6IXTH EVENT

Founder-First Pathways

Alt | Options | Beyond | VC-2-IPO

Re-Imagined for Emerging Community

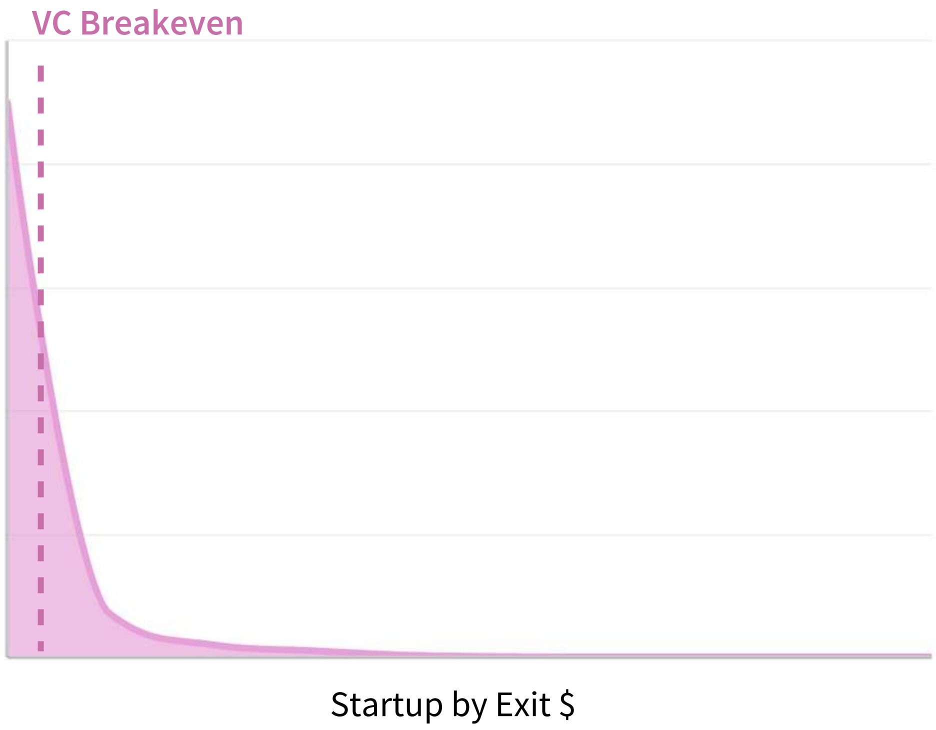
Cataclysm as a Feature

Now's the time for Founder-First

Alternatives to Traditional VC / IPO-or-Bust

That benefit founders, investors & communities

Venture Capital Model



- VC Needs a 3X Return

  3X Return / 10 Years < Stock Market [$50M fund needs $150M Returns]

  $3B of Exits Less Dilution = $1.5B [10% Stake for $150M Returns]

- A $50MM VC Fund Needs a StartUp to Exit @ $3B

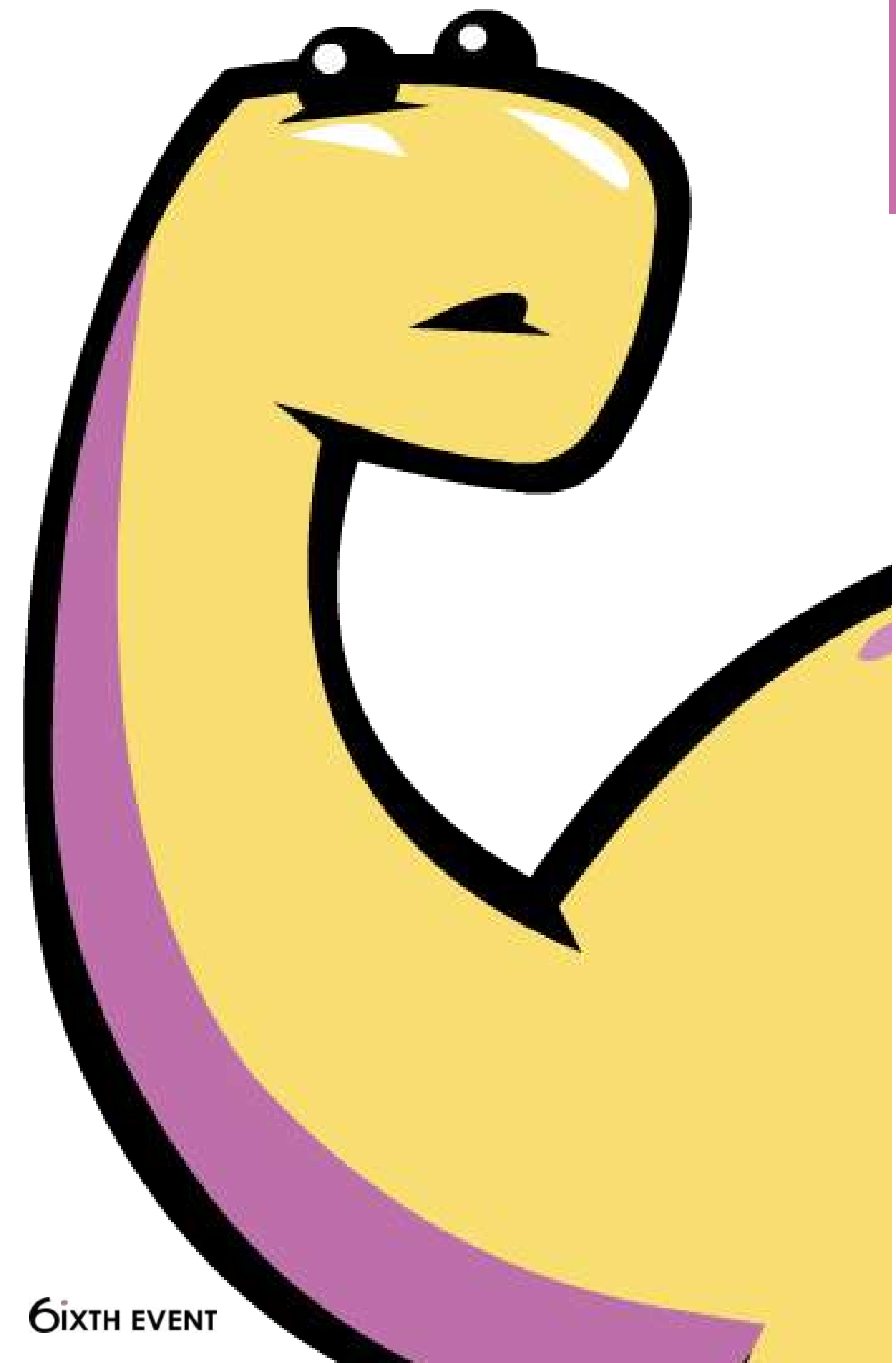
  $10M Fees + $20M Follow On + 20 $1M New Investments

  1 in 20 must hit $3B so VC Keep Jobs [10% Stake @ a $10M Valuation]

- 1 in 10K StartUps = 95%+ of Venture Returns

  Unicorn or Bust! [Write-offs increase impact from unicorns]

Probability of startup 'success' in this model decreasing as 1) # of new startups increase (w/ less $ required for product/market fit); 2) $ allocated for private markets increases (fund managers seeking to hit 7% returns to cover pensions vs. 0% interest rates).



Venture StartUps

- **Can Exit at $3B+ in < 7 Years**
  Ask yourself if this is for you [Psst... It's really $5B]
- **Do Not Need VC Funding / Do Not 'Pitch'**
  If you're pitching them, you're not for them
- **Need Rocket Fuel, Not Fixing**
  Efficiently use massive $ vs. require time
- **Shut Down if They Aren't Unicorns**
  IRR is best realized through early write-offs
  [Shut down a startup vs. exit it at <$100M?]

Would you rather?

Exit at $100M… Or Play '$5B or Bust'?

What if you kept more $ at the $100M Exit?

What if you raised odds w/o shut down pressure?

“What, like it's hard?”

- Elle Woods

So why are you…

Practicing your pitch/chasing VC?

What if you were profitable?

What if it took less effort than pitching investors?

“Madness is like gravity…”

- Jack Napier

Founder-First Model

- **Bootstrap to Start**

  Real Talk: You need to build a team and an MVP w/o external funding

  Discover whether your product has real value via paying customers

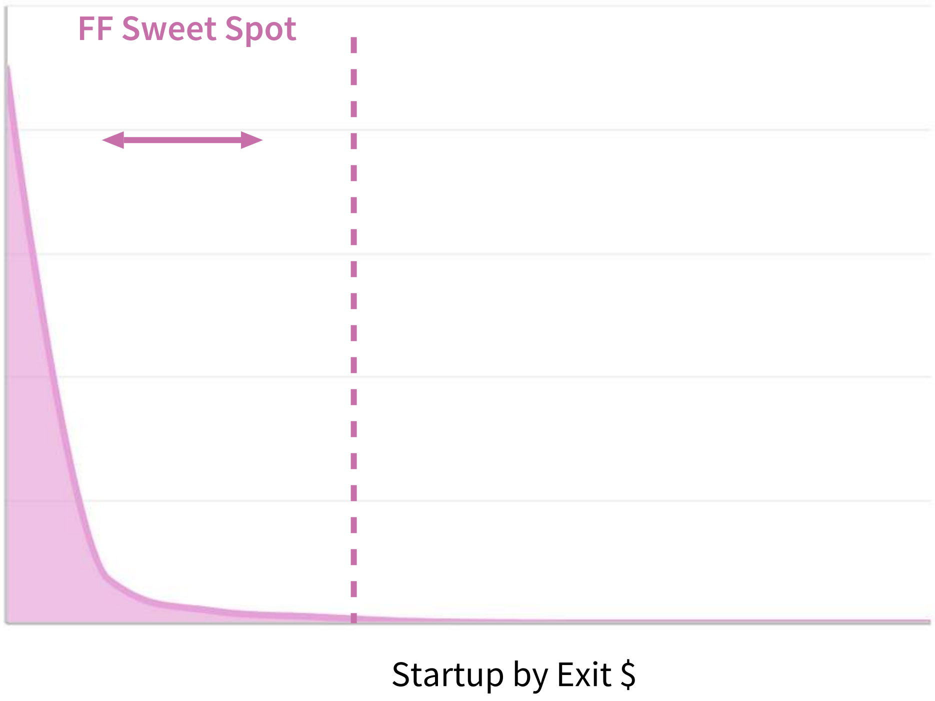
- **Add Angel / Early-Stage / Alt Capital**

  Get to Product / Market Fit while staying Lean

  Add select early-stage capital for expertise more than $; trade equity for debt

- **Nail the Exit**

  Early-stage capital is aligned for your exit [IRR]; make & work your exit map



If you happen to go supersonic you can always hop on the VC track as you go - they will come to you - you'll be better off and retain more equity by starting founder-first; you may still opt to avoid VC and trade revenue for debt to preserve equity.

Founder-First StartUps

- **Use Exit to Gauge Value Creation**

  Who would buy you = Where in the ecosystem you create value

  ... And who will buy your product as a client / for what reason

- **Do Not Need VC Funding / Do Not 'Pitch'**

  Spend your time 'pitching' clients for revenue

- **Need 'Fixing', Not Rocket Fuel**

  Move to fly-over country, extend runway, play w/ your biz model till nailed

- **Ignore Unicorns, Embrace Their Inner Beast**

  The real test is what value you create for your acquirer and their goals

Founder-First Optionality

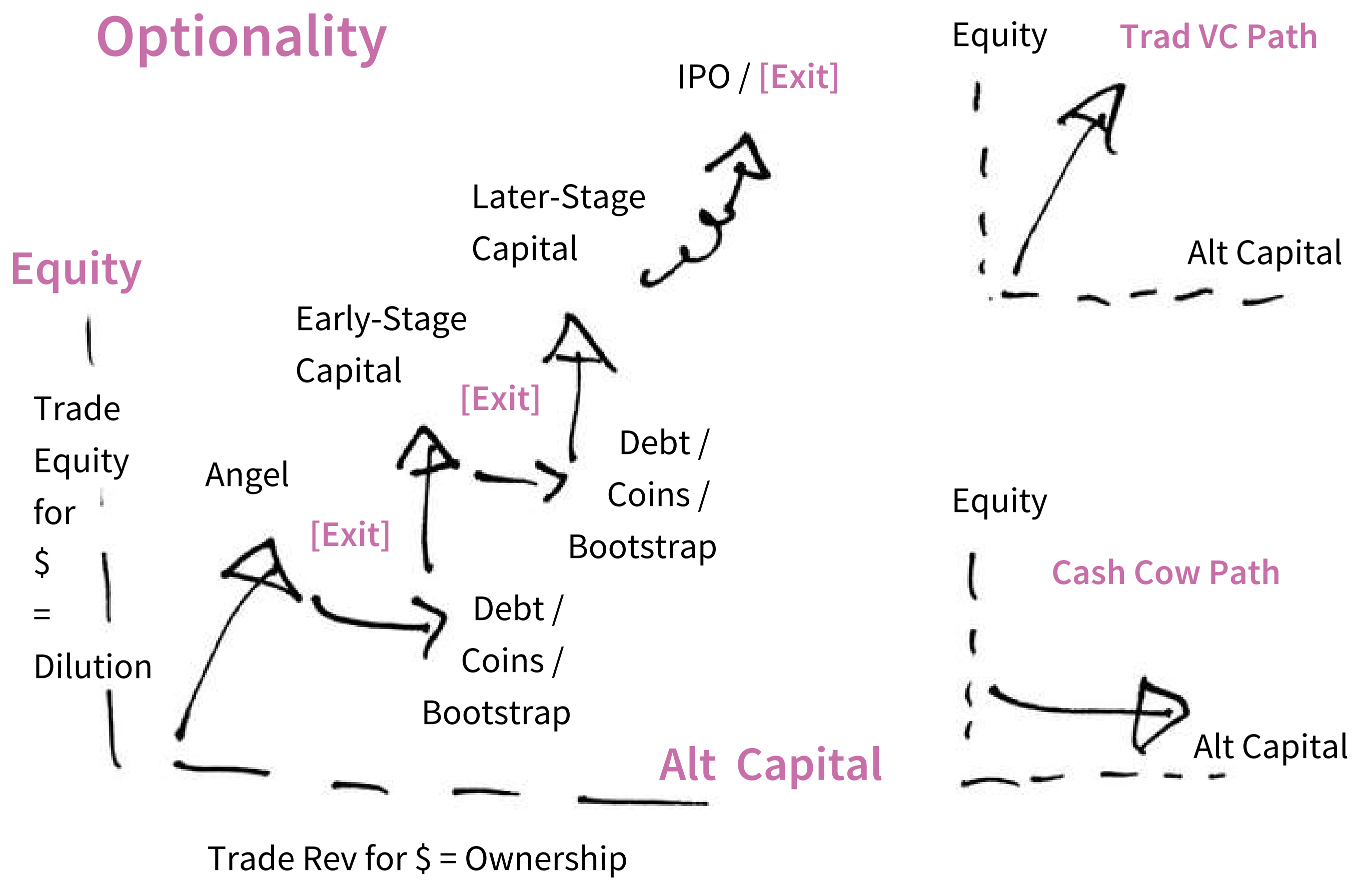
Founder-First Funding Models

Founders give short-term revenue to retain equity.

Early investors trade equity for time (Bootstrap) or short-term revenue (Debt).

Each party balances their risk/reward and aligns their portfolio %.

Founders and Early Investors aligned to benefit from Exit at various inflection points.



*Crowdfunding is trendy, and debt is different thanks so fintech finding it's legs, but...
Psst... Coins... just sayin' (more than crowdfunding).

Founder-First Ecosystem

Founders, investors, and communities are best served by building business that do not require VC. Think option, not necessity.

The world is flat.
Founders, rather than playing the numbers pitching, intentionally seek out a few exited founders in your space for investment/advice. Communities plug into this emerging global jet stream.

StartUps

Increase odds of successful business & exit by bootstrapping, finding a fit, orienting towards exit.

Investors

Invest in select early stage startups where you have expertise to create meaningful impact.

Communities

Becoming a slightly less successful version of a regional neighbor is not a win. (47th in rickets = FAIL)

Pro Tip

Focus on founders who have gone to exit. For this model, ignore VC, directors, corp, etc. who have not done it.

Jumping the Shark 2020: EDM DJs Start $50M VC Fund

Founder-First | StartUp Strategies

"Destroy the most important thing."

Brian Eno

- Reduce Your Burn / Expense

  Exercise - How are you profitable at 50%, 25%, 10% of rev?

- Give Your Product away for Free

  Exercise - What 2nd order benefit is strong enough to pay for?

- Asymmetric Leverage

  Exercise - How does your product become mandatory?

Software is eating the world, now marketing. 2000 saw 17M websites, in 2020 it's 1.7B.
You can't compete vs. aggregation - so come at it sideways and turn your bug into a feature to breakthrough.

Founder-First | StartUp Tactics

Turning your bug into a feature

= Superpower

- **Move to Fly-Over Country**

  Congrats, your 1 year runway, just became 3 years

  Sell to the coasts and use the geographic triage to bootstrap

- **Build the Business Your Product Enables**

  Your thing is a commodity, go compete vs. your thing's buyer

  Use your thing to build your own better product/service/brand

- **Solve the $#!++!&$+ Problem***

  Reduce a customer/entity's pain, and they'll buy something else

  Couple a unique solution solving drudgery w/ upstream offering

* Not the hardest one.

Founder-First | Investors

Smartest Person in the Room = FAIL

Big Fish in Small Pond = FAIL

- **Support Founder-First Models**

  It's best for the founders and your community

  At early-stage, it's good for you (IRR/diversification/next-co)

- **Use Debt / Alt Capital besides Equity**

  Allow StartUps to trade rev for debt to retain equity

  Finance direct or connect w/ emerging FinTech funds/services

- **Plug into the National/Global Jet Stream**

  Select StartUps, from anywhere, where you add direct expertise

  Encourage StartUps to use new tools/market to do the same

Goal is not to build/sustain a walled medieval city, but to create connections across a broad network, where you and your community use absolute advantages to meaningfully support, and receive support from, the larger ecosystem system.

Founder-First | Communities

Resiliency: Repetition across Distributed Expertise.

Strength = Practice x (Connections + Successful Participants)

- Play a Different Game

  95% of VC returns come from CA or NY.

  That aggregation is INcreasing. Play Money Ball.

- Build a Resilient Ecosystem

  Ecosystem strength means diversity, independence

  Shift efforts from edutainment to founder-first strategy/tactics

- Plug into the National/Global Jet Stream

  Barbell strategy = court highest end StartUps/VC/PE to set up

  AND build rich, diverse StartUps - plugged into national clients

Target 100 exits @ $1M across 10 sectors - or 10 exits @ $10M across 5 sectors - vs. 1 exit @ $1B in 1 sector.

Founder-First | Sample Path

Start

Have idea. Launch 'Pre-MVP' splash page to see if anyone will pay. Repeat. Build framework. Repeat. Tune @ MeetUp. Repeat.

Launch 'no-code' chicken wire/bailing line product (MVP) to achieve profitability. A/B test wrappers for product & biz.

Find 5 founders who exited in the space across US. Get their advice on market/exit, value/product. Regular updates.

Create 3 person team for equity only, all donate limited $ for next gen dev. Work exit map to find B2B aggregators to grow rev.

Work strategies/tactics to find 2nd order biz value & exit map to discover value pockets. A/B test product wrappers for value props.

Move to fly-over country for geographic arbitrage. Grow rev. Incentivize advisors. Chose angel or alt capital/debt if needed.

Start, for real

Rather than polishing your investor pitch, practice lean start, A/B testing, 1st buyers, product/market wrappers. Make it a game - how little can you spend to get people to sign up and pay. Find founders who exited in the space. Ask them who would acquire/exit this & why. Use founder-first strategies/tactics to identify clients & drive revenue.

Let's Connect

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More / Credit to / Deeper Dive on:
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bit.ly/MoreThanFinTech

Join Us

Re-imagining StartUp Pathways

For emerging communities

6ixth Event | Cataclysmic Capital

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“Whaddaya think of that?”

- Laurie Berkner