


the

# Cherub

project

*Early, Iterative, and Recombinant  
VC Incubator Strategy*

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A photograph of a light brown cardboard box, likely for shipping. The box is open, showing its interior. Inside, a white object is visible, wrapped in white tissue paper. The box has a dark brown handle on the top and a silver metal latch on the front. The background is a dark, textured surface.

"Our goal is to offer a more responsive market testing mechanism while enabling broad strategic recombination of technology, people, and business models."



# Compelling Facts:

- Rapid pace of change prevents market-ready assessments for multi-year investments,
- Investments offer too few successes to amortise ROI,
- Stock structures prohibit recombining successful components of startups.

*There is currently no way to quickly test hypothesis based on new technologies, business models, and markets - nor any way to rapidly iterate them to success.*

# A Solution:

- Extremely short-term, low-cost opportunity for entrepreneurs to prove out ideas,
- Large-scale collaborative environment for organic, cross-platform integrative growth (like Twitter),
- Ongoing revenue as byproduct of process.

*The Cherub Project enables recombinant, iterative, and rapid-turnaround prototyping such that maximum IP is retained and market lessons are monetized.*

# The Team:

## **Founder:** *Joshua Klein*

Entrepreneur and cross-platform technologist, Josh speaks at events such as TED, SXSW, and Serious Play and consults to organizations such as Microsoft, Nokia, the CIA, and others on technology innovation and thought market leadership.

## **Primary Advisor:** *Cristobal Mendez de Vigo*

Asset-raiser and business strategist with over 13 years experience in the asset management markets in Europe, the Middle East, and Asia. Is involved daily in business model reviews and in assessing investment opportunities.



# Methodology:

**Overview:** *Sets of microstartups are given a short term loan and a defined "success" state to which their results are compared by an expert team of shareholders. Successes move on to stage two, where they receive additional mentoring by said team, and are then offered to fund subscribers for next-stage investment.*

**Stage One:** \$10k/microstartup/3 month loan paired with an option for equity at pre-defined valuation (e.g., \$n) or a pre-defined discount at next/first equity round.

- Early exit opportunity by allowing loan to be repaid with a premium immediately prior to the equity round,
- More initial flexibility while avoiding the emotional question of the value of the IP,
- Limited to three month validation period, after which go/no-go decision is made by in-house field experts.

**Stage Two:** \$30-90k/microstartup/8-month additional investment based on results from Stage One.

- After Round Two the investment is made available for full VC funding by subscribers,
- Based on results, the microstartup can either roll back to another Stage One, repeat Stage Two, or dissolve,
- If dissolved, management team can recombine ideas to reinvest IP in more meaningful business opportunities.



# Business Model:

- 1) Sale of controlling shares of small business invested in either Round One or Two, primarily to subscribers motivated to reinvest,
- 2) Ongoing subscription fees from corporations and investment firms for ongoing review access to Stage One investments plus a quarterly "lessons learned" newsletter,
- 3) Review and consultation of member's R&D efforts, either separately or as part of a guided inclusion of their IP into a Round One investment.

# Competitive Advantage:

- Economic climate has resulted in high-investment / high risk paralysis,
- Extremely limited number of early-stage VC corporations offer niche opportunity to the first mover,
- Smaller angel investments allow for more meaningful ideas to be presented in a second stage,
- At any stage cash investment is minimal, and all IP from a failing venture is rolled over for inclusion in other investments.

*There are very few VC firms willing to fail fast and produce often, and similarly few organizations who can support entrepreneurs in doing so.*



# Current Status:

**Have:** Extensive technical expertise, significant startup and early-stage prototyping experience, and extensive funding and investment review experience.

**Need:** Business and financial capability + expert participants.

## **Milestones:**

- *Year One:*

- \* Create partners at institutions such as MIT and with government and private entities,
- \* Bring in expert partners to commit time per month or to dedicated days once a quarter,
- \* Attract additional investors to help create a pool of cash for the initial rounds.

- *Year Two:* For the first year of operation VCs will be brought in with Stage Two and added based on results.


## **Estimated Burn Rates:**

- Year One: high-level seeding (rounds one and two) phase, consisting of:

- \$2 million for ~100 round one investments plus 35 round two investments,
- \$2 million for salary, travel, and legal fees.

- Year Two: VC phase, consisting of commitments for capital calls of around \$20 million from associated VC funds or larger firms' R&D budgets to allow more significant investments (up to \$2million) in roughly 10 projects that pass rounds 1 and 2.



A photograph of a dirt path leading through green foliage. The path is light brown and sandy, curving slightly to the right. On the left side of the path, there are tall, green, blade-like plants. On the right side, there are green plants with small yellow flowers. The background is filled with more greenery, creating a sense of a natural, outdoor setting.

"We are at a turning point in investment opportunities - one in which the fastest, most flexible, and most aggressive will win."

*The Cherub Project is that opportunity.*