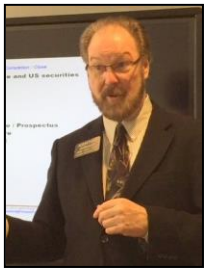
Expanded Steps – Conceptualization / Capitalization / Completion / Close

June 11, 2016

Refresh/reload for latest version

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Dear Executive:

Welcome to the *expanded* version of our Prosper Systems CCCC Steps.

We are also offering this as a half- to one-day Course, which we are happy to conduct on site or virtually for your Management Team, locally at no charge *(expenses only outside of Metro Denver CO USA*). Longer sessions can be arranged at very affordable rates.

Also, we are now offering a monthly Subscription Consulting service to clarify and expand on each point for a nominal rate that is *less than one hour at our top hourly rate*

Questions? Please email or call +1-303-770-4022 (12-9 USA ET).

Thank you very much,
Kenton Johnson, CEO and Chief Consultant

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Outline

Expanded from CCCCsteps.ProsperSystems.biz

Some details at Blog.ProsperSystems.biz and ArticlesLinkedIn.KentonHJohnson.com

Preliminaries

To stand even a chance of success, Founders need to set up their business with the following, via attorneys, accountants, government resources, academic and community education, online courses and the many books – **4/4/16 Meetup – Introducing Startups 2.0, 4/15/16 EcoTech E-club**

Then you can "Rocket Your Ready-to-Launch Startup" using something like our Startup 2.0™ Steps:

- Start with a draft Overview – using the content in our *Mission, Market, Management and Money*™ 2-pager.
  - Mission – one paragraph – there are many definitions – pick one or use the following that makes up your 1-minute power pitch
    - Problem – that needs solving
    - Solution – yours that is
      - Unique;
      - Powerful;
      - Such as reduce marketing cost and time by 30% each.
    - Purpose – motivating to you, associates and partners
  - Market – in which your solution can make a difference – another paragraph
    - Target Demographics (examples) –
      - Type of business (commercial real estate brokerage);
      - Revenue range (10mm+);
      - Number of workers, if revenue doesn't define well enough (40+);
      - Typical expenses as a percentage of revenue (80%, according to Forbes);
      - Length of time in business (3+ years);
      - Growth rate (5%+).
    - Size – number or $$ (15,000 – 15% of ~100,000 US firms)
    - Penetration – expected – % or $$ (10%)
    - See Library and Paid Market Databases
  - Management – "deep bench" that is strong enough to adjust to a changing market and attract people and financial resources – show off the resumes, pictures and links to online profiles such as on LinkedIn
    - Founders and CxO's –
      - Ask for full dedication in hours available;
      - Founders generally earn a bill-paying salary and a percentage of profits via their equity ;
      - Offer CxOs a % = $200K-$500K in 5th year – more if bring $$ or IP to the table;
      - All earn their stake as they participate.
    - Board of Directors –
      - Ask only 2-4 hours per month;

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        - Offer a % = $60-100K in 5th year.
    - Advisors –
        - Few or no meetings;
        - Ask for only an hour or two a month;
        - Offer a % = $30K in 5th year.
- Money – Current or Projected – 3-5 years
    - Expenses –
        - Be as certain as possible;
        - Indicates how much you *really* know about your business;
        - Show contingency planning – even a restart.
    - Income –
        - Reasonable estimates – 20%+/-;
        - Make sure exceeds Expenses and soon;
        - Work backwards from Income to determine lead population.
    - Net Income – straight math –
        - Don't advertise publicly in conjunction with an investment amount and percentage received (to avoid SEC complications);
        - Don't make ROI claims publicly;
        - Provide the data and let financiers figure their own ROI.

♦ Show Use of Funds

- Investors of all kinds – time, connections, equity, debt and delayed payment – want to know
- Show how each tranche will be distributed
- Be as certain as possible

♦ Establish your Incorporation Type – Sole, Partnership, LLC, S-Corp, C-Corp

- LLC is a good starting entity
- An LLC can become a full C-Corp

♦ Determine you starting Location – virtual, home, office, facility

- Home is a great choice
- Many work spaces are springing up at reasonable rates
- Check unused office or warehouse space
- Establish a legal address besides your home or a PO Box
    - Forward ALL your mail – to home or wherever you are in the world;
    - The Post Office is not forwarding financial- type mail – or what looks like it.

♦ Make sure your Patents are submitted

♦ Licenses and Licensing

- Obtain all your Business Licenses
    - Be registered properly
    - In-Home zoning restrictions could be an issue if too much traffic, employees, noxious chemicals or noise
- Obtain all other Licenses that you will need

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- Think seriously about Licensing your IP if it is the majority of your startup
  - Inventions will generally net only about 20% of the profit – when up to speed
  - Allows you to invent, license then move on to the next invention

♦ Decide on and begin to use your Bookkeeping method and Software
- Start out with something that's transferable to other systems
- Software allows quick Profit/Loss Statements and other Financials
- Need to be very current – not more than 30 days – for banks and many other financiers

♦ Select and start using your Professionals
- Attorney
- Accountant
- Bookkeeper – find through Accountant
- Consultants
- Coach

♦ Initial Funding will show other sources how you're managing the money
- Credit Cards
- LOC
- 2nd Mortgage(s)
- Friends & Family
- Suppliers
- Customers
- Associates
- Convertible Notes
- Seed Capital

♦ Join Professional Groups
- LinkedIn
- Meetup
- Clubs
- Chamber(s)

♦ Here are some more Resources for set up
- Gale Courses – free at libraries such as Arapahoe County (but not its Community College)
- Guy Kawasaki's *The Art of the Start* books
- Steve Buckwald, US/European Startup Attorney's Law Blog
- City, State, SBA, SCORE, some Chambers – though schedule may not be frequent enough, sometimes retreaded information from last Century, no consistent plan, and worth about what's paid

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- More of this information is available by contacting us at email below

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Phase I – Preparation (*Conceptualization*) – keys to success

- Analyze, Upgrade or Prepare your Business Documentation, in formats such as found at our sample Overview format, http://MissionMarketMGTMoney.ProsperSystems.biz, which references our suggested Business Plan format, http://BusinessPlanOutline.ProsperSystems.biz – **5/2/16 Meetup – Rocket your Startup with Superior Documentation**:
  - State a succinct Mission:
    - Problem that needs solving
    - Solution –
      - Unique;
      - Powerful.
    - Purpose - universal benefit
  - Define your Market:
    - Demographics – type, revenue, workers, expense %, stage, growth rate, where you can make a difference
    - Size – number or $$
    - Penetration – percentage or $$
    - Use library and paid Market Databases
  - Show off your Management team – what the Founders become:
    - Members – 3-5
    - Total experience – at least 125 years
    - The Best Fit for each Founder
    - Deepen your Bench – Candidates for Team –
      - Board of Directors;
      - Board of Advisors;
      - Few meetings – call/email 1-4 hrs/mo;
      - Small equity = $30K-$60K+ in years 3-5;
      - Show off those Resumes!
  - Clearly outline the Money – your Financial projections:
    - Detailed, reasonable Expenses –
      - Indicates your business knowledge;
      - Includes **capitalization.**
    - Realistic Income
    - Net Income
    - 1st 12 months
    - Next 4 quarters
    - Next 3 years – longer if needed for ROI
    - Reviewed by qualified Accounting Advisor (generally a CPA)
    - Be careful disseminating too much information so it doesn't become an illegal "public offering" of an investment
  - Establish written Agreements with:
    - Team Members –
      - Duties;
      - Compensation;
      - Exit contingencies;
      - Other negotiated.

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- Early Investors – shows interest
- Vendors – shows reality
- Potential Customers – LOIs, MOUs or Purchase Orders

- Write robust Plans:
  - Full Business Plan, in our suggested format, http://BusinessPlanOutline.ProsperSystems.biz
  - Marketing, such as our GOgitMMM™ Web 2.0 marketing system, http://GOgitMMMreport.ProsperSystems.biz
  - Sales
  - Operations
  - Growth
  - List all possible – detail at least one each

♦ Attract additional team members paid on future income – **6/6/16 Meetup – Attract a Great Management Team to Rocket Your Ready-to-Launch Startup**

- The additional Team Members are:
  - CxOs –
    - CEO;
    - COO;
    - CTO;
    - CIO;
    - CMO;
    - CSO;
    - CCO;
    - CFO;
    - CLO.
  - Directors – have fiduciary responsibility – ask only 2-4 hours per month
  - Advisors – typically do not have fiduciary exposure – ask only 1-2 hours monthly
  - Others –
    - Coaches;
    - VAs;
    - Interns.

- Creative Compensation Plans *(recap from previous sections)*:
  - CxOs – ramp up from stipend, through bill-paying salary plus profit sharing via small ownership = $200K-$500K in 5th year – more if bring $$ or IP to the table
  - Directors / Advisors – tiny ownership = $30K-$100K in 5th year
  - Others – reasonable fees or pay, reduced by equity or profit sharing
  - All earn their stake as they participate over a period of time

- Where Find:
  - Networking –
    - Friends, Family and Associates;
    - Social Media – good way to let them know your expanding;
    - Meetup, such as Denver Founders Lab;
    - LinkedIn –
      - *Stable for CxOs, Directors and Advisors;*
      - *Looking for opportunities.*
  - Advertise on Craigslist, other free outlets and trade publications (good exposure)
  - Recruiters – as last resort

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- Analyze compliance with state and US securities regulations
  - Website
  - Documents
    - Teaser/Overview
    - Business Plan
    - Private Placement Memo / Prospectus
    - Subscriber Questionnaire
    - Subscription Agreement
  - Presentation
  - Avoid
    - ROI and raise in marketing materials – reserve for private presentations and conversations
    - "Forward-looking" statements in marketing materials – reserve for formal prospectus-type document
    - Any unverified information – that could be considered purposely fraudulent later
  - Reviewed by SEC-qualified Legal Advisor (generally a specialize attorney)
- Prepare securities documents per legal counsel guidance
- Document database
  - Marketing
  - Presentation – general and one-on-one to qualified funders
  - In the Cloud
  - Maintenance
- Upgrade documents for distribution and presentation
- Develop funding presentation strategies
- Presentations – slides, online, paper
  - Develop
  - Strategize
  - Practice

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Phase II – Presentation and Process (*Capitalization*) – preparation meets opportunity

- Select type(s) of funding – *not just equity investors*
  - Friends and Family
  - Lines of Credit
  - Debt
  - Grant
  - Crowdfunding
    - Donation
    - Pre-purchase
    - Community Equity Investors, which include
    - Accredited Equity Investors
  - Venture Capitalists
  - Institutions
  - Private Equity Firms
  - Pension Funds
  - Family Offices
  - Supplier
  - Customer
  - Others
    - Factoring
    - Cash-flow loans
- Consultants, Legalities and Expenses
  - Startup/expansion consultants
  - Attorneys
  - Finders (a gray area)
  - Licensed Broker/Dealers
  - Investment Bankers
- Venue
  - State
  - US, or
  - Beyond
- Funder connections
  - Identify
  - Vet

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  - Strategize introductions
  - Develop relationships
- Maintain Funder database
  - Secured and Potential
  - Who's working with them
  - Progress
- Scripts (especially for friends, associates, directors and advisors who might violate securities laws by saying too much or in the wrong way)
  - Write
  - Coordinate with company legal advisors
- Practice with all
  - Introducers
  - Presenters
- Presentations
  - Coordinate
  - Lead
  - Log results in database
- Funder negotiations
  - Term sheet
  - Know limits
  - Durations
- Plan staging (tranches)
- Maintain Funder relations
- Resources
  - Brad Feld's and Jason Mendelson's Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist and free Course
  - Alejandro Cremade's *The Art of Startup Fundraising: Pitching Investors, Negotiating the Deal, and Everything Else Entrepreneurs Need to Know*

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Phase III – Profit (*Completion*) – ensuring sustainable and salable business

- Build corporate Customer Database
  - Contact information
  - Needs
  - Stage
  - Next Contact / Action
  - Dated Notes
  - Marketing/Referral Sources
  - Progress / Actions by Stage
  - Available to marketing, sales, management, consultants and operations
- Provide business performance information to
  - Funders
  - Customers
- Enhance via new technology
  - Marketing
  - Sales opportunities
- Operational enhancements
  - Identify
  - Recommend
- Technology enhancement
  - Research,
  - Decide
  - Implement
- New business investment and opportunities
  - Identify
  - Analyze
- Secure additional funding (as in Phase II)
- Additional Management, Directors and Advisors
  - Find
  - Review
  - Select

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Phase IV – Purchase (*Close*) – optionally exit/sell

- Exit or Sell, if and when desired
  - Evaluate real costs
  - Understand the time costs
  - Select best sales professionals
- At the best stages
  - Business
  - Market
- Prepare for exit/sale
  - Public Offering,
  - Selling your Own Shares or
  - Through organizations, such as listed at Buyers.ProsperSystems.biz
- Maximize ROI
  - Founders' efforts
  - Investors' efforts and investments
- Transition – continuation for a short or extended, with or without ownership
  - Founders
  - Management
  - Directors
  - Advisors
  - Key personnel
  - Fiduciary Responsibility and Liability

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Follow-on Topics and Resources

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Technology Courses – Websites, Blogs, Databases, Video Conferencing and Travel, Big Data, Cloud, Mobile Apps, Drones, Robotics

Resources: Blog.ProsperSystems.biz; Group.ProsperSystems.biz

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Resume and Recommendations

Resume *(link)*

Recommendations *(link)*

- Mr John Tesone, Business Development Executive, Istonish, President, Geologist, President and Chief Geologist, PaleoVentures, (303)881-7635, Greenwood Village CO 80111. Rec-Ed-TesoneJohn.KentonHJohnson.com
- Mr Don Schramm, Program co-Director. Collaborated, created courses, brochures and marketing to their STEM audience, and conducted 20+ intro to microcomputers courses (also taught 30+ to other national technical organizations – see Seminars), as well as computer management, Integrating and managing computers and CADD in Architecture and Engineering, and microcomputer applications, 1981-85, EPD.Wisc.edu, Department of Engineering Professional Development, University of Wisconsin-Madison, Madison WI 53706, (608)263-7757. Rec-SchrammDon.KentonHJohnson.com
- Dr Roland Thomas, Naturopathic Doctor, President of BioAge, former client in CompWellness.net, and current collaborator on marketing, sales and business. Edited and published one of his books on the Dr Kiriac story, as well as collaborated on other educational ventures, 1996-present, BioAge.com, BioAge LLC, Niagara Falls NY 14305, (303)683-8113 / +1(289)407-0828 (Canada). Rec-ThomasRoland.KentonHJohnson.com
- Mr Thomas Kruse, Senior Planner (ret), Denver Water Department, and real estate developer, greatly appreciated one-on-one training and insightful consulting in his department, as well as experienced "Introduction to Computers" and FORTRAN courses, 1976-78, then partnered on real estate projects, Denver CO 80204, (303)619-7128. Rec-KruseThomas.KentonHJohnson.com
- Linkedin *(link)*
  - Tamas M Knecht, 2014-present
  - Cris Wright, P.E., 2010-present
  - Lauren E Miller, 2010-present
  - Dr Tom Goode, 1997-present
  - Dr David Friedman, 1996-present
- CompWellness Professional Association *(link)*, 1996-2004
  - Roland Thomas, BioAge
  - Glenn Streeter, Medical Fitness
  - Margaret Auld-Louie, Optimum Wellness
- Jorge Barriga *(link)*, US Forrest Service Project, San Jose State University, 1969-70
- All Recommendations *(link)*

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