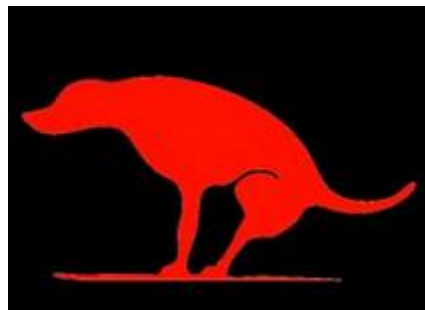Support **FOUNDUPS** BY BECOMING AN **ARCH ANGEL™**
VIDEO - **SIGNUP**

THE **FOUNDUP**® MANIFESTO!

The Open !ncubator™ Foundup® (O!F) Manual

"STEP IN IT BIG!"

"A COMPLETE ROAD MAP TO HELP YOU SUCCEED WITH YOUR STARTUP"

michael j. trout

FORWARD

"Nothing is as powerful as an idea whose time has come." Victor Hugo

The world is under massive pressure to change its destructive, unsustainable way and if we fail to do so we risk everything.   How can we become a sustainable global society by 2020? FOUNDUPS® has an answer and it is O!F, and "collaborative" foundups that become OPEN CORPs!

As you read this book I want you to keep in mind that 99.99% of investors thought Open Source and Wikipedia as completely ludicrous ideas! The purpose of this manual is to provide a very comprehensive roadmap for anyone to launch any idea into a successful startup using the Open Incubator and its Foundup® (O!F). The first part of the manual gives an overview, Section 1, defines terms; and Section 2-10 covers O!F; Appendix's cover all documentation needed.

This is a "how-to" book and will provide you very specific information on how to use and set up your Foundup or Startup on: Gmail, Linkedin, Facebook, Skype, GoDaddy, Timebridge, Sliderocket, and a host of other platforms. We will share with you some very cool hacks and secrets that will help you "Step in it Big!"

My core audience is the 16-25 year old. I have tried to write in a style and language that they will relate too and imagery too. But before I get going, let me answer the question that is probably on the fore front of your mind: Why the squatting red dog?! Do you see the BIG red chili pepper between its legs? No? Look again… I came up with the logo because it exemplifies everything, I feel us founders are! Being a founder can be a very lonely experience with its many highs and lows. I love dogs because even in the worst of times a dog always is positive and happy and as founders we have to be too. We are somewhat like lone dogs willing to do anything to achieve our vision just as a dog will for its next meal. We have had the idea, validated it, maybe even assembled a team and now we are desperately trying to push out that red-hot chili pepper prototype that investors fails to grasp and thinks is utter crap! It's funny when people comment about "why a pooping dog logo" I now respond "Why do you think it's pooping dog? Where's the poop? I don't see any poop do you? It could just as well be a dog in the process of sitting… No?" "What does that is say about you? Got a gutter mind?... fixated on poop?..." I then smile and wait for their response. Which is usually somewhat apologetic or agressive in nature. "Dude, it IS a pooping dawg! and that's okay. You'll remember it, I bet! And what teenager isn't gonna NOT want to wear a FUC t-shirt with a BIG RED SQUATTING DAWG with 'Step In It Big!' on it?!" Another thing I like about the dog is it acts like a gatekeeper keeping people without any sense of humor and fun away. If you can't find the humor in the red dog squatting with a big red chili pepper between its legs, tbh you are not the kind of person I want to know, because life is too short not to have a good laugh!

Our Vision: "**Be Good"** to our ideas, stakeholders and those who help launch Foundups® into successful lean Startups! We want to flatten the world of startups making them accessible to all by using a framework to collaboratively validate, build and launch business strategic initiatives (foundups®) into financially transparent, socially responsible, ISO 26000, employee- owned social enterprises that will invest 20%-80% of net profits into sustainable causes and activities that will benefit others. By December 2012 our goal is to have 10,000 foundups® being collaboratively "found-up" on Foundups.com (*The Foundup Mall*) into financially successful lean startups.

Claim/Goal: (currently being tested): **Our collaborative Foundups® will have a greater success rate than the institutional Startup.** O!F is a schema or framework for validating, team-building and launching ideas into successful

lean startups in a collaborative way. The system is currently being developed and alpha tested, we are building the platform, and writing the manual that combined with other existing online tools will provide an easy to follow road map for anyone to follow. O!F will show people how to use existing online tools in conjunction with Foundups.com. It will also share insider secrets to using them and how to get the most out of them(hacks). Ultimately, our goal is to remove the systemic problems facing the startup and have a much greater number succeeding using our collaborative O!F model. The moment we prove the Foundup® out performs the Startup is the moment the Startup is displaced by the Foundup®!

ALPHA FOUNDUPS & PARTNERS

Wikitube.TV – Multimedia Foundup. "What do you want to Watch?" Developed and Launched in 2009 early 2010, Wikitube.TV pioneered and validated a lot of O!F methods. Trout assembled the team and had 2 prototypes up within 2 months. Wikitube was the first platform to have Playlists and continual playing mode for YouTube. All features were validated by YouTube as developers added them to YouTube. Trout realized that lone entrepreneurs are only helping others to develop their platforms by incorporating their innovations into their existing platforms.

ESingularity Prize (ePrize.info) – Incentive e-learning Prize Foundup. The future of learning is eLearning driven autonomously on smart devices. The ePrize seeks to establish a fund for motivating the creation of a FOSS autonomous eLearning platfroms that will deliver math, science and language arts to smart devices.

Karebid.com – Med/Heath Care Foundup. "Your Heath Matters!" Imagine an eBay where one can shop and bid on their care… a site where people can find the care they need without the hassles and cost anywhere in the world.

EzBooks – Asian (India, Pakistan, CN) college students cannot get the college books they need. EzBooks will help solve their pain.

InnovateHK.com – Foundups Corp sister corporation in China. InnovateHK hold the CN/HK/IN O!F reseller license.

Foundups.com – "The Foundup Mall" The platform will allow us to launch 10,000 Foundups and provide to crowdsourcing and free crowdfunding tools to allow ANYONE to "Step In it Big"

TopSecretScout.com – launched as part of DC Startup Weekend 2010. TSS seeks to provide a solution for clearable candidates. Currently, Federal contractors have over 50K clearable positions they cannot fill.

Popuptext.com – "A fun and easy solution to solve illiteracy" Imagine Karaoke text popping up an sinking up with images while a kid watches TV. In order for the child to keep watching using a Wii controller a child has to answer a reading/marching question. The platform scales up with the learner.

HelpJapan.co – "A Halliburton for Disaster Relief" Federal contractors solve problems all over the world. They clean up the worst disasters and manage the logistics for the US Military Industrial Complex. Our goal is to create a co-op of Federal contractors to help in the disaster relief and rebuilding of Japan.

INTRODUCTION

"The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man." George Bernard Shaw

Problem, Part I – What is a startup?

It amazes me that no one until me has pointed out the fact that there is NO definition for a Startup and what is worse no one can define one, not even trash mouth 500Hats Dave McClure!… but tbh, his definition wasn't too off base. However, If you talk with any seasoned entrepreneur or venture capitalist, they will tell you something like this… "you'll make more money working at McDonald's then you'll ever make working on a startup." Do they mean the idea stage or working in an actual startup? A little known publicized fact is that over 97% of startup initiatives fail! That is right! Deciding to do a Startup is kind of like deciding one day to climb Mt. Everest without any education, preparation or training, and setting off to do it with a gleam in your eye. I would imagine if as many people decided to climb Everest as decided to do startups, well over 97% would fail too. If I told you that ALL you need in order to climb Everest is to write a detailed plan of the route and more importantly assemble a "good" team of equally committed (beguiled) climbers you could succeed; you would laugh. No? After all, why would ANY seasoned climber want to join your team? The in-crowd climbers are located in Silicon Valley (a nice list of them can be found on angel.co) they, for the most part, decide which startups are going to launch, and as a result we have events like Angelgate -- where Silicon Valley super angel groups work together to control and price fix (how many Angelgate's are not exposed is the real question!). As you can imagine, the many trails to Everest's summit are littered with corpses of forgotten climbers, just as there are mountains of failed and forgotten startups. The pain, suffering and cost has never been accounted for but we can fairly say it is in the tens of billions, if not trillions of dollars! But these are discounted and forgotten because a few billionaire's becoming even bigger billionaires. We're beguiled by the success of very few! But to be honest most entrepreneurs are in it to become rich, but solve a problem!

What percentage of startups fail is a hotly debated question, and depending on who you talk to you will get a different answer. The new put it this way. If climbing Everest is our metaphor for the startup process, at what point in the process of climbing Mt. Everest is the Startup? Is it the moment one decided climb Everest? Is it at some point along the path to the summit? Or is startup the point when one reaches the summit?

"Before we can have a discourse, we must define terms." Plato. So what is a startup? This is probably the most important question an entrepreneur must answer. The problem is, depending on who you ask, you will get a different answer. The Small Business Administration has its own definition that is very different from the 1000s of participants at Startup Weekend or Hackathons who come together to work on an innovative idea to solve a problem. Startup Weekend defines a startup as the point at which you have the idea that forms a team at one of their weekend events. Hackathons put the starting point at around "basecamp one" (you already have a team and are working on it). The SBA defined startup as the point when one reaches the summit. For example, they would not have called Facebook (when it was created at Harvard) a startup, or Google as a matter-of-fact. So if you ask them what percentage of startups fail, you get an answer of around 60%. The SBA admits that there is no system or framework for tracking startups over time.

Similarly, [Techstars](#) or [Y-Combinator](#) would define a startup somewhere around "basecamp 3" (have a team, prototype, and are incorporated). So what is a startup? The simple fact is no one really knows and everyone defines one differently! To provide clarity, we have had to come up with our own definition - one that we can hold up against any business initiative and know what it is.

Problem, Part 2 – what's really important?... the Idea or the Team?

Shaw, JFK, Wilde, Clark, Picasso, Einstein, Edison, Lincoln, Firestone, Ford and countless others believe the idea is ALL important! Why is that? Here are a few representative quotes out of 1000 you can Google:

> "An idea that is not dangerous is unworthy of being called an idea at all." – Oscar Wilde

> "I know quite certainly that I myself have no special talent; curiosity, obsession and dogged endurance, combined with self-criticism, have brought me to my ideas." – Albert Einstein

> "All great ideas are dangerous." – Oscar Wilde

> "New ideas pass through three periods: 1) It can't be done. 2) It probably can be done, but it's not worth doing. 3) I knew it was a good idea all along!" – Arthur C. Clark

> "A man may die, nations may rise and fall, but an idea lives on. Ideas have endurance without death." – JFK

> "Capital isn't that important in business. Experience isn't that important. You can get both of these things. What is important is ideas." – Harvey S. Firestone (tire company)

However, If you talk to any seasoned entrepreneurial practitioner, venture capitalist, angel investor, or apply for funding for your idea… they will tell you very quickly that the idea doesn't matter and that the team is all important. Why is that? So, why do over 97% of startups fail to make it up to the summit and launch? Do they fail because the idea was bad? Do they fail because the team was bad? Do they fail because the timing was bad? Or do they fail because of a combination of all the above? Or, another option… they fail because the "institutional" system is bad and full of systemic problems? You see "the team" is an institutional vehicle that must fit into a specific institutional framework. That is, those institutions that are funding startups represent a specific institution and are looking for "a team" that fits their institutional criteria. For the most part, they are seeking founders that are under the age of 25 with some specific background or education. Why is that? Is it because they are the ones dumb and gullible enough to risk everything? Or is it because 25 year old really has nothing to lose? Their risk is minimal. Once you are in your thirties or forties you probably have a steady job , family and children and doing the startup is just too risky.

The good news is, if the failure is due to systemic problems in our current "institutional" startup system, then they can be overcome and fixed! However, if we assume, as the mainstream Startup practitioners do, that the problems are just endemic to the system, then we must accept the fact that it's normal for 97% of startups to fail. Another quote illustrates the case: "if 97% of startups didn't fail, there would be too many startups and we couldn't sustain funding them! A high failure rate is good!" – *from a significant SV venture capitalists* (name withheld out of courtesy). The point the DC is making is that there's only a finite amount of investment dollars held amongst institutional investors. Some PCs but this amount at the 15bn to 20bn dollar range[i].

Solution – The Open !ncubator "community" Framework (O!F)

If we accept the fact that 99% of pre-seed startups and business ideas fail because of systemic problems inherent in the startup, we can go about identifying them, creating solutions for them, and ultimately developing a schema or framework that eliminates them one by one. The result is the Open !ncubator™ "collaborative" Framework (O!F) and its fun and easy Foundup®.

O!F brings together the open source software development framework, wiki collaborative framework, strategic Initiative capital campaign fund raising methodologies and a virtual currency "Foundup$ reward system." O!F utilizes new kinds of participants called an "moonlighter" (an existing employee or contractor who chooses to moonlight on Foundups®) who treats the foundup as a hobby. Moonlighters work on mitigating milestones as they have time as are awarded F$ that they can spend at the FOUNDUP$ MALL or hold and use them to buy equity in seeded foundups that become early stage startups.

We launched O!F (foundups.org) on LinkedIn in April 2011 and in July 2011 on Facebook we are also launching O!F on Ushi.CN; CommonRed.com and other social networks and we have developed Foundups.TV to provide the education needed.

What will tie all O!F social networks together will be a new kind of open crowdsourcing/open crowdfunding platform "FOUNDUP$ MALL" and fun mobile app game "PLAY FOUNDUP$." Both are multimedia platforms and we are currently developing a multimedia engine and algorithm that will run both as part of Wikitube.TV (80% completed).

Foundups approaches fundraising using crowdsourcing foundups and then crowdfunding them using our ARCH ANGEL

We are in the process of setting up and running our ALPHA 100 "closed trial." We want to see how others fair using O!F and The moment "collaborative" Foundups® are proven to succeed more often than the "institutional" startups as a launch vehicle, that's the moment everything changes and the startup is displaced as the preferred launch vehicle for ideas! So what are the key differences between collaborative and institutional frameworks?

Collaborative vs. Institutional Framework (watch Clay Shirky on TED 2005)

The institution is the oldest form of framework known to man and it goes back 30,000 years. The first institution was the Monarchy and in 1215 the Magna Carta empowered the merchant , the French Revolution re-enforced the pact and the Industrial Revolution seal it!

The institution or monarchy is a pre-arranged structure with very specific goals. Whether you are describing the Mayan dynasty, the Egyptian, Greek or Roman empires, monarchies, or the modern corporation – they are all institutions. The **classical** startup's goal is to become an institution. In contrast, the collaborative framework is very new and it has only been around for the last 20 years.

The Internet makes the collaborative framework possible. Open source software pioneering in the mid-nineties lead to the development of Linux. At the time, ALL major institutions, angel investors, and venture capitalists ridiculed open source software as a fringe element and that it would not being a viable business model. They were wrong!

Tagging videos and blogs, created by Delicious in 2004, is another example of a collaborative approach to organizing data using a collaborative framework. The institutional equivalent is the paid librarian whose job is to tag material and organize material. In the not too distant future autonomous agents will systematically tag all data and videos.

One of the epic and mostly forgotten battles between the institutional and collaborative frameworks was the battle between [Microsoft Encarta](#) and [Wikipedia](#). Encarta, started in the early nineties, was a heavily funded encyclopedia project of Microsoft and was quietly discontinued in December 2009 according to Wikipedia. There was no fanfare or celebration of Wikipedia's defeat of the Microsoft Titan. Encarta's ambitious goal was to replace Britannica by creating a state-of-the-art online alternative.

In 2000, Bama boy, Jimmy Wales had the idea of building a collaborative encyclopedia using everyday people from around the world.   Jimmy had a lot going against him… he was in St. Petersburg, FL and was wanting to go up against Silicon Valley titan Microsoft!

Every Silicon Valley Angel and VC thought the idea was ludicrous and that an encyclopedia written by unpaid, everyday people was a joke and would not be successful. Why would ANYONE work for free and how would ensure a quality product?! Also, Wikipedia was up against the most powerful company in the world at that time, and for the seven years been sinking millions into Encrata!

Encarta was a very comprehensive online encyclopedia extremely well written by academicians. One might guess that the only reason why Wikipedia is a nonprofit is for survival. Simply put, no one would invest in his crazy idea! In many respects, Wikipedia is much bigger than Facebook and there more articles in different languages than there are in English. Consider what the valuation of Wikipedia would be had it been a for-profit venture.

Our Open !ncubator Framework™ (O!F) explores the idea of using collaborative instruments to develop ideas business ideas and pre-seed startups into seeded startups. It also explores the idea of a collaborative framework for a corporation we call the Open Corp™ which is something that has never been explored. Foundups become Open Coprs that in-turn invest 20-80% of net profits back into foundups. The more Open Corps we launch the more foundups launch… Open Corps in essence replace the VC and institutional investor.

The traditional startup process goes something like this, according to Forbes magazine: first incorporate, then secure intellectual property (IP), find people willing to quit their jobs and risk everything , write a business plan, secure funding, get an office, build a prototype, beg for more funding, beg for more funding, hope to achieve your business plan goals and exit. All of these things are parts of the institution framework.

The collaborative framework, conversely, focuses on using O!F to collaboratively validate an idea using an open crowdsourcing vehicle. In the process, you assemble a virtual team of "moonlighting" professionals that ultimately unites to build the prototype. The prototype either secures niche customers or seed contributions to help provide the funding. Securing customers in a specific time-frame leads to private investments. All of this is done under an Open Corp ™ that eliminates the need for individuals to incorporate. Think of the Open Corp ™ as something like an open Google where anyone can join to launch their ideas by moonlighting as part of the team, earning virtual money that can be used to purchase equity, products or services in any Foundups.

Open Corp™ an Open Enterprise vehicle O!F ([talk](#))

"All the Problems facing the world can be solved by introducing the Open Corp." – Michael J. Trout, CEO

> *"Towards the end of the Pax Romana The Romans incorporated the non-Latin regions of the empire in as the Foederati, or the federated regions. The start of this process was a Lex Julia after the social wars against the grumbling socii, which granted Roman affiliation to some of the subject regions. This process continued through the imperial period. This was later extended to Gothic and Frankish nations which settled into regions of the Roman empire. The one thing which happened*

was that people moved their investments out of Italy and into these regions, particularly in the east. This hollowed out the Roman base. In a way something analogous to this is happening now. With a much larger world with huge populations of cheap labor, the GATT and WTO rules are such that we are basically screwed. Also given the rate events occur in the modern world things are unfolding much more rapidly than they did with Rome. Nation states are diminishing in their importance in the world. We seem to be heading into an age where corporations are assuming the dominant role over the world. Nations appear to be diminishing in their importance in a way analogous to how the Church gave way to the rise of nation states in the 15th century." -- Lawrence B. Crowell

Foundups become Open Corps and our goal is to launch one million by 2020. How will scale up?:

- Nov 2011-12 - ALPHA 100 – "closed alpha trial" How many foundups will launch with us on December 2012

- Nov 2012-13 - ALPHA 1K+ – "open beta trial" How many will launch using FOUNDUP$ MALL and PLAY FOUNDUP$

- Nov 2013-14 - ALPHA 10K+ – "closed affiliate trial" We will seek to secure 10 to 100 affiliates to each run 100-1000 foundups inn their region or country

- Nov 2014-15 - ALPHA 100K+ "open affiliate trial" We will allow anyone to use O!F by promoting the success of our ALPHA 10+ plus trial.

FOUNDUPS Is the world's first Open Corp™. The best way to think of an Open Corp™ is to imagine an Open Google where each project is a strategic initiative Foundup that can launch as its own independent startup. What Open Source is to software the Open Corp™ is to the corporation. It is a natural evolution of the closed corporation. Some key features of the Open Corp are:

- Employee Owned until they become Public companies

- 100% fiscally transparent to all stakeholders (lesser and greater)

- Invests 20%-80% of net profits into foundups (foundups become Open Corps)

- ISO 26000 "responsible" – CEO is responsible for meeting objects set forth by the ISO 26000

- CEO & Chairman must get a vote of confidence by stakeholders (lesser and greater) every 5 or 10 years.

Open Enterprise deals with business and industry using the most inclusive model possible. It breaks down work into logical divisions and purveys power to its most effective destinations. However, the meaning of the bottom line has changed significantly. The qualities of Open Stewardship lead and follow in emergent worlds transcendent of tradition and habit. Bettermeans.com is developing an open democratic project management system that aims to bring about open enterprise.

Over the last 10 years, it has become extremely inexpensive to develop software just as it become very inexpensive to launch Corp. What used to require large teams and large budgets can now be done with small teams and little to no budget. Conversely, the traditional corporation was located in a specific location. The Internet let to global collaboration, to open source software, to open platforms like Wikipedia and now we are introducing that we are calling the world's first Open Corp™.

The Open Corp™ is one that allows anyone to be part of it and has a framework in place (O!F) which allows collaboration to take place in a fair and equitable way. In essence the Open Corp™ acts as the 800lbs "Big Brother/Sister" that ensures everyone is being fairly treated.

 Ideas that are validated become strategic initiatives (foundups®) of an Open Corp ™. The Open Corp™ model does a very important thing and that is - it mitigates risk. The biggest problem for startups is that over 99% pre-seed startup and business ideas fail to become financially rewarding seeded startups for its stakeholders.

The 99% failure rate is a dirty little secret Silicon Valley and key players do not want out! No one in their right mind, knowing this failure rate, would be involved in startups; unless of course you're under 25 and just plain mad (in a good way!) and willing to take any risk! In essence, these naïve young individuals become cannon fodder for institutions to launch their startups and ultimately take control of them (look at who are the key investors in Facebook).

The only reason why venture capitalists (VC) do not invest in early stage startups is that the risk is way to too high. What the Open Corp™ does is allow Arch Angels to contribute and get F$ that then can be applied to any foundup when they launch.

Foundup Dollars (F$)

The F$ is how FOUNDUPS® reward Moonlighters who work or contribute to foundups. The plan is to tie F$ in with the existing virtual currencies like Bitcoin. Foundup dollars is the core virtual currency used on FOUNDUP$ MALL and PLAY FOUNDUP$ mobile app game.

What makes Foundup dollars unique over other virtual currencies is that people were exchanging their labor for foundup dollars. Virtual currencies have been around for over 20 years and are nothing new. We foresee a time in the near future where we will even have a virtual currency exchange where all manner of virtual currency will be exchanged.

Independent exchanges currently exist but are run by many separate groups and currently focus on gaming currencies like World of Worldcraft, Everquest, Linage, Eve Online etc... The Foundup exchange will be no different than the privately owned "Pink Sheet" exchange owned by the OTC Markets Group.

Individuals will be able to trade Bitcoin and real currency for F$ just as they can in a bank. We will also trade F$ into Bitcoin and/or real currency that will be credited to one's wallet on Foundups .Com. What makes F$ unique to Bitcoin is that labor is being "spent" to obtain them. The implications of this are massive! Currency developed by the same transaction: labor for coin.

F$ plays an important part in raising money for Foundups® and employ three unique approaches: Micro-Seed Investment round; Strategic Initiative round and finally the Private Placement round. These are discussed in much greater detail the O!F section of the manual.

"FOUNDUP$ MALL" and PLAY FOUNDUP$

FOUNDUP$ MALL and PLAY FOUNDUP$ mobile app game will be the world's first true open crowdsourcing/ crowdfunding platforms without the annoying gate keeps.

Google+, Facebook, LinkedIn are ALL social networking platforms whose Terms of Agreement limit how people can crowdsourcing their ideas, projects, and companies.

Foundups.com will eliminate these annoying restrictions providing the world's first open crowdsourcing platform that lets user promote whatever they want! For example, LinkedIn only allow users <u>one</u> profile and it must be an individual. LinkedIn, Facebook and Google ALL prohibit people from creating foundup, promotion, or even corporate connections (See O!F Section for details on how to create such profile to help validate and team build our Foundup).

PLAY FOUNDUP$ is a very simple and highly addictive mobile app. Trout has over 20 years of experience in game design and gaming has always been a very important part of his life. We want people to have fun without the silly gate keepers. Think of PLAY FOUNDUP$ as a *Farmville for entrepreneurs*!

Figures Below: Foundup Singularity and its Vortex. Architecture "proof of concept" design mind map images for the development of an MVP for FOUNDUP$ MALL
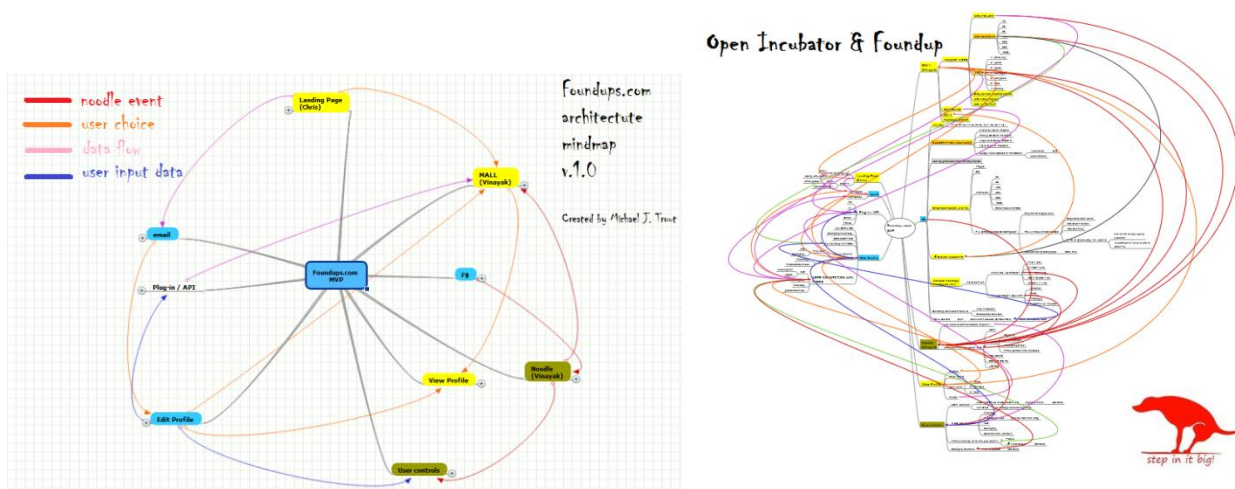
If you can't define the thing you want to fix it is impossible to fix it (Plato). So before we start we need to define our terms.

1. Foundup® Definitions , Terms, and The Players

We define a startup as "*a legal entity and new venture that is pursuing a highly risky product, service or solution and has secured either a niche customer base or seed investors willing to get it to its niche customers in a specific time frame or a combination of the two*."

A Foundup® is defined as "a *founder with an idea for a lean startup bootstrapping a prototype using the Open Incubator ™ "collaborative" Framework (O!F)*"

1.1 Terms

1.1.1   *O!* – Open Incubator™. This is the actual physical or virtual incubator where Foundups are developed into startups.   It represents actual members of O!F (members and their Foundups. Foundups.com is a virtual-online Incubator for people ideas)

1.1.2   *O!F* – Open Incubator™ Framework. This is the system, schema, or method of how the open incubator framework works. Foundup Corp. provides business acumen methodology that brings together open source software development framework, wiki collaborative framework, strategic capital campaign fund raising methodologies and a reward system.

1.1.3   *Foundup®* – a blue ocean strategy -- "the high growth and profits an organization can generate by creating new demand in an uncontested market space, or a "Blue Ocean" -- business initiative that seeks to launch as a lean startup. To launch, a Foundup must meet very specific mitigating milestones (SEE O!F Section). A Foundup is JUST focused on Validating > Team building > Prototyping > Securing Customers.

1.2 How Foundups® differ from Startups

1.2.1   The "collaborative" Foundup® is a blue ocean strategic initiative within the "institutional" Startup red ocean.

1.2.2   Foundups exist under Foundups Corp., or one of its affiliates (InnovateHK.com etc…) Foundups® are not legal entities and are treated as projects or brands of Foundups Corp., creating what we are calling an "Open Corp.,"

1.2.3   Foundups® are low-risk, light and easy. They are fun hobbies for employed professionals; whereas startups are highly risky, serious and hard with a very high failure rate (over 97%).

1.2.4   Foundups® are open collaborative vehicles with large teams (similar to open source coding project) for launching strategic initiatives into startups, whereas startups are closed institutional vehicles with small teams.

1.2.5   Foundups® do not have investors they have contributors.

1.2.6   Foundups® do not have business plans they have decks (PowerPoint presentations) and strategic plans (focused on "minimum viable product" production and SMART goals) to secure its customers.

1.2.7   Foundups® have large global teams working around the clock whereas startups tend to have small localized teams. A departure of a key member from a startup team can cripple it whereas, in Foundups, team members can come and go. There is NO requirement for participation. The more you participate, the more you earn.

1.2.8   Foundups® only focuses on validating the idea > assembling the Team > building the Prototype (or raising the capital) > in order to launch to secure paying customers

1.2.9   Foundups® are represented in blue on Moore's chasm. Point (A) represents the moment a FoundUp reaches its final mitigating milestone (either niche customers or investors willing to get to its customers in a specific time-frame) and launches as a lean startup (forming its own corporation and doing a private placement).

The WIN "collaborative" Foundup is blue ocean strategy outside the FAIL "institutional" red ocean Startup.
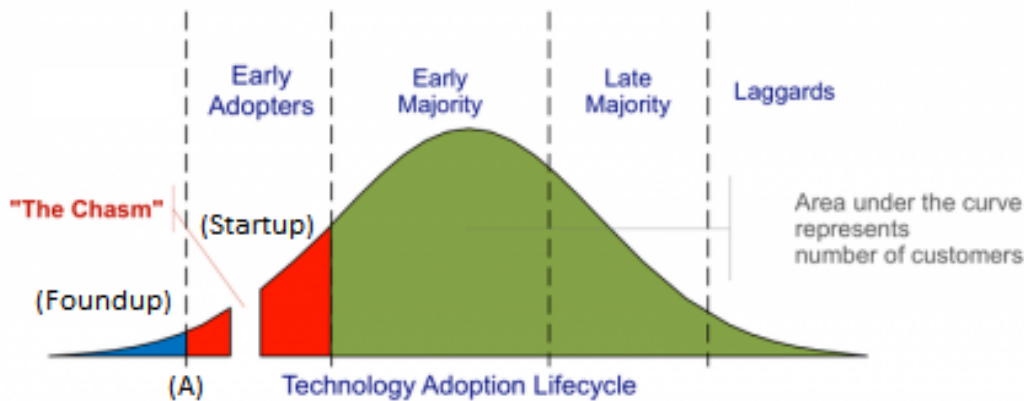
**Red** = Red Ocean Startup (97-99% failiure rate)

Blue = Blue Ocean Foundup®

1.3 O!F (Open Incubator™ "collaborative" Framework) is a collaborative system for launching business ideas into lean startups. Michael J. Trout invented it in 2010. O!F launched within the LinkedIn platform on April 25, 2011. O!F works in a similar way to Wikipedia's collaborative framework.

1.4 The relationship to time in the Foundup Stage: In the traditional startup, the distance between the idea and its launch and its relation to time directly affects a startups success rate. O!F decreases failure by decreasing time and eliminating many of the systemic problems associated with startups. See diagram below:
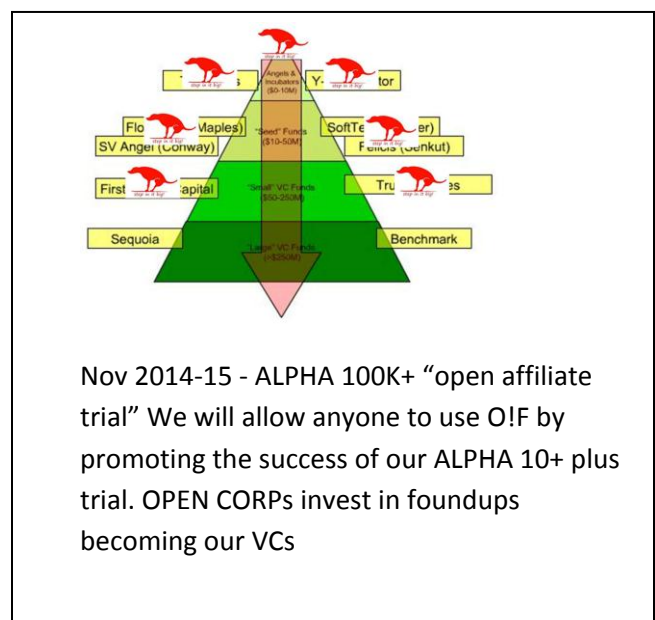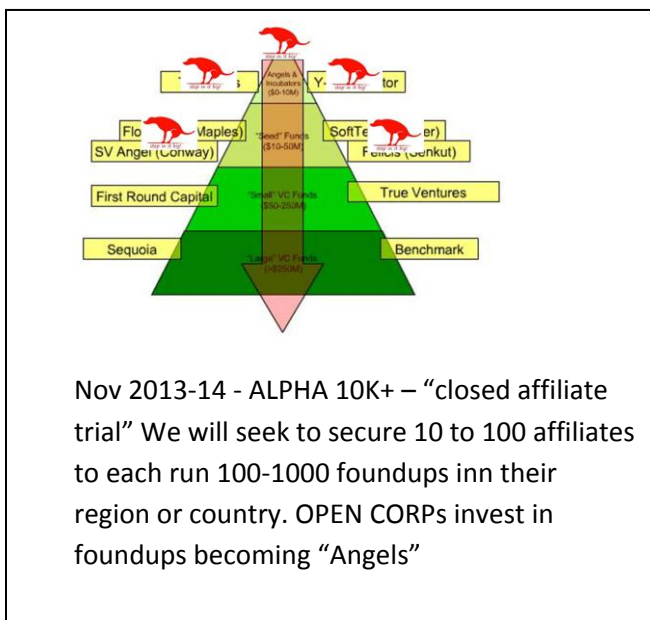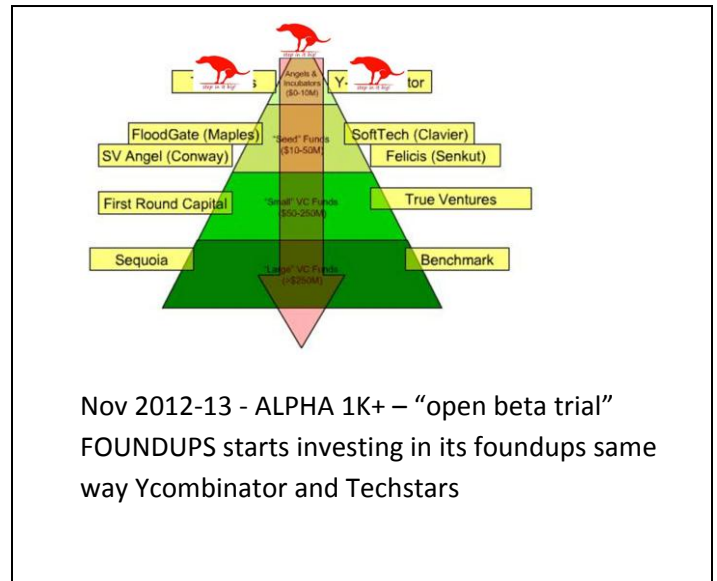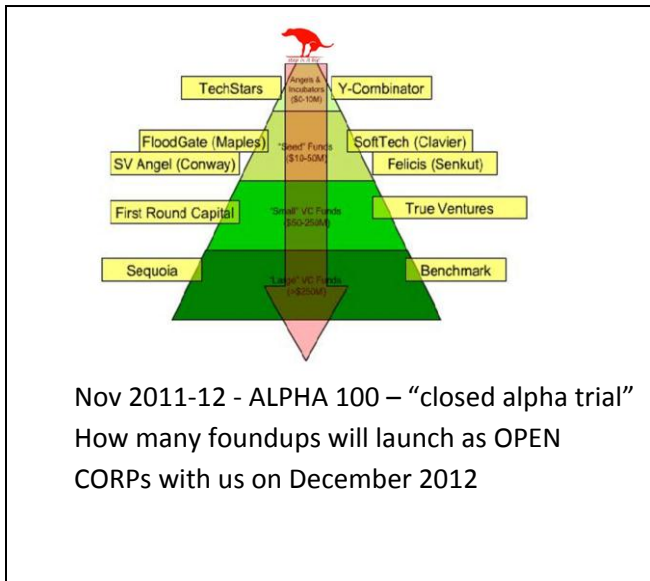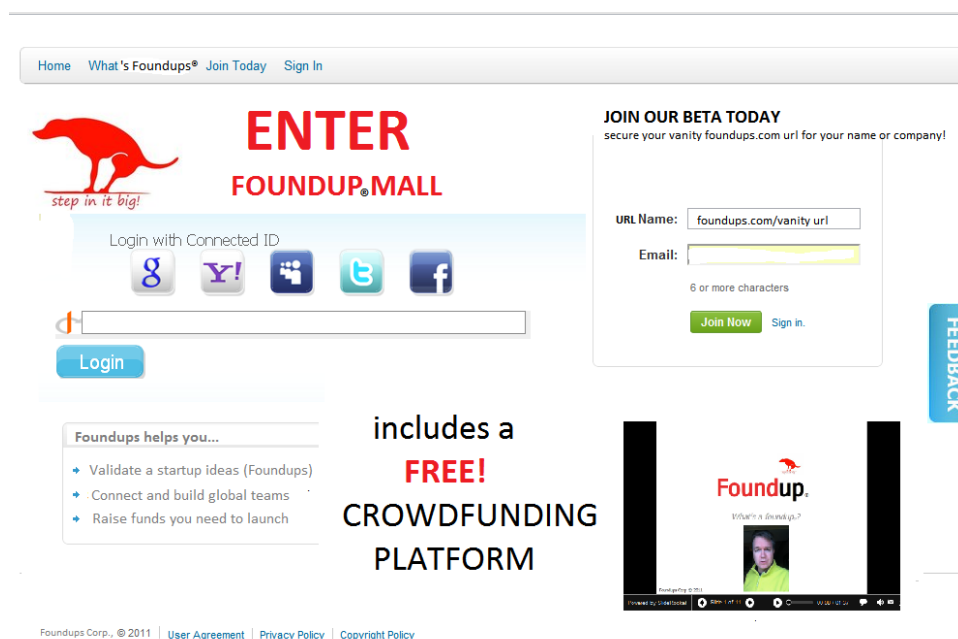
The Foundup® Stage!

Failure rate increases the longer it takes
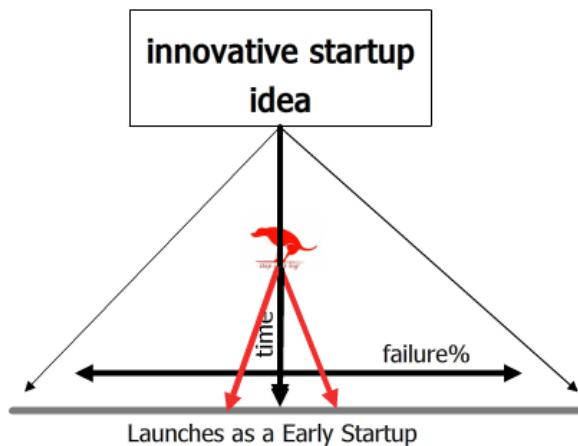
1.5 If we were to describe O!F as though it were Wikipedia, then think of the Wikipedia page (The Wiki) as the Foundup®; and the Founder of the wiki as the person who initiates the Foundup®. The *Advisor* of a foundup® is similar to the person who "passively" participates on Wikipedia as an editor or passive user. However, an *Advisor* is endorsing and helping to passively crowd source the Foundup® via their network. The Foundup® *Team Member* is similar to the "active" Wikipedia Admins who are active participants of the Foundup®.

1.6 The Open Incubator™ Foundup ® (O!F) – The Vision

Nov 2011-12 - ALPHA 100 – "closed alpha trial" How many foundups will launch as OPEN CORPs with us on December 2012

Nov 2012-13 - ALPHA 1K+ – "open beta trial" FOUNDUPS starts investing in its foundups same way Ycombinator and Techstars

Nov 2013-14 - ALPHA 10K+ – "closed affiliate trial" We will seek to secure 10 to 100 affiliates to each run 100-1000 foundups inn their region or country. OPEN CORPs invest in foundups becoming "Angels"

Nov 2014-15 - ALPHA 100K+ "open affiliate trial" We will allow anyone to use O!F by promoting the success of our ALPHA 10+ plus trial. OPEN CORPs invest in foundups becoming our VCs

MVP Landing page "mockup" for Foundups.com -- CLOSED ALPHA. APPLY NOW send an email to JoinBeta@foundups.com

1.7 The Foundup® "Team"

1.8 <u>Advisor</u> (Open to anyone)-- is similar to the "passive" editor/viewer of Wikipedia page. Foundups® Advisors participate in a similar fashion. There is no requirement of them to participate. By aligning with the Foundup they are:

1.8.1   Endorsing the Foundup®

1.8.2   Helping to crowd source the Foundup®

1.8.3   They can provide feedback to the Foundup® on their terms

1.8.4   In return for the passive participation, Advisors share in a 1% warrant pool of equity in the Foundup(s) for which they are an Advisor (Strategic Partners share in this pool too).

1.8.5   They earn 1% of any Foundup® that they referred that launches as a startup. Imagine owning 1% of the next Google or Facebook.

1.8.6   They get a 1:1 equity match in the first $100K invested in a Foundup® (Foundup® shares start at $0.10 each so the 1st 1,000,000 shares allocated are matched 1:1.)

1.8.7   Advisors have access to early participation as non-accredited investors (per State & SEC regulations and limitations)

1.8.8   The Advisor is the gateway to becoming an "active" Team Member, which is the next level of participation.

1.8.9   <u>To become an Advisor is easy</u>. Simply add Foundups Corp., to your LI profile (Edit profile > Add a current position) Title "Advisor". Description: FOUNDUPS® is pioneering the world's first "collaborative" Open Incubator™ for launching strategic initiatives (Foundups) into successful early-stage startups. For more information visit foundups.org and foundupsblog.com or call +1 202.360.4467 or email FirstnameLastname@foundups.org (this is to know where the referral comes from)

1.9 <u>Team Member</u> (Invite Only)-- this is similar to an admin to a Wikipedia page. They are "active" members of a Foundup®.

1.9.1   They work on the Foundup in multiple capacities (PR, BD, Marketing, Development, Financial)

1.9.2   As they earn x2+ their base hourly rate (SEE O!F Section) in O!F virtual money called Foundups dollars - Foundup dollars can be spent to buy equity in ANY Foundup® launching as a Startup.

1.9.3   Team members are the candidates to become part of the startup team: Staff, CxOs and Board leadership of the Foundup that launches as a Startup

1.9.4   Team members share in the 1% equity stake pool too. Their F$ can be spent on purchasing equity in any Foundup that is launching (SEE O!F Section for details).

1.9.5   To become a Team Member is easy.

1.9.5.1 Sign up at Foundupsblog.com (ALPHA 100) Once accepted Simply add

1.9.5.2 Foundups Corp., to your LI profile (Edit profile > Add a current position) Title "Team Member".

1.9.5.3 Description: FOUNDUPS® is pioneering the world's first "collaborative" Open Incubator™ for launching strategic initiatives (Foundups) into successful early-stage startups. For more information visit <u>foundups.org</u> and <u>foundupsblog.com</u>. Or call <u>+1 202.360.4467</u> or email <u>FirstLastName@foundups.org</u> (this is to know where the referral comes from)

1.10   The Foundup Partners

1.10.1   A Foundup has two types of partners. The Strategic Partner and the Prime Partner. These two mirror the passive Advisor and active Team Member.

1.10.2   <u>Strategic Partner</u> --this is the corporate version of the Advisor.

1.10.2.1   These can be channel partners or service providers

1.10.2.2   They receive the same benefits as the advisors.

1.10.2.3   Strategic partners receive equity from the same pool as the Advisor except their portion is at a slightly higher multiplier (SEE O!F Section for details).

1.10.2.4   Strategic partners can offer services and solutions to Foundups at a min 20% discount to its Foundups

1.10.2.5   Strategic partners get special access to Foundup equity when they launch as startups. (SEE O!F Section for details).

1.10.2.6   To become a Strategic Partner a company needs to have a corporate connection on (SEE O!F Section for details).

1.10.3   <u>Prime Partner</u> -- these are financial and service providers to the Foundup

1.10.3.1   To become a prime partner 0.1% of a partner's gross annual revenue is made as a contribution e.g.: $10m company = $10,000 minimum contribution. (SEE O!F Section for details).

1.10.3.2   The minimum contribution is $10,000. In-kind, contributions are accepted and counted as corporate contributions.

1.10.3.3   Prime partners receive preferential investment treatment when the Foundup® launches as a startup (SEE O!F Section for details).

1.10.3.4   Their total contribution is returned as x15 F$ equity buying power in the new Startup when the Foundup® launches as a Startup $10,000 donation = $F150,000 equity buying power (SEE O!F Section for details).

1.10.3.5   If their Foundup® does not launch they can apply their contribution towards any launching Foundup® at a x2F$ contribution in ANY launching Foundup. ($10,000 = $20,000 F$.) certain limitations apply (see O!F section.)

1.10.3.6   Prime Partners get special institutional investor access to Foundup® equity when they launch as startups. (SEE O!F Section for details).