

“Succeed in Raising Capital”



How to Attract Investors and Raise Capital

A guide for what you need to succeed

BE ORGANIZED FROM THE START

The reality of the “Cap Raise”:

- SIMPLE and PREPARED matters a lot.
- Getting investor interest is hard, but sustaining it is even harder.
- Nothing is worse than an unprepared founder.
- Investors are looking for any excuse to disqualify you.
- There are 1000s of deals out there, why will YOU succeed?
- **DO NOT LEAVE ANYTHING TO CHANCE!**

What is Generally Needed...The Minimum



1) Pro Forma Projections:

- The “4-Bs”: Believable, Bull, Bear, and **Break-Even** cases.



2) Business Plan

- The document everyone needs but nobody reads...



3) Investor Pitch Deck

- “10,20,30 rule” — Guy Kawasaki (10pages - 20 minutes- 30pt font (this is 10pt BTW))



4) Term Sheet + 1 Pager

- Don't be greedy. Make it worth an investor's risk.



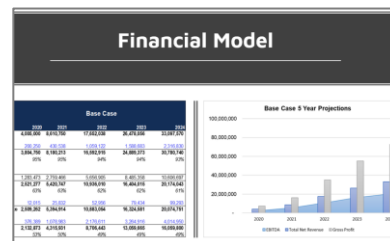
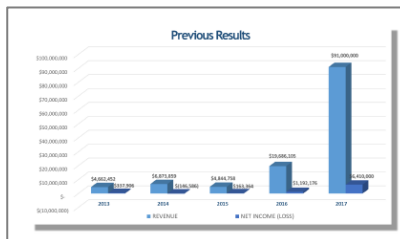
5) Risk Disclosure & Subscription Agreement:

- CYA & How to wire money? Whom do I sue when you lose it?

Step 1: Financial Projections...Start HERE!

Create a Sound Business **FINANCIAL MODEL**...

- “Your Projections are Fantasy” is heard a lot, so make them believable.
 - Know where your **break-even** is. Project from prior sales if possible.
 - Have a bull case, a bear case, and a break-even case. This builds trust.
- Numbers are scary for most people, so make them easy to read.
 - Show the #s in detail in **Current Business Plan**.
 - Show a “rolled up” set in Pitch Deck, Executive Summary, & Business Plan.
- Go out 5 years and do a valuation that is reasonable.
 - How can you price the offering if you don’t know the Terminal Value?
 - Look at comps but don’t assume you get x% of the market...you’ll be wrong.

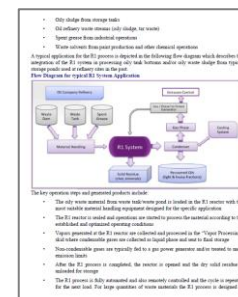
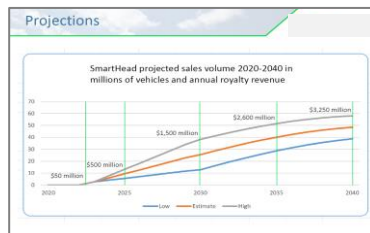
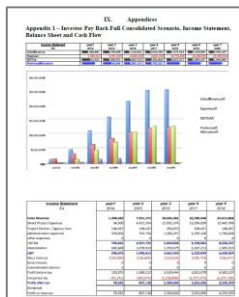


Metric	Value
Revenue	\$100,000,000
Costs	\$1,000,000
Profit	\$99,000,000
ROI	59%
Payback	17X
IRR	74%
IRR	75%

Step 2: The Business Plan...with Projections

Why do a **BUSINESS PLAN**?

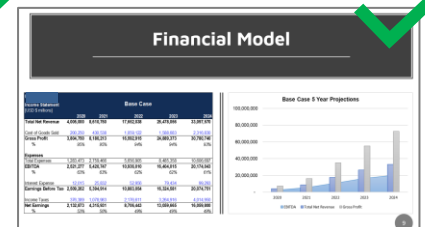
- **The business plan is for you... NOT them.**
 - If you don't have one, then your investor deck is based on nothing.
 - The document every company needs. Serious investors will ask for one!
- **“Working document” business plan for you.**
 - All ideas, all failures, all contacts, all pivots, all comps...in Appendix X
 - Start with Liveplan.com if you are new, then export and modify as needed.
- **“Abbreviated” business plan for them.**
 - A “pretty” 20page+/- Current document of key sections with PICTURES!
 - Full financial model and a graphical P&L - **KNOW YOUR BREAK EVEN!**



Step 3: The Pitch Deck: Simple but Complete.

Dos and Don'ts of the Investor Presentation

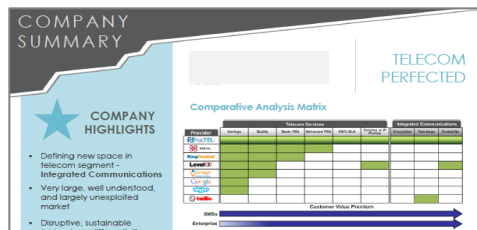
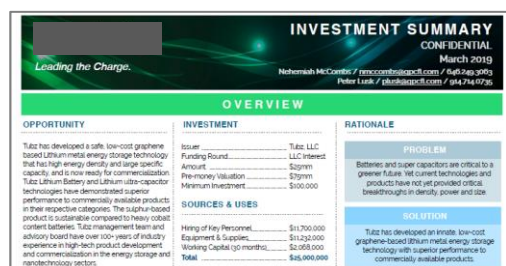
- **More Bullet Points and Pictures...less “War and Peace”.**
 - People ***DO NOT READ*** so limit text and use pictures to back up your points.
 - You have 2-10 secs to grab their attention for <2 minutes until the next page.
- **Be graphically “pleasing” but don’t obscure your message.**
 - Don’t use a black/dark background – you will burn up all my toner!
 - Don’t use fancy backgrounds that distract from your ***key text*** and ***IMAGES***.
- **Get to the point!**
 - By Page #~6, show 5-10yr cashflows, UOP & Terms. Then sell WHY & HOW.
 - The **ROI** is most important to 99% of investors. It’s your baby, not theirs.



Step 4: Executive Summary + Term Sheet

This is an investor's "First look"...before they read your Deck.

- **Everyone wants to see a “one-pager” first.** - “Just send me the 1 pager.”
 - It’s to see if they can understand your company in 1-2 paragraphs.
 - Have the offering terms on the “one pager” (it’s always 2 pages, BTW)
- **Add Pictures!**
 - If I am going to invest, I want to SEE what I am buying into.
 - Show revenues graphically and when the break-even point is reached.
- **Make it readable and compelling**
 - Don’t use a 6-point font! Nobody wants to read that much.
 - It is your first and only chance to impress someone. Make it compelling.



Subscription Agreement and Risks:

• *Getting their Money and how you will might lose it*

- Wire instructions
- How much are they buying
- Any terms of conversion
- Investor Questionnaire (suitability)
- Escrowed or Direct to the company
- Capitalization table of other stockholders
- How and when they receive shares/units.
- A whole boatload of risks:

- Stating the obvious of a risky investment.
- Not a liquid investment
- No control of the company
- Further Dilution
- Acts of God and other CYA points.
- On and on and on. Engage a lawyer. We know some good ones.

RISK FACTORS	
<p>RISKS ASSOCIATED WITH PURCHASING OUR LIMITED LIABILITY COMPANY INTERESTS</p> <p>This LLC is providing the following information to participants of the offering to be placed into the "Investment" in order to provide information to investors and to the Securities Act of 1933 (the "Securities Act"). The terms "we," "us," "the Company" and "LLC" used in this document shall mean the LLC.</p> <p>We are an early stage company and investing in our technology involves a high degree of risk. Investors should understand that our business is subject to a number of risks, including but not limited to the following:</p> <p>Statements made by our management regarding our strategy and operational goals were prepared for informational purposes only and should not be relied upon as a basis for investment decisions. These strategy and operational goals are subject to change without notice and may be revised or discontinued at any time without notice. Our actual results may differ materially from those described in our strategy and operational goals as a result of the following risks:</p> <p>RISKS RELATING TO OUR BUSINESS</p> <p>We are an early stage company with limited operating history.</p> <p>We have no operating history and began operating on October 1, 2014. Our only revenue has been from our subscription to our early stage company and we have not yet generated any revenue from our commercial business. We have not yet generated any revenue from our commercial business and we have not yet generated any revenue from our commercial business. We have not yet generated any revenue from our commercial business and we have not yet generated any revenue from our commercial business.</p> <p>We have incurred losses to date, and we expect to continue to incur significant losses as we develop our technology and our business.</p> <p>We expect to continue to incur substantial losses for the foreseeable future. We cannot be certain that we will produce sufficient revenue from our operations to support our operations. Even if we achieve profitability, we may not be able to sustain profitability over a lengthy period.</p> <p>We cannot be sure that our products will be widely accepted.</p> <p>We are a development stage company and have yet to develop a business or market segment that is suitable to produce customers. We cannot be sure that we are able to develop a business or market segment that is suitable to produce customers. We cannot be sure that we are able to develop a business or market segment that is suitable to produce customers. We cannot be sure that we are able to develop a business or market segment that is suitable to produce customers.</p> <p>Substantial and general market acceptance of our business may be necessary to achieve sufficient revenue to support our operations. We may not be able to achieve sufficient revenue to support our operations.</p> <p>We are not currently developing a business or market segment that is suitable to produce customers. We cannot be sure that we are able to develop a business or market segment that is suitable to produce customers. We cannot be sure that we are able to develop a business or market segment that is suitable to produce customers. We cannot be sure that we are able to develop a business or market segment that is suitable to produce customers.</p> <p>Substantial and general market acceptance of our business may be necessary to achieve sufficient revenue to support our operations. We may not be able to achieve sufficient revenue to support our operations.</p> <p>We are not currently developing a business or market segment that is suitable to produce customers. We cannot be sure that we are able to develop a business or market segment that is suitable to produce customers. We cannot be sure that we are able to develop a business or market segment that is suitable to produce customers. We cannot be sure that we are able to develop a business or market segment that is suitable to produce customers.</p>	<p>use effectiveness of our products compared to products produced by commercial entity owners and other factors that may affect our ability to generate sufficient revenue to support our operations. We cannot be sure that we are able to generate sufficient revenue to support our operations. We cannot be sure that we are able to generate sufficient revenue to support our operations. We cannot be sure that we are able to generate sufficient revenue to support our operations.</p> <p>Because we expect that some of our products may be accepted into the market, we expect that some of our products may be accepted into the market. We expect that some of our products may be accepted into the market. We expect that some of our products may be accepted into the market.</p> <p>We expect the process of developing customers to require a substantial length of time and considerable effort because of the complexity of our products and the nature of our business. We expect that some of our products may be accepted into the market. We expect that some of our products may be accepted into the market. We expect that some of our products may be accepted into the market.</p> <p>In addition, our ability to successfully sell our products depends on the ability of our customers to successfully sell our products. We cannot be sure that we are able to successfully sell our products. We cannot be sure that we are able to successfully sell our products. We cannot be sure that we are able to successfully sell our products.</p> <p>We may not be able to compete effectively.</p> <p>Many of our potential competitors operate their manufacturing facilities and have longer operating histories and experience in the market. These competitors may have more established relationships with customers and may have more established relationships with customers. We cannot be sure that we are able to compete effectively. We cannot be sure that we are able to compete effectively. We cannot be sure that we are able to compete effectively.</p> <p>Substantial and general market acceptance of our business may be necessary to achieve sufficient revenue to support our operations. We may not be able to achieve sufficient revenue to support our operations.</p> <p>We are not currently developing a business or market segment that is suitable to produce customers. 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PART V. CERTIFICATION OF ACCREDITED INVESTOR STATUS	
<p>ALL INVESTORS — ACCREDITED OR NON-ACCREDITED — MUST COMPLETE THIS SECTION.</p> <p>Subscriptions will only be accepted from accredited investors, as defined under the Securities Act, and certain other investors in the sole discretion of ProCap. To be an accredited investor, you must meet one of the following tests. Please check the appropriate boxes.</p>	
<p>Instructions for this Part: Individual investors (including joint tenants) must answer questions set forth in Part IV (A). Investors that are corporations, partnerships, employee benefit plans or IRA's must answer questions set forth in Part IV(B). Investors that are trust accounts must answer questions in Part IV(C), and investors that are any other type of entity must answer questions in Part IV(D).</p>	
<p>Definitions: For purposes of Part IV and Part V of this Subscription Agreement, "individual income" means "adjusted gross income" as reported for federal income tax purposes, exclusive of any income from a spouse or from property owned by a spouse, decreased by the following: (i) the amount of any interest income that is tax-exempt under section 103 of the Internal Revenue Code of 1954, as amended (the "Code"); (ii) the amount of losses claimed as a limited partner in a limited partnership, as reported on Schedule E of Form 1040; (iii) any deduction claimed for depletion under the Code; and (iv) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the Code. The term "joint income" means individual income plus any income from a spouse or from property owned by a spouse. The term "net worth" means the excess of total assets at fair market value, including home and personal property, over total liabilities, including mortgages and income taxes on unrealized appreciation of assets.</p>	

Other Items and Helpful Tools

- ***Some other items for due diligence:***

- Prior offering docs
- Company formation docs, meeting minutes, and bank statements
- Patents, trademarks, licenses
- Background checks and “Bad Actor” disclosures
- Absolutely NO commissions paid to unlicensed “finders” (not even a little bit!)
- 3rd party technology validation and or valuation is a big plus.
- 40+ other items I don’t have time to discuss here.

- ***Data Warehouse:***

- Trackable, i.e., login needed. You are supposed to keep track of who reads this.
- Make a limited number of folders (no blank folders!)
 - Best with 2 main folders: 1) offering materials, 2) additional due diligence
- Use “Docsend” or other services to track who reads what, how often, and when.

Funding Options To Raise Startup Capital

- ***Some Ways to get early-stage capital:***
 - Bootstrapping Your Startup Business “Just Do It”™
 - Fund it from Savings/Cashflow and the 3 F’s (Friends, Family, Fools)
 - Crowdfunding As A Funding Option
 - 506(b) and 506(c), Need to File Reg D exemption with the SEC.
 - Angel Investment In Your Startup
 - National and regional angel groups. Usually, \$1mm or less.
 - Venture Capital For Your Business
 - Usually “B” or “C” round. Can sometimes be onerous terms.
 - Business Incubators & Accelerators
 - Raise Funds By Winning Contests and Grants

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END OF PRESENTATION
(This is 30pt font BTW)