

## CHAPTER 1: LAUNCHING A NEW VENTURE

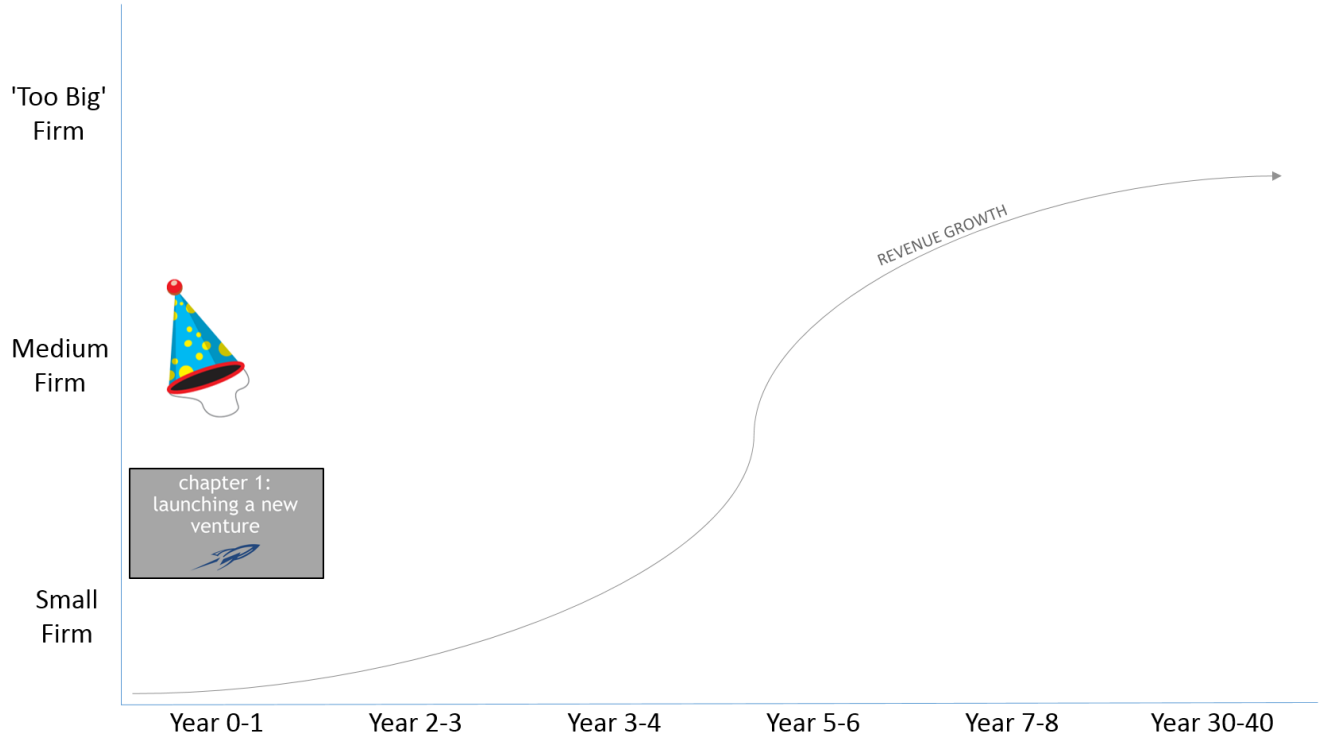
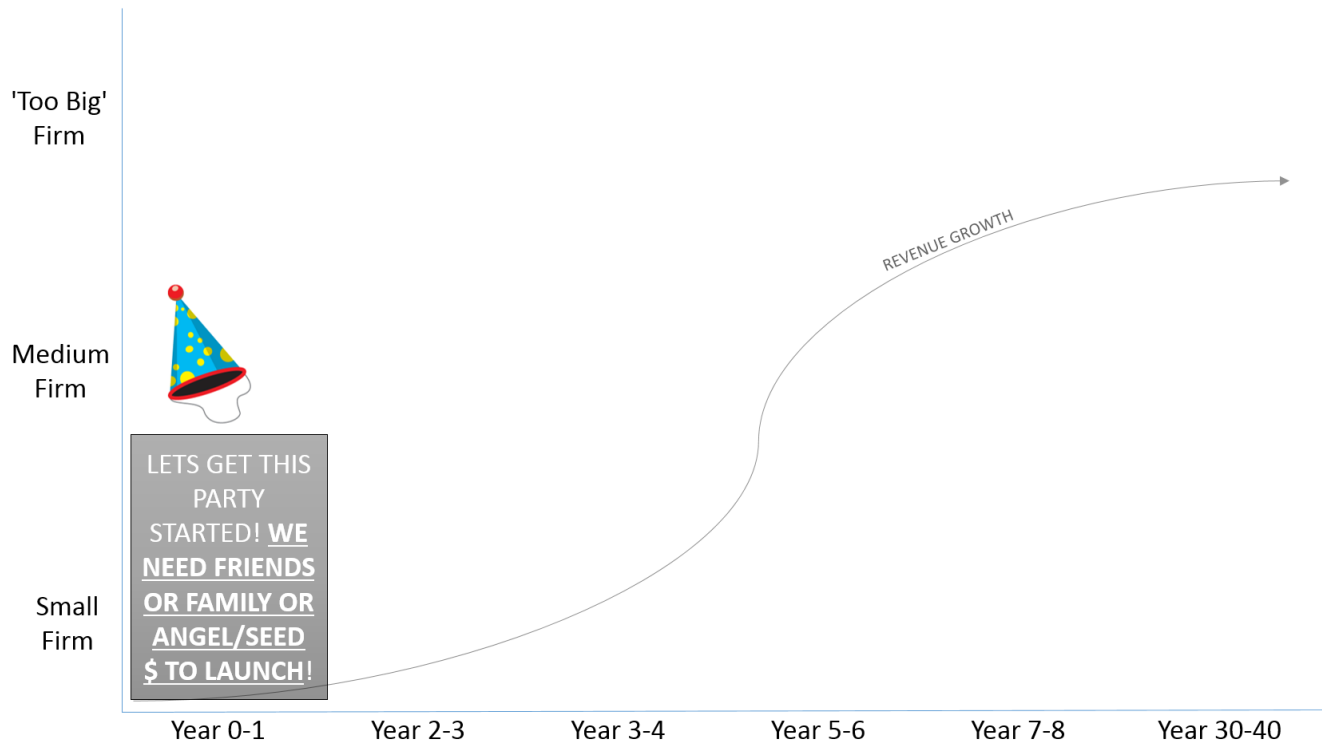
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*"I've failed over and over and over again in my life  
and that is why I succeed."*

- *Michael Jordan*

chapter 1:  
launching a new  
venture





Before we begin, **please** watch this video and believe every damn word of it: [www.tiny.cc/chris4](http://www.tiny.cc/chris4).

## WHAT MAKES A GREAT ENTREPRENEUR / LEADER?



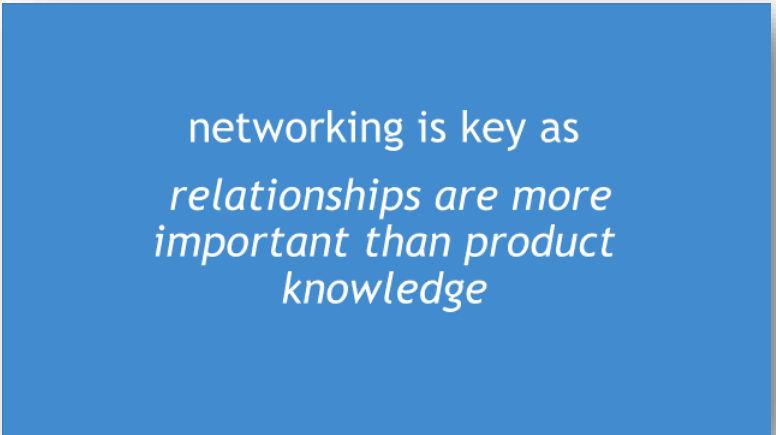
You can't successfully launch a new venture unless you and your management team have incredible management qualities. What are some of the qualities that make a great leader or entrepreneur?

- ✓ Passion
- ✓ Optimistic
- ✓ Forward thinking
- ✓ Strategic
- ✓ Determined
- ✓ Team players
- ✓ Long term focused
- ✓ Resilient
- ✓ Great sales skills as all great CEOs and entrepreneurs are superb salespeople.

Wait a minute...what if I don't have any experience at all? Don't worry, investors will take you seriously if, in addition to a great business model, you also have incredible board advisors. In the networking section of this book I will show you how easy this is to do. Mark Zuckerberg is no smarter than you are. Prior to dropping out of school, Mark surrounded himself with incredible advisors, including Peter Thiel (the founder of PayPal) as well as Sean Parker (the founder of Napster) and ~~Justin Timberlake~~...um no not Justin Timberlake, that was in the Social Network movie only!

## THE MOST IMPORTANT BUSINESS SKILL

Networking is crucial in business. You can't successfully launch a new venture unless you network. This short video will change your life: [www.tiny.cc/chris5](http://www.tiny.cc/chris5) . You need to ask in business.



networking is key as  
*relationships are more  
important than product  
knowledge*

Many of us use iPhones and iPads and other Apple products because of one simple business and life strategy that

Steve Jobs practiced from a very young age: "Ask and you shall receive." Steve Jobs never had issues reaching out and asking for help from strangers. You will be amazed how many people want to help you if you just ask! Fortunately, not many people do this.

When Steve Jobs was only 12 years old he called Bill Hewlett from Hewlett Packard. The young Steve Jobs asked Bill Hewlett if he could give Steve spare parts for a device that he was creating. Hewlett laughed and not only gave him the spare parts, but gave Steve Jobs a job!

Many of us are too shy or we think that it is outside of our comfort zone to ask for help, especially from strangers. Culturally it feels uncomfortable for many people to ask for help or ask strangers for something. You need to do this often.

## THE EASY WAY TO GET CUSTOMERS OR A JOB!

So in this day and age of social media, how do we successfully ask for help? It's much easier than you think. In LinkedIn please do an advanced search and find people with something in common with you. If you are from Bombay but live in the United States and live in New York, enter Bombay in LinkedIn and

then the zip code that you live in. Then send an “inMail” message in LinkedIn with a very short message as follows:

John,

Hope all is well. I am also from Bombay and I also live in New York. Please let me know if you have time for a coffee in the next few weeks.

Thanks a lot,

Chris

The image shows the LinkedIn 'Advanced People Search' interface. On the left, there is a sidebar with filters for 'Keywords' (containing 'Bombay'), 'First Name', 'Last Name', 'Title', 'Company', 'School', 'Location' (with a dropdown for 'Located in or near:'), 'Country' (with a dropdown for 'United States'), and 'Postal Code' (with the value '10128' and a 'Lookup' button). The main area is titled 'Advanced People Search' and includes sections for 'Relationship' (with checkboxes for '1st Connections', '2nd Connections', 'Group Members', and '3rd + Everyone Else'), 'Location', 'Current Company', 'Industry', 'Past Company', 'School', 'Profile Language', and 'Nonprofit Interests'. On the right, there is a section for 'Upgrade to access multiple' followed by 'Groups' (with a list of groups like 'Global Private Equity & Venture Capital', 'Investment Bankers Group: Investment Ban...', 'McGill Alumni - U.S.', 'Venture Capital - Public Equity - Funding -...', and 'Flybridge Capital Partners'), 'Years of Experience', 'Function', 'Seniority Level', 'Interested In', 'Company Size', and 'When Joined'. The interface also has 'Reset' and 'Close' buttons in the top right corner.

Search results for **Bombay** (4,825 results)

Advanced >

All  
**People**  
More...

Keywords  
Bombay

First Name  
Last Name  
Title  
Company  
School  
Location  
Country

Shiv Puri 2nd  
Founder, **Bombay** Sandwich Co.  
Greater New York City Area • Food & Beverages  
3 shared connections • Similar  
Current: Founder at **Bombay** Sandwich Co. [Connect]

Chhaya Shah 2nd  
Sub broker at **Bombay** Stock Exchange Limited  
Greater New York City Area • Financial Services  
1 shared connection • Similar  
Current: Sub broker at **Bombay** Stock Exchange Limited [Connect]

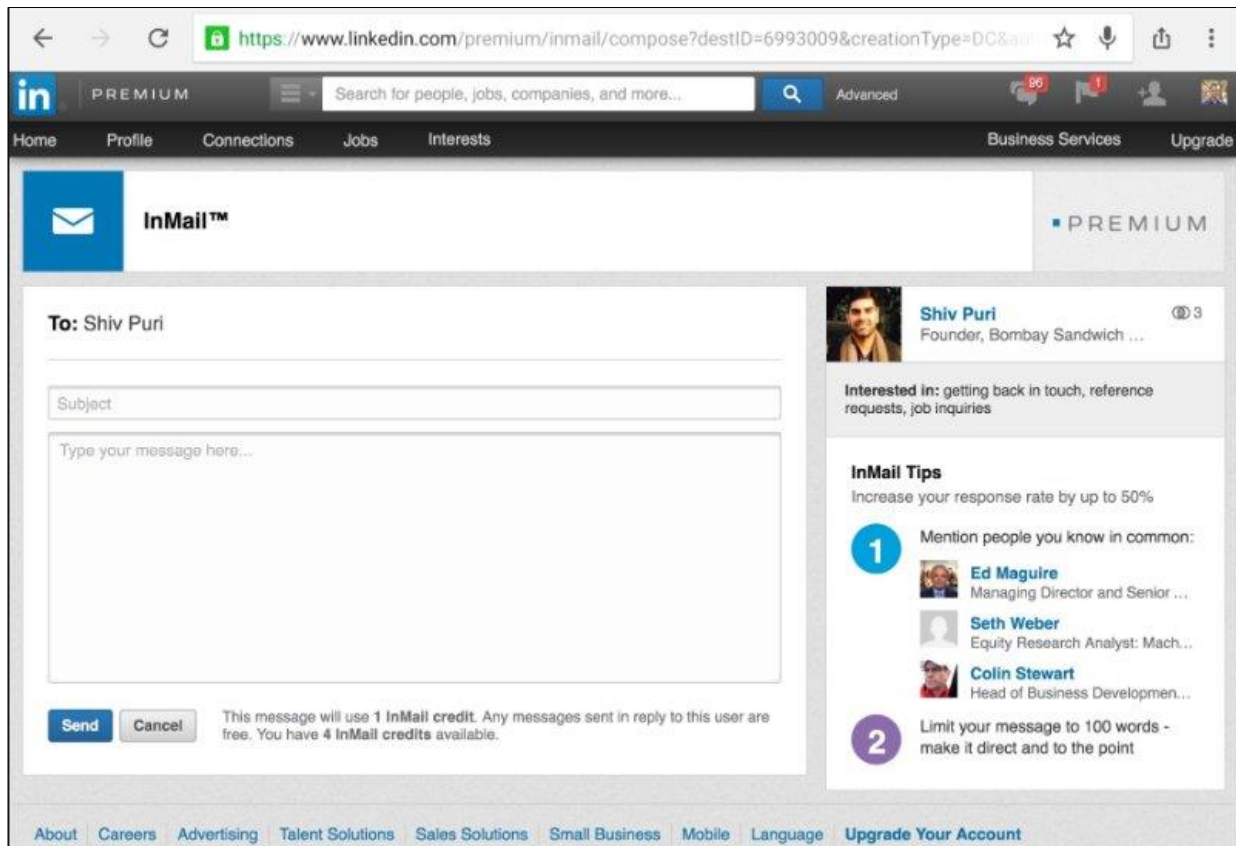
Ramdas Rao 1st  
Investments and M&A Professional  
Greater New York City Area • Investment Management  
Similar  
Education: **Bombay** University - R. A. Institute of Technology [Message]

Only show people in your groups? [Filter ?]

Kumar Shah GROUP  
M&A  
Greater New York City Area • Chemicals  
Similar  
Current: Director at IIT **Bombay** Heritage Fund [Connect]

Ameya Agge 2nd  
Principal at Apax Partners  
Greater New York City Area • Venture Capital & Private Equity  
5 shared connections • Similar [Connect]

More network demands hit you every day.  
HughesON keeps you one step ahead. Let us prove it.



Yes it is that easy! People really do want to help you, especially the farther away you get from the place you grew up in. You can also reach people by leveraging your school as follows:

Matt,

Hope all is well. I also went to McGill University and I also live in the San Francisco Bay Area. Please let me know if you have time for a coffee in the next few weeks.

Thanks a lot,

Chris

Trust me – this works! My success rate on getting meetings with strangers using LinkedIn has always been very high. Why? Because I ask often and most people don't. The key is to find at least one thing you

have in common and mention this in your very brief and very polite message. This works exceptionally well. It works because very few people do it. Too many people today use email which is why it is not an effective tool to set up meetings. InMails work. Please try it. I promise you that you will be amazed at the outcome! Relationships are always more important than product knowledge. **People want to help you!** Simply ask and you shall receive : )

If you set up one informational meeting per week with someone that works at a company you want to work at for at least 20 weeks then I guarantee you that you will get an amazing job or customers. Please try it!



## SOURCES OF ENTREPRENEURIAL IDEAS

How do we come up with ideas to launch a company? What are the best sources?

Before coming up with ideas, we must make sure that the size of the Total Addressable Market (or T.A.M.) is massive. Why? Because most start-ups fail and if you are successful, you don't want to get a small piece of a small pie. In venture capital we generally look for the TAM to be at least \$20bn. The rationale is that if a company is successful and able to capture 5% of the market then it can achieve an annual revenue target of \$1bn (or 5% of \$20bn).

Start-up ideas and business themes last longer than we think. The same can be said for business trends. Here is a great example:

Can you believe that the management team below changed the world? Guess who they are: The management team in



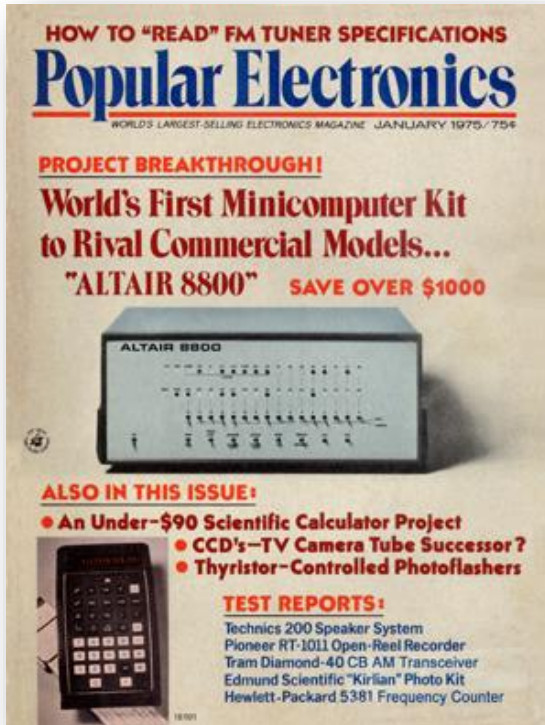
sources of entrepreneurial ideas



this picture saw the cover of a magazine in the 1970s called Popular Electronics on the next page which changed their (and our) lives!

Any idea who they are? It was none other than Bill Gates and his friend Paul Allen who decided in the 1970s that *"one day there would be a computer on every desk and in every home."* This was close to 40 years ago and that investment trend still has legs! Investment trends last much longer than we think they do.

Other investment ideas that are only in the early innings of customer adoption includes the cloud computing paradigm shift where companies and consumers are putting much more data up in the cloud.

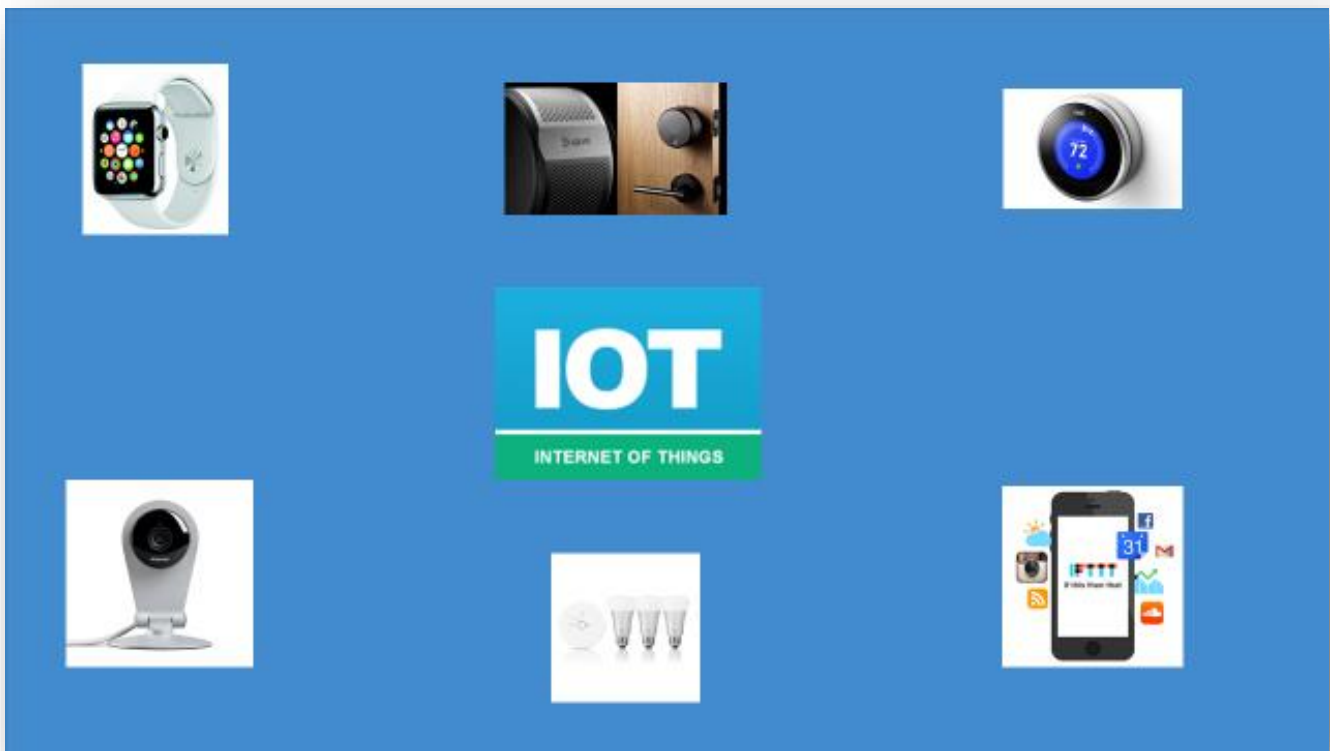


Global trends include, the material infrastructure development we see in Dubai or China:



Other trends include the buildout of the Internet, which was initially created in the late 1960s by the US government in case there was a nuclear war and the east coast of the US could not communicate with the west coast.

The 'Internet of things' trend is another one that is in the early innings. We are seeing many startups focused on this area.



Hollywood also has a material impact on investment ideas too! Many great tech products only exist because of Hollywood dreampreneurs that predicted the self-fulfilling way that technology will enhance our lives in the future; the future is now.

Hollywood has always had a fascinating and material impact on consumer technology.



Hollywood is also the place where technology meets the liberal arts. One can argue that we would not have many cool consumer tech products without Hollywood's influence on empowering the empowers to dream in tech. There are so many superb examples of this, including Star Trek's beam me up device, which was the genesis of the flip phone. What is fascinating about Star Trek is that they were on such a tight budget that the only reason that the beam me up device existed was because filming scenes of the Star Trek Enterprise landing on planets was really expensive; as a result, Scotty beamed them up! Without Star Trek we might not have sophisticated space dreampreneurs like Elon Musk.

Other cool Hollywood/media ideas that are now a reality include screen sharing scenes in Avatar that is now Apple's AirPlay, hand based gestures from Minority Report and the voice based operating system from Her; Scarlett Johansson you rock! Even this year's superb Ex Machina movie is now a reality; if you visit the awesome tech entrepreneurial Cuckoo's Nest in Menlo Park you are greeted by robots! Talk about forward thinking! This place is also the intersection of technology and the liberal arts.

Companies that have historically dominated operating systems like Microsoft (Windows), Apple (iOS) and Amazon (AWS) are all aggressively vying to be the market leader in voice based operating systems. You can witness the impact of the media on Microsoft as the company's Cortana voice product was named after a character in Halo; how cool is that! The movie 2001 A Space Odyssey had a chilling voice based operating system called HAL that was the genesis for today's voice based operating system. If you add one letter to H.A.L., you get I.B.M. which is also making progress in the voice market. The movie 2001 A Space Odyssey was released in 1968 while Star Trek was on television; the 1960s was such an incredible decade for tech influence and superb social justice (the two are not mutually exclusive).

Here are links to three movies that have a material impact on Silicon Valley venture capital investments from a graphical user interface perspective: Minority Report: [www.tiny.cc/chris7](http://www.tiny.cc/chris7) and the movie Her: [www.tiny.cc/chris8](http://www.tiny.cc/chris8)

We must keep in mind that start-up ideas are irrelevant if we don't have the right management team.

The best CEOs and entrepreneurs are also superb salespeople. We need to beef up our sales skills in order to create a successful company. When you start a company you are constantly raising money. For more information on how to raise money, please see: [www.tiny.cc/chris107](http://www.tiny.cc/chris107) .

*"ideas are commodities.  
execution is not."*

- michael dell

good entrepreneurs are GREAT  
salespeople.

## ETHICS

All you have in business is your integrity. You might fail one or more times (which is ok) at launching a company, but you can only lose your reputation [www.tiny.cc/chris9](http://www.tiny.cc/chris9) .

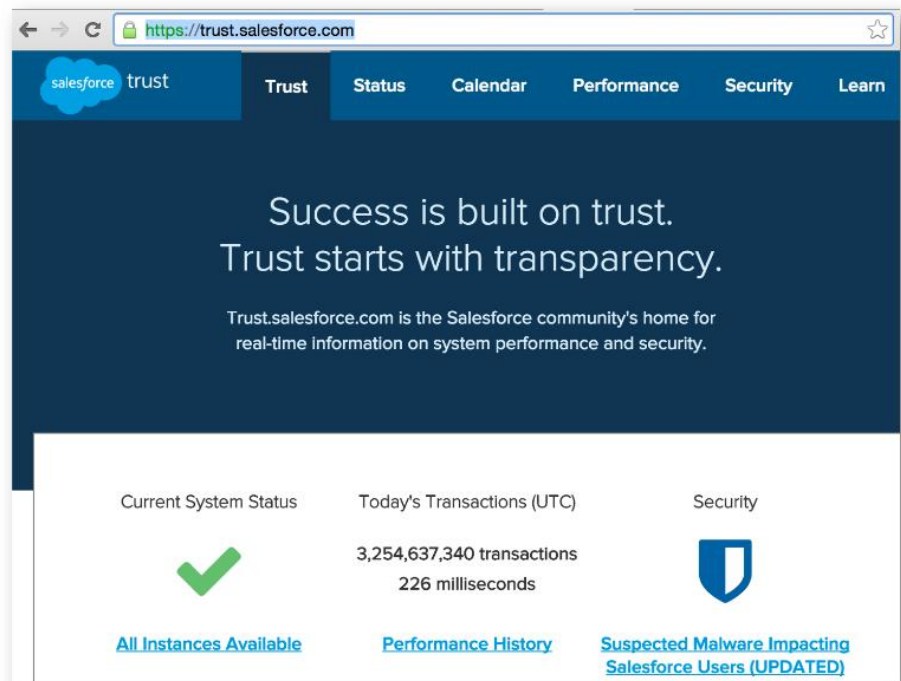


Transparency builds trust – especially when it comes to crisis management; with crisis comes opportunity. This is precisely what happened in 1994 with Intel. The company noticed a small issue that would result in incorrect calculations for a very small percent of computer users running on Intel's latest Pentium processor. Once CEO Andy Grove found out about the incident he informed the general public about a recall which cost the company close to \$500mn.

What Andy Grove didn't realize would happen is that he accidentally created the most important marketing campaign in the history of the semiconductor industry. Many people watching the news that day didn't know what Intel was. By the end of the relatively benign crisis management event, the first impression many consumers had of the Intel brand was that of trust.

Many other technology companies are also incredibly transparent and this creates outstanding brand loyalty and significantly enhances shareholder value. More importantly, it's the right thing to do. Salesforce.com discloses all outages and security issues in real time on this web site: [www.tiny.cc/chris10](http://www.tiny.cc/chris10)

Google is also incredibly transparent. Google even discloses all Google self-driving car incidents online at this site: : [www.tiny.cc/chris11](http://www.tiny.cc/chris11) When companies are transparent, customers and investors are more comfortable doing business with or investing in the underlying company. This often leads to stellar long term revenue growth and in many cases, stock price appreciation. Always be 100% transparent in business, especially with the risks of the product or service you are selling.



All you have in business is your reputation, which you take with you from one employer or start up to another.

I always feel that it is important to disclose risks within the first 30 minutes of a meeting with a potential or existing client. It's the right and ethical thing to do. It also leads to trust which is of paramount importance in business. It's crucial to disclose all risks to your clients or prospective clients before doing business with them. The only reason you might not offer 100% disclosure is in the rare situation when you can't divulge an issue due to confidentiality reasons. If this is the case and if the investment or product/service has significant risks that outweigh the potential returns, then don't sell the product/service. Life is too short to destroy your or your company's reputation and compromise your values.

I love Warren Buffett's quote of **"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."** Companies like Google, Salesforce and Intel have developed an incredibly loyal following over the years given their intense focus on ethics and transparency. It's not a coincidence that Google, Salesforce and Intel are all the market leaders in their sectors as transparency builds trust.

## INVESTMENT STAGES

When you start a company, this is called the "seed stage". During the seed stage you have a concept or an unproven business model. At this stage you might raise money from friends, family or from what are called "seed" or "angel" investors. This is usually a smaller amount (\$10,000 to \$500,000).

7 or more years later (on average if you are successful) then you go public. This is called an initial public offering which is run by an investment bank. We will cover this topic in detail later in this book.

Quite often, in between the seed stage and the IPO stage you receive funding from either venture capital firms or banks. I strongly recommend never getting bank loans in the first 2 or 3 years of the company's life cycle. The reason is that banks are brutal when it comes to missing just one payment. More often than



not, if you miss just one payment to a bank, then your business dies as the banks come after your assets. Brutal! We will cover the different ways to raise money in great detail in a future chapter.

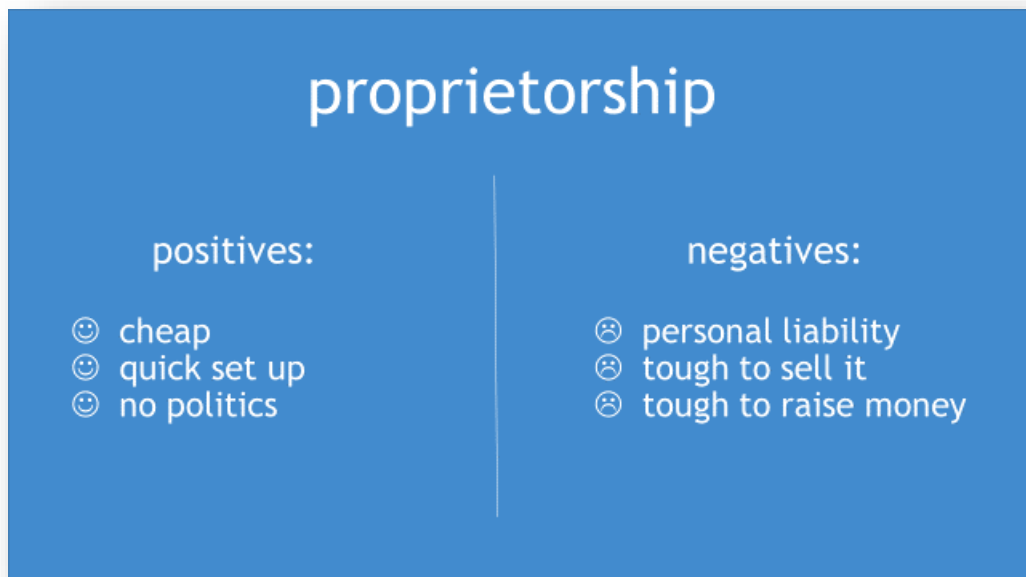
You will find that you are always raising money when you start a company until you are cash flow positive, which can be several years after you launch a company. I don't recommend raising money from friends or families as this can strain your important personal relationships. I also don't recommend using your own money to start a company unless you have a lot of it! Don't ever put your family at risk of losing your house or your lifestyle via debt. Don't worry, we will go into a lot of detail on how to legally protect your family when starting a company and how to raise money from high net worth investors, corporations and venture capital firms.

In this book you will also learn how to present to different types of investors and how to significantly increase your chances of raising money.

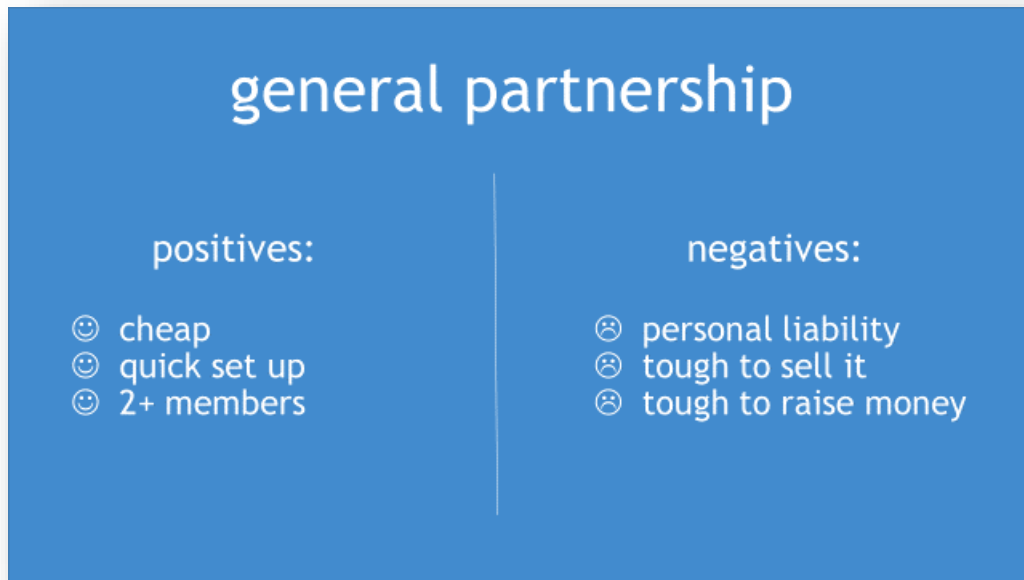
## WHAT KIND OF LEGAL ENTITY SHOULD I SET UP?

There are many different types of companies that you can set up and each has their pros and cons as follows:

**Proprietorship:** This is a company registered in one person's name:



**General Partnership:** This is a company registered in two or more people's names:

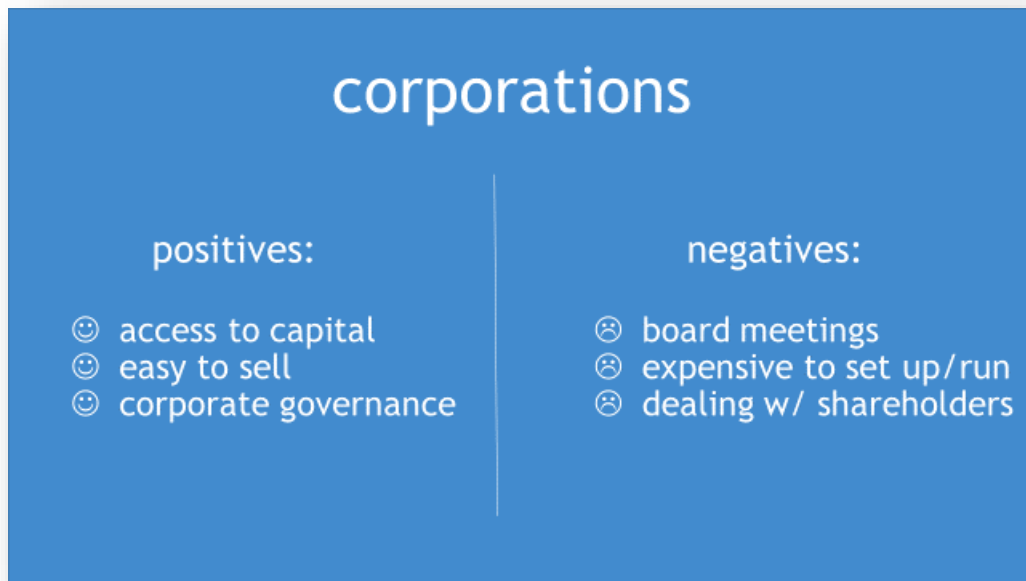


**Limited Partnership:** This is a company registered where some partners (i.e., investors) are partners in the firm but their influence on the company is limited (they are usually passive investors):





**Corporations:** This is a company registered usually in many people's names and has a large board of directors and is necessary for an IPO:



**Limited Liability Corporation:** My favorite type of legal structure for a new company is the LLC (limited liability corporation) as this type of entity can protect your house and personal assets if your company gets sued:



The annual cost to have a limited liability company is \$800 in California, \$300 in Delaware and can vary by region. More details are available at [www.business.usa.gov](http://www.business.usa.gov). At this website simply search for “register LLC” then select “Start a Business Wizard” or “choose your business structure” or “forming an LLC blog.”

Quite often companies choose to register in Delaware as it is more cost effective to do so in this state (among other reasons: [www.tiny.cc/chris12](http://www.tiny.cc/chris12) ). You can register a Delaware based company here: [www.tiny.cc/chris13](http://www.tiny.cc/chris13) .

https://www.delawareinc.com/order/?set\_corp\_type=LLC

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Richard H. (Rick) Bell, II  
Chairman & CEO










ACCREDITED BUSINESS A+

Skype (Optional): [ ]

Country of Residence: [ ]

**Company Type:**

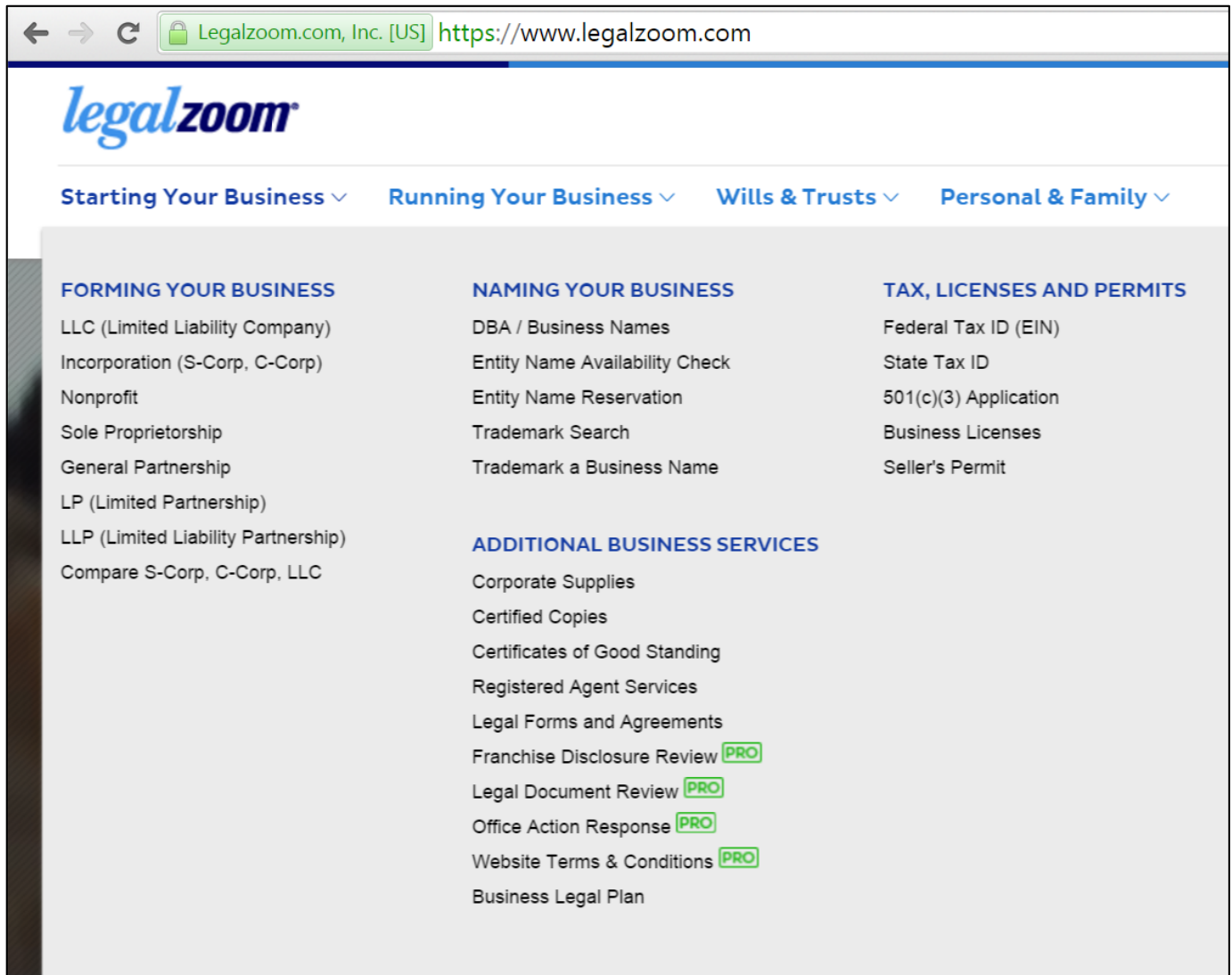
- ☒ Delaware Limited Liability Company (LLC) 
- ☐ Delaware General Corporation (C-Corp or S-Corp) 
- ☐ Delaware Close Corporation (C-Corp or S-Corp) 
- ☐ Delaware Public Benefit Corporation 
- ☐ Delaware Non-Profit Corporation 
- ☐ Delaware Series Limited Liability Company (Series LLC) 
- ☐ Delaware Limited Partnership (LP) 

**Company Name:** [ ]

Note: If you are forming a limited liability company, please add "LLC", "L.L.C.", or the words "Limited Liability Company" to the end of your company name.

**SAVE AND CONTINUE** →

For all other legal startup questions, please visit [www.LegalZoom.com](https://www.LegalZoom.com) which is an incredible resource (and easy to understand)!



The screenshot shows the LegalZoom website interface. At the top, the browser address bar displays "https://www.legalzoom.com". The LegalZoom logo is prominently displayed. Below the logo, there are four main navigation categories: "Starting Your Business", "Running Your Business", "Wills & Trusts", and "Personal & Family". The "Starting Your Business" category is expanded, revealing three sub-sections: "FORMING YOUR BUSINESS", "NAMING YOUR BUSINESS", and "TAX, LICENSES AND PERMITS".

FORMING YOUR BUSINESS	NAMING YOUR BUSINESS	TAX, LICENSES AND PERMITS
LLC (Limited Liability Company)	DBA / Business Names	Federal Tax ID (EIN)
Incorporation (S-Corp, C-Corp)	Entity Name Availability Check	State Tax ID
Nonprofit	Entity Name Reservation	501(c)(3) Application
Sole Proprietorship	Trademark Search	Business Licenses
General Partnership	Trademark a Business Name	Seller's Permit
LP (Limited Partnership)		
LLP (Limited Liability Partnership)		
Compare S-Corp, C-Corp, LLC		

Below the "NAMING YOUR BUSINESS" section, there is an "ADDITIONAL BUSINESS SERVICES" section with the following items:

- Corporate Supplies
- Certified Copies
- Certificates of Good Standing
- Registered Agent Services
- Legal Forms and Agreements
- Franchise Disclosure Review **PRO**
- Legal Document Review **PRO**
- Office Action Response **PRO**
- Website Terms & Conditions **PRO**
- Business Legal Plan

## WHAT ABOUT TAXES?

In order to simplify how taxes work for companies or individuals, there are 4 government tax schedules that matter as follows:

### Taxes for Single People:

#### Single:

Taxable Income	Tax Rate
\$0 to \$9,225	10%
\$9,226 to \$37,450	\$922.50 plus 15% of the amount over \$9,225
\$37,451 to \$90,750	\$5,156.25 plus 25% of the amount over \$37,450
\$90,751 to \$189,300	\$18,481.25 plus 28% of the amount over \$90,750
\$189,301 to \$411,500	\$46,075.25 plus 33% of the amount over \$189,300
\$411,501 to \$413,200	\$119,401.25 plus 35% of the amount over \$411,500
\$413,201 or more	\$119,996.25 plus 39.6% of the amount over \$413,200

### Taxes for Married Couples (filing together):

#### Married Filing Jointly or Qualifying Widow(er):

Taxable Income	Tax Rate
\$0 to \$18,450	10%
\$18,451 to \$74,900	\$1,845.00 plus 15% of the amount over \$18,450
\$74,901 to \$151,200	\$10,312.50 plus 25% of the amount over \$74,900
\$151,201 to \$230,450	\$29,387.50 plus 28% of the amount over \$151,200
\$230,451 to \$411,500	\$51,577.50 plus 33% of the amount over \$230,450
\$411,501 to \$464,850	\$111,324.00 plus 35% of the amount over \$411,500
\$464,851 or more	\$129,996.50 plus 39.6% of the amount over \$464,850

**Taxes for Married Couples (filing separately):****Married Filing Separately:**

<b>Taxable Income</b>	<b>Tax Rate</b>
\$0 to \$9,225	10%
\$9,226 to \$37,450	\$922.50 plus 15% of the amount over \$9,225
\$37,451 to \$75,600	\$5,156.25 plus 25% of the amount over \$37,450
\$75,601 to \$115,225	\$14,693.75 plus 28% of the amount over \$75,600
\$115,226 to \$205,750	\$25,788.75 plus 33% of the amount over \$115,225
\$205,751 to \$232,425	\$55,662.00 plus 35% of the amount over \$205,750
\$232,426 or more	\$64,998.25 plus 39.6% of the amount over \$232,425

**Taxes for Companies****Corporate Tax Rate Schedule, 2014**

<b>Taxable Income Over</b>	<b>But Not Over</b>	<b>Tax Is</b>	<b>Of the Amount Over</b>
\$0	50,000	15%	0
50,000	75,000	\$7,500 +	25% \$50,000
75,000	100,000	13,750 +	34% 75,000
100,000	335,000	22,250 +	39% 100,000
335,000	10,000,000	113,900 +	34% 335,000
10,000,000	15,000,000	3,400,000 +	35% 10,000,000
15,000,000	18,333,333	5,150,000 +	38% 15,000,000
18,333,333	—	35%	0

What does all of this mean? Let's look at an example. If a corporation makes \$100,000 then how much tax will it have to pay?

Given the fact that we are looking at calculating taxes for a corporation, we have to use the “Taxes for Companies” table. The answer is not 34%. It’s not that easy! It’s not too hard either. It’s just a few steps as follows:

The company pays 15% tax on the first \$50,000 that it makes ~ meaning between \$0 and \$50,000(or \$7,500).

The company pays 25% tax on the next \$25,000 it makes ~ meaning over \$50,000 and \$75,000 of income (or \$6,250).

The company pays 34% on the next \$25,000 it makes ~ meaning between \$75,000 and \$100,000 (or \$8,500).

This means that the total tax paid on \$100,000 of corporate income is  $\$7,500 + \$6,250 + \$8,500 = \$22,250$  or 22.25%

Now if a company issues dividends, then the recipient has to also pay taxes on the dividends. Hence, we get double taxation with dividends. WTF? Why the face : )

## HOW DO I STOP COMPETITORS FROM ILLEGALLY COPYING MY PRODUCTS?

how do i protect my i.p.?



What does that symbol R or TM or C with a circle around it mean? I see that stuff everywhere! Well this is a legal way to protect your stuff. You can also stop your employees from leaking your corporate secrets using an NDA (non-disclosure agreement...more details on this soon).

### Patents:

You can legally protect your product from being copied by filing a patent, which usually costs about \$1k or much higher for a complex product (Google “hire a patent lawyer” rather than trying to do it yourself: [www.tiny.cc/chris14](http://www.tiny.cc/chris14) ). Once you file the patent, it takes about a year for it to be completed. While you wait to have the patent protected you are basically protected as if the patent had already been granted. This is why you often hear of the term “patent pending”.

### Trademarks:

How do you protect the name of your company or the name of a brand like Google or Microsoft? You file a trademark. If you want to protect your brand in all states in the United States, then you file a registered trademark, which is an R with a circle around it: ®. If you want to save money on expensive lawyers and just protect your brand in one or a few states (instead of on a federal level), then the trademark is TM with a circle around it: ™.

### Copyright:

What if I want to protect something you can't touch like music or software or movies? In this case you can protect it with a copyright, which is a C with a circle around it ©. A copyright lasts for 50 years after you die, which is why classical music is cheap to buy! Copyright is very common in the software sector. If you don't file many copyrights in software, you can lose control of protecting your company ([www.tiny.cc/chris16](http://www.tiny.cc/chris16))! On your computer in any software program go to the help and then go to “about” (pronounced “aboooooot” in my Canadian accent! [www.tiny.cc/chris17](http://www.tiny.cc/chris17) ) and look for ® or © symbols.



### Trade Secrets & NDAs:

If I file patents then aren't I giving away my company secrets? Potentially yes. This is why some companies have "trade secrets" and protect their trade secrets by making employees sign complex length contracts. Companies can even get employees to sign NDAs or non-disclosure agreements which means there are legal ramifications to breaking employment contracts [www.tiny.cc/chris18](http://www.tiny.cc/chris18) . Be careful with legal contract documents. If they are handed to you, pay a lawyer a few hundred dollars to help you understand what you are signing. Lawyers are a necessary evil. You need to protect your family by seeking their advice whenever you are considering signing an employment or large investment related legal contract.

### Questions Based on Chapter 1:

1: T.A.M. stands for

- a) Total Addressable Market
- b) Total Available Market
- c) Total Actual Market
- d) Total Analytical Market

2: Successful founders/entrepreneurs usually have this quality:

- a) They are passionate about their company.
- b) They have great sales skills.
- c) They have an incredibly positive attitude.
- d) All of the above.

3 The benefits of using a Limited Liability Company (LLC) is:

- a) You can protect your family.
- b) You need an LLC structure in order to do an IPO.
- c) There is better corporate governance with an LLC than with a corporation.
- d) All of the above.

4: How do I protect my brand in all states in the US?

- a) You use NDAs.
- b) You use Chapter 11 protection.
- c) You use a registered trademark.
- d) You file a local copyright.



## CHAPTER SUMMARY:



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entrepreneur qualities (passion, optimism, networking, sales). analyze trends for start-up ideas. company formation legal structures. Intellectual property protection.

