTX, Alameda was their investment arm that was basically investing in these token projects, then FTX, the exchange, was listing these tokens, hyping up the tokens to their users.

I don't know how quickly they were dumping. This is, that's a piece of it. But again, you have private investors that are getting better deals and then these tokens are being listed on [00:14:00] exchanges. The dumping part of it is what, where there's gray area on holding periods and stuff and may or not, may not be allowed.

But if you're doing this, holding for the appropriate time, and then dumping, that is technically legal, I

Harry Stebbings: don't like name calling, and so I'm not going to name anyone here, but is that, across industry, or are some players worse than others?

No,

Nick Tomaino: I think some players are worse than others, right? It's certainly not cross industry, right? Like, I'm, there's a lot of good players in the space that aren't doing that at all.

Harry Stebbings: We mentioned that the great return so far, six years in 5. 13 X, how do you think about when's the right time to sell? It's a very difficult thing to do. How do you think about liquidity planning and management?

Nick Tomaino: I think it's prudent. If you have a big winner at the early stage, call it. Series C or beyond to take money off the table if you can. , you know, had some big winners that we, you know, sold somewhere between 10 and 30 percent of the position.

If you have a big winner, I do think [00:15:00] it's, it's prudent to, take cash and LPs.

Do

Harry Stebbings: you think venture investors should publish their returns? Annually, biannually?

Nick Tomaino: Yeah, a hundred percent. to me, it's one of like the fakest parts of, venture capital. It's like everyone, it feels like everyone's competing for prestige. everyone talks about fund size. you know, I was trying to get press. these kind of vanity, you know, metrics aren't really related at all to what the job really of a venture investor is, so, yeah, I think, you know, the reason that one size is the. Metric is because, you know, the incumbents want it to be that way, the incumbents who they've got great relationships with these institutional LPs that allow them to raise these big funds if, you know, everyone viewed fund performance as, metric of success, the big, you know, incumbents wouldn't have the, the prestige that they have.

Harry Stebbings: Do you think the incumbents in venture, traditional venture, will be the incumbents in crypto [00:16:00] venture? Obviously we've seen your

Andreessens and your Sequoias raise very large funds for crypto dedicated, but I, again, I've had Avichal on the show and many others on the show who say no, it's a new generation, it's an entirely new setup in terms of the talent that you need.

It's a different generation of winners in crypto. Which camp do you sit in?

Nick Tomaino: it's a combination. you know, A16Z is, is, Is a great fund in crypto and I have a lot of respect for them I do think they probably got too big but they still have made good investments and you know, like Chris Dixon.

I have a ton of respect for so

Harry Stebbings: They're obviously can I dumpers. Yeah, I

Nick Tomaino: I hear you on that. And again, I think some of that may be more recently due to fund size, they just have to invest in these token projects. I'm talking more historically, I think, you know, if you look at who's a winner in crypto, like Chris Dixon is. Undoubtedly a huge winner in crypto, [00:17:00] but more recently fund size caused them to do some of the stuff that people, you know, accuse them for, I don't think they're dumping, they have to be very careful about, about that, but I do think they are investing in some of these token projects that are getting hyped up to be dumped later, some of these narratives that, you hear are over exaggerated in different ways. That's what I'd say.

Harry Stebbings: you mentioned there about kind of the size of the fund forcing people to do certain things. You know, when I speak to LPs, everyone says, well, you know, every crypto fund right now is downsizing, giving money back, the next fund sizes won't be the same.

this is from like, very traditional US LPs, so I wanted to get your perspective inside. First, should they downsize in terms of the fund sizes that they raise?

Nick Tomaino: 100%. way too much money was raised. You know, you had people raise billion dollar funds that just had no unique insights or, you know, no investing prowess really, or anything like that, but they. [00:18:00]

had a, a brand name and access to institutions, whatever it is. and, and institutions just, had FOMO and wanted to deploy. So, are they going to give money back or are they just going to milk management fees and, and, um, deliver poor returns to LPs?

I mean, it plays out. Over time, But maybe some of them will just put it in, in Bitcoin and ETH and maybe that will just work, but we'll see, um, like I think a strategy, you know, a dishonest, but probably successful strategy for one of these billion dollar fund managers would be to, you know, You know, pitch the two LPs that you're investing in, bleeding edge crypto that's going to, going to push the space forward and then decide to just deploy it all into Bitcoin and ETH.

And if someone does that, I think they'll be successful and make a lot of money.

Harry Stebbings: just ask you then, what does the next few years look like for crypto funds? You must think about this when you think about competitive landscapes. When I speak to OLPs, they're like, well, obviously our crypto budget's gone to zero, [00:19:00] obviously. And I'm like, oh! So no crypto funds get raised.

Is that right? No crypto funds are getting raised. And what will the next from now to the next three years look like?

Nick Tomaino: I don't think many crypto funds are getting raised it's going to take, one thing is hopefully, LPs are going to get a little smarter and, and do more diligence and, and not just, deploy.

You know, like crazy into, you know, fund managers that don't really have any, uh, unique insights or defined strategy. they're gonna start looking at results as well closely and for even, you know, these big funds that maybe do some interesting things, if you don't have really quality returns, I think LPs are gonna be More skeptical, at the end of the day, it's like crypto needs to deliver beyond where it's delivered to date And that's going to ultimately decide You know institutional money

Harry Stebbings: coming in or out.

things like FTX Don't help you've tweeted before what the elites who amplified FTX should be held accountable What do you [00:20:00] want to see happen Nick like? what would make you happy?

Nick Tomaino: Yeah, that's a good question. Nothing would really make me happy.

what will happen, it just won't happen quick enough is that, you know, the truth reveals itself in time, the people that got sucked into this perception game that,

the FTX was playing, that. You know, the politicians, the regulators, the investors, they all now are trying to just sweep it under the rug and say, Oh, I didn't know about this financial fraud.

It wasn't just a financial fraud, right? It was a fraud of perception, which they all played a role in. ultimately, people will realize that. That's what should happen, What's

Harry Stebbings: a fraud of perception? Sorry, just so I understand that.

Nick Tomaino: outwardly, signaling prestige.

in reality, being very different being focused on soulless greed for money or attention. It's like everyone involved in that, it's like a kind of vortex of soulless greed for money and attention. that's what was happening with FTX, right?

Like, if you ask investors, oh, are you involved in FTX?[00:21:00] Sam is so good at execution, right? That's what, that's what was said. He's like, he's so good at, getting media attention and working with regulators and politicians and all that. And why was that the case that that was the surface level of perception, Uh, why was that the case? Because. He was buying off politicians and regulators and media, And also, you know, launched a token in a way that wasn't very, moral. and hyping tokens and things like that. So it was just... the surface level was the, the fraud of perception. It's like, if you look at the surface level, there were all these good things going on.

There really wasn't. And a lot of people within crypto recognize that, but that's kind of the fraud of perception that I'm talking about.

Harry Stebbings: Will the blast radius expand beyond SAM though? you know, you mentioned that the media, you mentioned journalists, you mentioned, you know, maybe politicians, does any of that get exposed or do they all get swept under the rug?

And we just. Nail sam and beat the shit out of him

Nick Tomaino: you asked me what should happen I think people Should realize [00:22:00] that it's not just sam

so I think what ultimately will happen is, is that people will realize this, but it might take much longer, right? It's not going to happen quickly, and maybe as

quickly as, I or some people would hope, but I think it will happen eventually. I tweeted, before this all played out.

It's like truth reveals itself in time, the internet itself is a very good tool to reveal truth, but it takes a long time. Sam is gonna be the one that, you know, goes to jail and takes the brunt of it, and is, is the obvious. But over a long period of time, I think, people will realize you know, the character of, of these people that are involved.

Harry Stebbings: Before we move on to NFTs, which I'm excited to talk about because I want to be educated by you, but is there anything that you think there's a big misconception of the public in terms of SBF? They don't understand, they don't get, you constantly hear misquoted, misattributed. Is there anything that you think people should know that they don't?

Nick Tomaino: , I would say the strong narrative now is that like SBF is this [00:23:00] evil, you know, mastermind behind this. And again, the truth is, often, far from the strong narrative. And while it is true that, that SBF is. a big part of this I think Maybe what people don't realize is that the broader fraud of perception that we've talked about right? That's a misconception

Harry Stebbings: mentioned kind of fraud of perception. Made me think of nfts. which you can tell me i'm wrong about my question to you is why am I wrong to be negative still? And why are you still positive? Like, what am I missing?

Nick Tomaino: Well, at the end of the day, I think NFTs are, an incredible business model for creators on the internet.

Harry Stebbings: if we just expand that then, what does that look like in terms of tangible use case? Amazing for creators on the internet, what does that look like and why is that better than the traditional mechanism?

it,

Nick Tomaino: it aligns incentives between creators and their supporters, right? So, incentive alignment is kind of, is a underrated Aspect of what [00:24:00] crypto can do both within cryptocurrencies, but also NFTs. you know, as a creator, you can, you know, sell NFTs to your supporters and they can have an ownership, in your success.

The combination of those two. It's not just the business model for creators. It's the new asset, investible asset class for anyone in the world to participate in. To me, that combination is really powerful. And you're, you're looking skeptical.

Harry Stebbings: I'm, I'm, no, I

Nick Tomaino: get, I understand the skepticism, right?

Because at the end of the day, like

Harry Stebbings: values, I'm a, I'm a, I'm a creator. Why would that work? I can do premium features, I can do paywalls for those that are successful. I don't need to sell you a part of my business and a part of, my future earnings. You get access to my content and I'm thrilled to have your support, but I don't need to sell you a part of my future.

And then for those that do need it, most often you probably won't have a huge amount of people that want it. So I don't understand how it works.

Nick Tomaino: It may not solve a problem for you right now, and that's okay. [00:25:00] But it does solve a problem for a lot of creators that, that are creating content of any kind,

Harry Stebbings: if you're Taylor Swift... not bad than the existing businesses, I don't think. Maybe tell me if I'm wrong. And if you're a specific writer on, knitting in England in the 18th century, I don't think it sells a specific benefit over a paywall and a higher price for a smaller audience.

So I'm just trying to understand where it's better.

Nick Tomaino: what I would say is, new technology often isn't, ideal for the incumbents, right? So if you're a massive creator that is already being served well by existing business models, then, NFTs might not be for you.

They're certainly not for you now, they may never be for you. what NFTs are really useful for, is for these kind of new internet native creators that don't have an existing business model. but maybe have some true fans. Taylor Swift is never going to create music NFTs, the next Taylor Swift who may be 13 right now and may be having a hard time getting [00:26:00] distribution on existing distribution channels may sell music NFTs to a hundred true fans.

Who then may help her, you know, spread the awareness of the music, that's, a use case that I think is quite interesting that really hasn't blown up yet, right? Is music NFTs and the idea of like giving... a incentive for, the music to grow at a very early stage.

cause music itself is very mimetic, right? It's like, why do most people love Taylor Swift? Because everyone else loves Taylor Swift. And she's kind of cracked this, the mimetic code is there music good? some people, yes, some people, No, you know, a lot of why people think she's good is because other people think she's good. That, that applies to cryptocurrency too. Why does everyone think Bitcoin is valuable? Because other people think it's valuable.

And so you combine kind of the mimetic aspect of,

Harry Stebbings: Sorry, I'm going for it. It's the end of the day. It's dark outside if you could see the time. Um, but I'm like, I don't think they like it because other people like it. I think they find it because other people find it because other people have found [00:27:00] it.

So it's distributed because it's popular. So discovery is solved because it's popular, but they don't like it. Because other people like it. I think they just like it, and musical taste and preference has evolved in a way where actually it's largely aligned. Humans do tend to like the same thing. It's why people love pizza.

Or ramen. Or whatever that food source is. They discover it because a lot like it, but the liking is

Nick Tomaino: different. You haven't read any René Girard, have you? No. Have you heard of Rene Girard? I

Harry Stebbings: have. And I was warned that he would come up.

Nick Tomaino: this is exactly what Rene Girard has, has written a lot about this idea of mimetic desire, and this is, I believe what is unique about humans, Is that. Desire is actually not based internally, it's based externally on the desire of others. And so I think there's core human needs that everyone has. But outside of that, what we like, what we desire, [00:28:00] what we want. is fundamentally based on the desire of others.

So, why do, I think in the terms of music, this explains why Taylor Swift gets so popular. You know, some people may, like Taylor Swift early, but then once

she gets popular, it kind of, it becomes this memetic switch that other people like her because other people like her.

That, that's human nature. Humans are fundamentally memetic.

Harry Stebbings: Okay, so if we take children and put them in a room and give them a carrot and a chocolate, and they have no idea which one is more popular or which one people like more. They will like the carrot as much as the chocolate? No, there is a chemical composition to the chocolate which triggers chemicals in your brain that you need and want more of it.

Same thing actually with music and tones and notes. there's a huge amount of research that sad music actually can make you feel comforted when you're heartbroken which is why Lewis Capaldi has such a strong career. It's chemical, Yeah,

Nick Tomaino: there, there is a... chemical component as well.

again,[00:29:00] the truth is nuanced, right? So it's not to say that there aren't fundamental things humans like more than others, but I think most people are way more influenced by Others than they would fundamentally acknowledge. I guess would be my point. So there are some people that fundamentally gravitate to certain things for chemical reasons, but I think there's way more people that gravitate towards those things just because other people gravitate to them is what I'd say.

Harry Stebbings: we both operate in the venture world. So, I mean, I can't disagree with the mimetic nature of human following when it comes to deals. Can I ask in terms of like people following what other people do, you obviously see that when you look at volumes in terms of purchases on.

Trading platforms, you're a very early ambassador in OpenSea. How do you think about how to be bullish on OpenSea or not given volumes being where

Nick Tomaino: they are? Open sea. Was the authentic, you know, NFT marketplace that's not to say that, their success is a [00:30:00] given moving forward, but, for OpenSea, I think if NFTs. become the massive, asset class that I think they will, OpenSea as the kind of on ramp into NFTs is a massive business.

So that's my kind of long term, thesis on OpenSea, that really hasn't changed since we, we started. And again, we're, early stage investors. We're not as much

making judgments about. you know, was OpenSea a great investment at 13 billion, you know, the last round was, I don't know about that, but do I think it's going to be important product in the world in five years, much more important than it is today?

Yes, because I think NFTs are important and because I think an on ramp to NFTs is very valuable for people.

Harry Stebbings: Did you sell OpenSea at 13? I mean, it's a high price. Yeah,

Nick Tomaino: again, we, we still own the majority of our, our position, but yeah, we, we took some chips off the

Harry Stebbings: table. Can I ask Timeline? I, so it's such a bad question. I always listen to interviewers and I'm like, [00:31:00] God, these questions were, and then I kind of end up asking because I'm just interested. When you think about kind of that resurgence of NFTs, re inflation of trading activities on OpenSea. Is that one year?

Three years? Ten years?

Nick Tomaino: I would say three to five years, that's kind of the time horizon, which, I think, it's likely before that, but, with a high degree of conviction, I would say three to five years.

I mean, NFTs aren't going away, right? Like even the simplest form of, of an NFT, visual artwork, traditional artwork is massive and there's a new wave of crypto. Rich people that view crypto art, just like traditional rich people view traditional art, that's already happening and even if that is the only Thing that happens in nfts, which I don't think it is.

I think nfts are still going to be very big But then you have nfts that can change on chain based on certain variables You have nfts within games you have music NFTs, you have all these other, directions that NFTs could go that they haven't yet.

that's the lens which I, I view, a bookcase for NFTs. [00:32:00] Nick, I

Harry Stebbings: spoke to Mark Cuban before the show, and he waxed lyrical about you in many different ways. He gave me pros and cons, One of the pros, he said, was your incredible independence of thought, which kind of goes back to the mimetic ness, or mimetic nature of humankind, and how you avoid that.

bluntly, that is a contrarian approach to NFTs today. How do you stay independent minded? when worlds and narratives are so strong today?

Nick Tomaino: I think it's just my nature. I've kind of always been... a contrarian, in some sense, like, I think about even, in high school, I didn't really care what other people were doing or thought.

a good example of this is drinking, I never drank, in high school or, or, or college, really. And I think of drinking as something that's also like super memetic. I mean, maybe for some people it makes them feel good. And this goes back to what's biological and what's memetic.

It's like, maybe for some people, drinking makes them feel good. I think for a lot of people, drinking actually makes them feel bad. But, they do it anyway, because other [00:33:00] people do it. answer your question, I've just always... thought about things a little differently and wasn't really influenced by what people thought.

maybe my parents are a good, explanation for why, think my parents raised me very well. I never, I've always felt mentally strong and never felt really insecure about anything. And I think insecurity can. cause people to like, fill a hole, to, to be searching for more money or more attention or things like that.

And I've just kind of always stayed grounded. So,

Harry Stebbings: it's amazing, Tyrion. I, I, not to feel insecure is a very difficult thing. I think everyone is insecure in some way.

do you disagree? if you are the person who doesn't feel insecurity, that's amazing. Like, well done. No, I'm not. We should study.

Nick Tomaino: There are certainly things I feel insecure about. Right. So I'm not saying I'm never, I'm secure about everything in my life. Absolutely. Or something like that.

But I dunno, I do [00:34:00] think a competitive advantage that I have, especially in the crypto space is. a mental strength that I'm not constantly trying to get approval from anyone, really. I'm just kind of living my life. And again, if I think about it, it's like, maybe my parents are a big reason for that.

I've never really thanked him for that, by the way, if they're watching, thank you, Mom and Dad.

Harry Stebbings: Yeah, A, an episode that touches on the heartstrings, Nick, you are just killing this show. Uh, and in fact, I would call them and thank them. yeah, uh, thanks, Mom and Dad, for making me incredibly insecure, for making me drink copiously.

And fuck me for all those therapy bills. Um, And my parents do watch this and

Nick Tomaino: so I am by the way By the way There's stuff I feel insecure about for sure. you know, we all, all do. But I do think that's maybe an explanation for, again, my ability to not chase things, I guess.

Cuban also

Harry Stebbings: told me that, you can be a little bit dogmatic, Nick. [00:35:00] when you have a position or a mindset, how are you cautious that you're not too dogmatic? Do you agree that you can be, and how do you sense check yourself to ensure that the dogmatism doesn't lead to ineffective decision making?

Nick Tomaino: Yes, I'm principled and sometimes that can be an issue. Yeah. So I think that is a, certainly a, a flaw of mine. Um, And I think it can also be a good thing, but there are situations where it can be a bad thing. And I don't know, one thing I think about is like, I think we all live in our own world and we all have, a way that we perceive the world.

And I think there are people that are kind of too in their own world. sometimes I can be too in my own world. And then there are people that maybe are too out of their own world and, you know, paying attention to, everything else that's going on. And there can also be an extreme of that.

So I think finding a balance of like, being in your own world and having principles that you live by, but also [00:36:00] seeing, you know, what's going on in the world deeply, um, and paying attention to that and kind of combining those two. that's. the approach that you need to live a, however you define in terms of happiness or success, but yeah, I mean, in terms of like it practically, how is being, how can dogmatic be bad for me? a good practical example, right?

Is Solana in the crypto space. - Solana to me, you know, we use this framework of like, there's purists and there's tourists. the best crypto projects are kind of at the intersection of purists and tourists. I have historically viewed Solana as a very, tourist thing, it came in right at the beginning of the last bull markets.

it was, you know, aggressively marketing. It was also one of these insider VC coins that, uh, sold a lot to early insiders who then marketed the shit out of it and kind of sold it to retail. So there are all these things about it that, from my perspective, are tourists. And maybe I'm wrong on that, right?

Maybe I'm looking at it from a two of a... Purist of a perspective and I'm too dogmatic I think the jury is [00:37:00] still out like I'm not Some people would say I'm a Solana hater because some of my tweets in the past or something, but, I'm very open to Solana. I've talked to, you know, some interesting founders that are building in Solana right now.

I still haven't really seen anything from Solana that's new and pushing the space forward in unique ways, and I'm kind of waiting for that. And by the way, the people that invested in Solana have done incredibly well. you know, I missed a big investment opportunity as well.

that's an example of a way where maybe I'm, too dogmatic, too purist, and I'm constantly You know, trying to reassess my frame and make sure that I'm, I'm not missing things because of that.

Harry Stebbings: Okay, final two, but they're kind of tied together, which is like, you learn a lot from wins and losses.

What's your biggest win, and how did that impact your mindset? And what's your biggest loss, and how did that impact your mindset? Biggest

Nick Tomaino: win, I mean, we've talked about it, I think it would have to be OpenSea, that was a product that I just believed in from a user perspective more than anything.

It's like, I.. was buying and selling CryptoKitties back in, [00:38:00] I believe it was late 2016. initially on the CryptoKitties website, was the only place that you could trade CryptoKitties and they charged 5%. And then OpenSea was just a product that allowed you to trade CryptoKitties for 2 percent rather than 5%.

A marketplace. To allow people to, to buy and sell these kind of off the main creators website just made a lot of sense for me and that was why we invested and at the time you know, they came out of Y Combinator, but it wasn't a hot deal at all.

Like actually, we led the round and we were, trying to convince our LPs to invest. It wasn't like, and some of them did and, and, and did incredibly well,

but it's like there were crypto funds at that time. everyone kind of looked at NFTs as kind of this stupid thing that didn't make sense.

For the most part, that was the, that was the Silicon Valley perspective and narrative. And we let kind of our user perspective kind of guide us. that is, I think, what allowed for that big win. but the loss, I would say, or

Harry Stebbings: can I just stay, stay on open seat.

Yeah. Where do you mark, where do you, mark opens seat [00:39:00] today? If we talk about LPs and how they think about book value. but

Nick Tomaino: like, yeah, it's down. It's, I would say down significantly. clearly. but yeah.

Harry Stebbings: Is that, is that like 1 billion, is that like 5 billion?

Nick Tomaino: You're in the right ballpark, I'd say.

Harry Stebbings: Okay, yep, no, it won't push. a Brit, so I can kind of sense when you're entering sense to enough zone. Okay,

In terms of the, the biggest loss or miss, they kind of can be either or, what was the biggest loss or miss and how did that impact your mindset?

Nick Tomaino: interestingly, I would say it's also OpenSea, Because when we invested, we only invested 500k initially. And that was again, like at that time we had a 26 million fund.

our mandate was, you know, checks between 500k and a million. it was, within our mandate, but yeah, we invested 500k and then we brought a bunch of our LPs in. To invest another, between 500k and a million, call it. that was one where, I learned if you have, conviction, be more aggressive,

Harry Stebbings: Did you have the conviction then?

Nick Tomaino: it's harder to have conviction [00:40:00] when you're just starting off. it takes lessons like this. so yeah, I think we did have some conviction, but part of the reason we were doing that at the time was cause we didn't really fully believe, as much as we should in kind of, you know, our investment thesis.

And we thought it would be a good thing for relationships to bring, deals to our LPs. that that was the thinking. and, you know, in some ways that that I think a lot of first time fund managers do that. And that could be a good decision, by the way.

It's like, it's good to build strong relationships and, to help other people get into deals and stuff like that. But at the end of the day, when it comes to. generating returns for LPs, which again is what we're trying to do in Venture. It's like that was not optimal decision, for that.

Harry Stebbings: Did you sell across rounds on the way up? Because I think this is another one that just a lot of managers don't know. It's like, should I sell in one chunk or cross rounds? Did you sell kind of continuously on the way up?

Nick Tomaino: No, no, no. We just, yeah. I mean, on the way up happened quickly and... I mean, it was more just a feel [00:41:00] thing than anything else.

It's like, we actually invested on the way up a little bit and then sold on the big way up.

Harry Stebbings: listen, I want to do a quick fire with you.

So I say a short statement, you give me your immediate thoughts. You can be an LP in a seed firm, a series A firm, and a growth firm. Which

Nick Tomaino: ones? well, I'm just going to use funds that I am LPs in. The funds I want to be in is kind of like newish ones that aren't super well known.

And basically the newest ones, I'm at a point where I, I can be. So, the seed fund I'd say is, uh, a fund called, Pronomos. Patry Friedman? Very interesting guy one of the, uh, the founders of the Seasetting Institute.

I would call him principled in some ways, uh, libertarian. his grandfather is Milton Friedman, the famous economist. And he's, been, very deep in kind of, uh, seasteading as an idea for, many years.

Harry Stebbings: So seasteading

Nick Tomaino: is kind of one of these out there ideas that got some media attention just because it sounds... So crazy, which is the idea of building, um, kind of new jurisdictions on the sea that are [00:42:00] outside, existing

jurisdictions, which could lead to more innovation in finance or in, you know, biotech or.

healthcare or whatever. So Pronomos is the idea that you can create new territories within countries The government of the country could carve out, um, new laws for, and that's the idea of Pronomos is kind of investing in these new, cities, basically, what I learned from one confirmation is if you can be kind of this early stage fund is investing in this kind of new.

Category and be kind of first of its kind then I think there's really high upside there. very outside of like the the traditional kind of silicon valley, but I think it's it's very interesting I love

Harry Stebbings: that series a and

Nick Tomaino: growth. I'm an lp and a fund called 1789 capital Omid Malik, and Chris Buskirk.

they are creating a America first venture fund. this aligns with. My sentiment in a lot of Silicon Valley is there's a lot of soulless greed and just this [00:43:00] desire to create these massive funds, massive attention, and I think again, Sequoia is the best example of this. And 1789, I view as kind of this anti Sequoia. That's, very much focused on kind of America first, mostly growth stage, but some kind of series a type funds and One of their first investments is public square, a Amazon of kind, but focused on, values that are very different than Amazon.

Harry Stebbings: let's move towards your favorite consumer brand and why them?

Nick Tomaino: Well, I know you don't like NFTs, Harry, right? So this might be, surprising to you as well.

But one of the things I love about they're effectively user owned brands. my favorite consumer brand, which again, this is a PFP project that you might not think of as, as a brand, but CryptoPunks. Right, CryptoPunks is effectively a user owned brand there's not a ton that's been done with the brand yet, other than just, there's 10, 000 of these, you know, 8 bit pixelated characters that all have different traits.

But there's a [00:44:00] really strong community, I love the artwork, I love the community, over a long period of time there's going to be increasingly

interesting things. That come out of this consumer brand. So CryptoPunks is my favorite

Harry Stebbings: consumer brand. You can have dinner with anyone dead or alive.

Who do you choose?

Nick Tomaino: Rene Girard.

you ask him? I'd ask him what he thinks. Of what's going on right now in the world in a lot of ways, whether it's in the U. S. politics, whether it's in the Middle East conflict and how his framework applies to U.

S. politics, Middle East conflict, I truly believe that deeper understanding of his framework could be a, huge catalyst for more peace in the world he's the father of, a lot of these frameworks. So thinking about one, how, you know, you kind of apply the framework to those and then two, how do we.

grow awareness on a lot of these frameworks. That was going to

Harry Stebbings: be my question. If we wanted to start our journey with René Girard, what should we start with? Is there a specific piece, [00:45:00] book? The

Nick Tomaino: Scapegoat would be the first book that I would read, by René Girard. Okay. And then, there's a few really good interviews that he gave that would be kind of how I would start.

Harry Stebbings: Tell me, what was the single strongest belief you had which turned out to be wrong?

Nick Tomaino: Well, okay, here's one. one of my really strong convictions within crypto is that prediction markets are going to be massive.

prediction market is very simply a... financial market for any outcome any event in the world. So you could have a prediction market for, you know, who's going to win 2024 presidential election Or Israel. Um, going to do a ground invasion in Gaza, any piece of information, uh, in the world you can create a market for.

And I think that is really powerful. It could be the most powerful thing that you could do with crypto, right now, Everyone speculates on, you know, whether it's, cryptocurrencies themselves or NFTs, or, a lot of that. is nonsense.

There is a small portion, which I obviously believe is very [00:46:00] important. But, you know, a lot of the speculation I think isn't very, very valuable at all. If you could create like global liquidity around information. I think that could be very valuable for the world because, how do we consume information today, media, whether it's, you know, the New York times or whether it's on X everyone that creates media has their own biases.

And I think if you can incorporate massive amounts of information, many different perspectives into a market. And it reveals a price which, reflects kind of a probability for an outcome. that's very valuable information for the world. and this can be done on, crypto, because of the global payment rails and, bridge markets haven't happened yet. Hayek, who's a famous, Austrian economist. He wrote about prediction markets back in and he's written a lot of great stuff, saying exactly what I'm saying right now, that how useful that prediction markets could be for the world.

It hasn't happened yet. you know, it was one of my early bets in crypto, you know, we invested in an [00:47:00] early, crypto project called Augur that, that didn't work out it hasn't worked out yet in a big way. So that's, I guess what, what I've been wrong about, to date, but you know, I'm dogmatic, I'm principled, I still think they're going to work.

So, I haven't given up on them yet by any means. And,

Harry Stebbings: market timing is the hardest thing in venture. Yep final one for you nick 10 years time.

It's 2033 Where do you and One Confirmation want to be then? What type of firm do you want to build? You could build the next multi billion dollar crypto firm. You can stay small. You can expand team. What do you want One Confirmation to be and who do you want to be?

Nick Tomaino: I really kind of want to be doing much of the same that I'm doing now.

But I just want crypto to be much more important in the world. And that's kind of the lens. if we've invested in a lot, more products that, brought in crypto to

many more users, you know, billions of people are using crypto, there's still a lot of innovation and stuff, you know, that's happening.

We want to continue to be kind of bleeding edge crypto investors that are investing in the new stuff. [00:48:00] There's a lot of people that come and go. I am in crypto for my lifetime and I want to be kind of doing what I'm doing now, but, crypto being, much more important.

Harry Stebbings: Nick, I love this!

This has been so much fun! You've been amazing, so thank you for joining me. No, I

Nick Tomaino: appreciate it. And for real, I told you this before, I really appreciate how much effort that you put into your podcast. It's clear that, again, your success too was not luck.

It's a lot of hard work and determination and that comes through in the prep and everything else that you do. So thank you. I'm going

Harry Stebbings: to read the scapegoat now.

Nick Tomaino: Appreciate