build3 partnership approach and terms

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Our approach? (towards writing this document)

The goal of this document is to align our approach (you as startup founders and us as institutional cofounders) in a wide variety of potential outcomes. Our objective is to give you full control of your startup while keeping as much optionality as possible open. This partnership is a long-term commitment that in most cases will last for the lifetime of the startup, so let's both pick wisely!

- *We intend to be straightforward* - we'll be clear about what's in it for us and what we are offering you, along with the why… not just the what.

- *We intend to be fair* - our benchmark for that is to offer you terms that we would be happy signing ourselves (as fellow startup founders who've done this before). Overall, we care more about the principle and intent behind our association than the specific wording of the clauses.

- *Transparent* - we will tell you everything on our mind, even as new information becomes available, there will be no smoke and mirrors.

- *No lawyers should be needed* - we're not trying to confuse you with 'legalese', it will be our attempt to write everything so a typical founder may read and understand everything being proposed. That said, you're fully within your rights to consult a lawyer if you prefer.

- *No pressure tactics*- everybody needs time to prepare, we won't spring something on you and then pressure you to sign in 24-48 hours, all materials will be shared ahead of time for you to review and receive counsel from your mentors, loved ones, or professional consultants. If you like what you see, we should build this amazing business together. If you don't - "that's cool", we will still be friends :)

Who are we?

build3 is a startup studio (we function as your institutional cofounder), we are a team of founders, bootstrappers, and makers focused on partnering with founders who want to build impactful, scalable, profitable businesses. Read more here.

Our values - We want to work with folks with whom we share similar values. Here is us sharing ours (shared in Appendix 3 below); we would request for you to read through and state if you have similar beliefs. Even better, we would love to read your values. If you have them written please do share, if not please pen down a few quick bullets.

What do we want?

- **Spiritually**
    - To do justice to the role of a second/ third cofounder in your startup
    - To truly help make your startup better, together
    - To impact the world in a positive way
    - To be part of something amazing
    - To learn and have fun on our joint journey
- **Financially**
    - To make enough to be able to pay our team, to pay for the shared resources we invest in (the space, tech platforms, etc), and invest in a steadily growing number of startups every year accounting for inflation.
    - To give our investors a fair risk-adjusted rate of return. To do so competitively, we need to offer a 15% IRR (internal rate of return or the expected compound annual rate of return that will be earned on the money we provide to you).
      To achieve a 15% IRR on our portfolio, we need an IRR of at least 25% from our successful companies. As we're likely to make 0% from our unsuccessful ones. Assuming optimistically, a 60-40 ratio of successful to unsuccessful startups, our portfolio will yield a weighted average return of 15%.
    - To receive a fair share in a 'bumper' outcome, e.g. if you are to receive a very high valuation and there is an opportunity to get a secondary exit, or you get acquired or get listed on the stock markets. We will feel loved and proud at the same time.

How do we want to work with you?

- **Spiritually**
    - Let's build stuff that's meaningful and moves the needle
    - Let's learn new skills
    - Let's make new friends
    - Let's do it with a smile and hard work, **EVERY---SINGLE---DAY.**

- **Conscientiously (ESG - environmental, social, and corporate governance)** -
    - Let's build ethically, let's treat all stakeholders with respect, dignity and financial fairness (employees, vendors, clients, as well as investors).
    - Let's ensure we leave the planet better than how we found it, let's build our operational practices and policies around that.
    - Let's share control, AND wealth, with many who deserve it and not just accumulate in the hands of a few or those who may be disconnected from our mission.

- **Financially**

    Let's make enough so we can continue to deliver our product or service excellently, let's be fair to the planet and our people (employees, vendors, clients or investors) in order to get there.

- **With excellence**

    Let's delight our customers with well thought out services/products and have them raving about us because we pride ourselves in providing the best service they have ever experienced.

What do we bring to the table?

We are passionate about cobuilding your startup with you, and we know that to do justice to this claim we need to limit our engagement to a handful of startups. We are NOT investors, so don't bucket us as such, we bring substantially more to the table than just cash. We come in much earlier than others, taking risks akin to cofounders rather than investors. Here is what we offer to you -

- **Camaraderie**
    - POC (point of contact) - a dedicated build3 team member who engages with you to understand your needs and coordinate resources to ensure you get the most out of our partnership. Remember you are still the Founder, and while all of build3's resources are available to you, it is your leadership that will result in effective productivity (please don't expect the POC to lead in place of you).

    - Execution support - A team of up to 5 experienced people available for a few hours every week on your request that is committed to the success of your business and works with you on your projects and systems. These could be building products, building teams, building the brand, figuring out the best channels for distribution, raising more capital if required, helping with accounting and compliances, building systems for goal setting and execution tracking, setting up internal tech systems, and more; you get the jist. To be clear - the team will help you build your startup, not run it!

- **Guidance (functional, sectoral, entrepreneurial)**
    - Mentors - access to a network of in-house functional experts (product, sales, brand and marketing, finance, hr, operations), an external network of sectoral experts, and finally folks (both internal and external) who have climbed and conquered the startup mountain before!

    - Frameworks and workshops - Having been through this journey before, there are some tried and tested systems, as well as pieces of sage advice that we have curated. Imagine us running a vision and values workshop for your team based on a framework created by Jim Collins - author of Good to Great.

- **Resources**
    - Space - a beautiful, fully managed, plug and play workspace which is one with nature and has working desks, meeting rooms, spaces for rejuvenation as well as chilling; it is available to you to house up to 5 members of your team. The above number is guaranteed at zero cost until you graduate from the program, if more space is required it may be provisioned based on availability and cost at the time of need.
    - Community - meet and mingle with other founders as well as attend knowledge building, wellness, and networking sessions that we organize

- Money - we will contribute up to INR 1cr into your business on the basis of a financial model we develop mutually.

- More money (from outside) - Additional capital may become available through syndication with other angel investors or through VC's/PE's that we are well connected with, however, this will be on a best-effort basis. Our connections will speed up and improve the chances of funding but we are not able to guarantee it (unless your startup is building a mind control device :p).

- Curated vendors - Finding the right partners in our journey is tough, people that believe in the same things, people that are good, and people that don't cost a bomb are hard to find, luckily we've done much of this work for you, saving you time and frustration.

build3's guarantee - For each challenge you bring to us or the networking connection that you require, we promise to, provide a framework, share curated information, facilitate a workshop, and/or make the relevant connection (within 2 working days if this is internally serviced and 5 working days if this is externally serviced).

What our shared journey might look like?

We hit it out of the park (build3 AND you) - two models for success

- A profitable, modest growth startup - We build an amazing startup together that is profitable, has reasonable margins, is growing at reasonable rates, and doesn't require heaps of capital. Such a startup will continue to grow but is unlikely to attract institutional investors as the growth rates or addressable market size aren't of the levels that such investors expect. In such a case, the best way to help build3 achieve its financial goals would be to initiate an IRR based cash return of 25% on the money we contribute, the timing shall be based on the capability of the startup. In addition to the 25% IRR, we receive an equity stake which we take upfront to compensate our team for its contribution and to run our operations by participating in a 'bumper' event if and when it occurs. If you are unable to initiate a cash return, the unpaid returns of the money we contributed will get converted to equity. The mechanics of how this will work is detailed below in the section titled "what is our financial framework".

- High-growth, high-value startup - Together, we build a startup that's growing really fast, needs lots of capital to keep up with demand, has good unit economics or an undiscovered monetization model at this time, consequently overall startup profitability might take 5+ years (think WhatsApp). For such startups, there will be an inability to payout any cash, so build3 will receive upfront equity for our team's contribution and operations AND some additional equity for the unpaid cash. We will work together to attract additional capital to fuel growth and potentially seek to sell some of our shares depending on the timelines and value. (This is to achieve our financial sustainability goals and does not speak to the love or loyalty we have towards you or the startup. We have pride in what we are building together and want to be a part of the full operational and financial journey as far as possible. Our intention will be to hold as much equity for as long as we can!)

We fail (despite our best efforts)

- We should wrap up the startup, gracefully and professionally. Let's plan to do it in a way where we retain our friendships and don't burn bridges. Let's do it in a manner such that we don't leave open ends with any stakeholders, clients, employees, vendors, the government, or investors. In case there is a legal liability on the startup, we will expect you to handle it professionally and as the leader of the startup take responsibility for the startup's actions.

- Pivot/upcycle, if you and some/all folks in your team have the juice to go at it again and have a great idea that we're mutually excited about; means permitting we're happy to ride that roller coaster again! If only some of the folks are keen, in that case, we'll support the folks that want to move on to obtain other opportunities, rebuild a new core team around a new idea, and get to work hoping that this time's a charm. We will have to adhere to certain timelines and financial constraints, given we will have some limiting constraints on that front.

These scenarios are illustrated in flowcharts in Appendix 2.

What is our financial framework?

- **Upto 33% equity for upto 1cr in capital, this breaks down into two important contributions from build3 -**

    - For the real juice (stuff that money can't buy!) - As your cofounding team, and folks who've played a part in building many startups (91springboard, Dunzo, Delhivery, TruCup, Cuckoo Hostel and MyGuestHouse) we will contribute our time, our knowledge, our mentor and vendor networks, our startup community, and the fully-managed office space in return for 11% long term equity. We believe this is fair for a cofounder who's pulling their weight and can materially improve the probability of success of your startup.

    - For money (also kinda important) - based on your needs we will contribute the money you need to either become self-sufficient, or reach a point where you need to scale exponentially and will look to raise a much larger amount from an institutional investor (we're happy to work with you to determine this amount -

helpful linky). For your needs between 25lks and 1cr, we will look to directly support, for additional needs we will support on a best efforts basis through syndication. For 1cr we will look to receive 22% equity, for 55lks 11%, and 35 lks 6%. (P.s. you will have the option to buy this back, details follow in "How do you repay build?".)

- **We plan for a long partnership, but leave the door open for an unplanned eventuality ("Engaged to be married!" - a trial stage for our long term partnership)**
  When we formally partner up, we take it as though we're going to be married (for real!). In real life, people first get engaged and then plan their marriage - post-signing our agreement, for the next 90 days we will work on whatever pressing items need attention. We lay out key milestones for us to work on together (in our metaphor, this is the guest list, the wedding venue, the performances, the dates, the caterer etc) and transfer 10lks. If we do all of this well, we get married (the rest of the funds flow in, we build something amaze)! If we are not able to work well together, achieve the milestones we mutually set, or fail to confirm the presence of a large business opportunity, then we should see it as a sign and not extend this partnership beyond these first 90 days and the initial funding. We feel it's important to point out that we see this as a highly important validation activity, but one that we believe will rarely go the negative route. So let's have faith in ourselves and prove to each other a successful marriage is to be had.

  You will have the choice to reduce build3's shareholding to 5% if we decide not to proceed past the trial stage.

- **Sealed with a friendly, yet simple agreement, even we would want to sign**
  We chose the Shared Earnings Agreement (or SEAL developed by Calm Fund, transparently in public - previously Earnest Capital) to be the funding mechanism as it best represented what we would have wanted to see when we were building our startups. It is built on the principles that -

  1. **Your business will have the flexibility to choose a future that suits you -** Sometimes at the early stage of the business, you don't know if you want to build a billion-dollar rocket ship, a world-class business that dominates a niche, or an amazing lifestyle business—a shared earnings agreement leaves all options on the table while providing smooth transitions if the plans change. (we have referred to the two most likely scenarios as (i) a profitable, modest growth startup, and (ii) a high value, high growth startup)

  2. **build3 earns when founders earn (no time constraint or forced decision by us!)**
     a. Most business owners see revenues come in, expenses go out, and whatever is leftover is a sum of money that the founders can chop up into one of three things 1) founder(s) salaries, 2) dividends, 3) retained earnings (which are kept in the startup but can be converted into #1 or #2 at any time).

b. Traditionally, equity investors are entitled only to a percentage of dividends. But founders who own all/most of their company are entitled to draw arbitrary lines between salary, retained earnings, and dividends. This doesn't make a lot of sense. Instead we decide to lump it all together into Founder Earnings which represents the economic value going to founders. SEAL investors get an agreed upon percentage of that, called Shared Earnings, which creates more clarity and better alignment. But wait, what about the early days when the founders are barely paying themselves just enough to get by, do the investors start taking a piece of that right away? No, a Founder Earnings Threshold is agreed to (typically defined as 12 lakhs per year per founder) and the investor percentage only kicks in once Founder Earnings exceed the threshold.

c. The core idea of a shared earnings agreement is that investors make an upfront capital investment and then are entitled to receive a percentage of the withdrawals made over and above Threshold Salaries by the founder(s) whenever they choose to do so.

3. **A flexible investment construct, which moulds to your desired outcome**
    a. For our team's time, expertise etc we will receive 11% as equity shares.

    b. For our monetary contribution we will receive a convertible note instrument,
        i. It behaves as debt if you build a "profitable, moderate growth" startup, where you can repay the monetary contribution at a 25% IRR and retain all of your equity outside of initial 11% for our team's non financial contributions
        ii. It behaves as equity if you build a "high-growth, high-value" startup and converts into equity just prior to the next round investment

- **How do you repay build3?**
    1. This will depend on your journey. If you progress towards becoming a "Profitable, moderate growth" startup -
        a. The money contributed through a **convertible note** after the trial stage can be returned to us by sharing Founder Earnings (net of the Founder's Earnings Threshold) such that we get our money back at a 25% IRR.

        b. Founder Earnings will be equally split between founders and build3 (that means 50% if there is one founder initially, 33% if there are two and so on). Basically, whenever you choose to pay yourself more than a basic salary we would like to get paid too, at the 'same' time, and in the 'same' amount. This will typically start when your startup has operationally broken even and is able to drive internal growth through internal accruals (typically between 24-36 months).

c. Once you have repaid us our investment at a 25% IRR. The convertible note is serviced and we are left with a residual 11% equity. We're holding onto this and rooting for you guys to have a 'bumper' event!

2. If you progress towards the path of becoming a "High-growth, high-value" startup.
   a. The convertible note will convert in the event of- the next investment round, a merger, or an acquisition,. Depending on our investment we will hold the following amount of equity post the conversion of the note.

Event	**Equity**	**Total Equity (A) + (B)**
(A) build3 comes on board as a cofounder	11%	
(B) build3 invests		
(i) 35lks	6%	17%
(ii) 55lks	11%	22%
(iii) 1cr	22%	33%

Please note that the above terms are for ideation-stage startups. For startups that have achieved product-market fit and/or are revenue positive or are further ahead in their journey, these terms shall be reviewed based on the stage the startup is in.

   b. This equity holding will be diluted materially (potentially completely) in the next investment round, a merger, or an acquisition. Our goal will be to wenable you, the Founders, to maintain as much equity as possible and for build3 to dilute to a level that the next round investors are comfortable with.

   c. What qualifies as the next investment round?
   Institutional investors who invest via an equity route typically invest more than INR 15cr (~$2mn) in a startup. We believe this level of investment signals that your startup will go the "high growth, high value" route, and consequently we convert our note to align our outlook with the founders and new institutional investors.

The money that we are offering to contribute through convertible note is not a commercial loan or debt which are usually offered at an interest rate of 16-18%. We are contributing this money without collateral or need for existing investment, at a high risk, because we believe in you and your idea and will do our best to contribute to your startup's growth story.

It is a partnership you will either feel will enhance your startup journey or it won't. And this is your call, you have choices as do we and we believe everyone will do what makes most sense to them.

- **Timeframe**
  We believe we will typically need to work together for a period of 12 months, that said we are happy to be flexible and if it means a few extra months, we will absolutely do so to ensure there is a smooth transition from our joint operational model to an independent one where we transition to being an occasional participant/advisor. Metaphorically, our goal is to get you to your first summit (achieve product market fit, build a core team, establish culture, go-to-market successfully, put in the foundations to scale-up) the next summits you will now be equipped to scale independently.

Appendix 1 - What are you signing up for? Our simple Term Sheet

Up to this point our objective has been to share with you our approach towards our partnership, below is a summary of our approach in this simplified term sheet. This will form the first page of the actual legal agreement that we will sign to cement our partnership

Defined Term	Description	Particulars
Instrument	The instrument to be issued to build3 evidencing receipt of the Principal repayable along with accrued interest or convertible into Equity Shares of the Startup	Convertible Note (Note)
Principal	The total amount being transferred to the Startup by build3.	Rs. [●] (To be fillled out at agreement signing stage)
Term	The outer time limit within which the Instrument should be converted into equity under Law.	10 (ten) years
Founder's Earnings Threshold	This is a mutually agreed amount between the Founders and build3 as the optimal salary for a Founder	Rs. [12,00,000/-] per annum per Founder. (To be fillled out at agreement signing stage)
Founder Earnings	Founder Earnings means Net Income, adding back any founders' salaries.	
Payout	Cash payment that will be due to be paid to build3 as repayment of Principal and Interest.	(Founder's Earnings-Founder Earnings Threshold) / (No. of cofounders)
Shared Earnings Cap	The maximum amount that will have to be paid to build3 as Payout at an Internal rate of return (IRR) w.e.f date of transfer of each tranche of funds (For the purposes of this definition, IRR is the cash on cash internal rate of return of a specified percentage per annum, on the Investment Amount, calculated from the date of payment of Principal, using XIRR function on Microsoft Excel).	Total funds transferred to the Startup's Bank Account from the date of signing this agreement till the date of computation of the Shared Earnings Cap, together with 25% IRR calculated on these funds with effect from the date of transfer
Next Qualified Financing	means a bonafide transaction or series of transactions from professional third party investors, with the principal purpose of raising capital, of an amount totaling at least Rs. 15,00,00,000 (Rupees Fifteen Crores).	
Conversion Event	Event when either of the following happens : 1. Next Qualified Funding occurs 2. the Startup is undertaking an IPO 3. the Startup is conducting a sale of the Business or of all or substantially all of its assets	

<table>
<tr><td></td><td>4. at build3's request
5. the Term expires</td><td></td></tr>
<tr><td>Conversion</td><td>If a Conversion Event occurs, the Principal and Balance Shared Earnings (Shared Earnings Cap less total Payout made by the Startup to build3 from the Execution Date, or the unpaid due amount) shall convert into Equity Shares at the Pre-Money Valuation in the manner provided</td><td>Pro-rated in the manner below (for an assumed 1cr monetary contribution scenario):
<table>
<tr><th>% Payout Received vis-à-vis the Shared Earnings Cap</th><th>conversion of Note to Equity</th></tr>
<tr><td>100%</td><td>[●]%</td></tr>
<tr><td>75%</td><td>[●]%</td></tr>
<tr><td>50%</td><td>[●]%</td></tr>
<tr><td>25%</td><td>[●]%</td></tr>
<tr><td>0%</td><td>[●]%</td></tr>
</table>
(To be fillled out at agreement signing stage)</td></tr>
<tr><td>Liquidation Event</td><td>Event when either of the following happens
(i) a voluntary termination of operations
(ii) a general assignment for the benefit of the Startup's creditors
(iii) any other liquidation, dissolution or winding up of the Startup, whether voluntary or involuntary</td><td></td></tr>
<tr><td>Liquidation Preference</td><td>higher of:
(i) the Principal (1 times the Principal)
(ii) pro-rata share of proceeds as would be available to build3 if build3 converts the Note</td><td></td></tr>
</table>

Other key terms

If all goes well in our subsequent meetings, we will share a legal agreement to enable our partnership to be legally valid. This agreement will have terms that may sound confusing to first time founders, so we have taken the liberty of providing an explanation of terms as well as some mechanics that you are going to see in that agreement. The purpose of these explanations here is to prepare you fully and make sure you have no surprises at a later point.

Reserved Matters	For certain crucial decisions, you will be required to take consent from build3. This includes the following decisions - (a) Initiate a Next Qualified Financing at a price per share which is less than the Threshold PricePer Share; (b) Sell all or substantially all of the assets or Business of the Startup at a price where build3 will not be repaid its Principal and Balance Shared Earnings or Initiating any (i) change of control; (ii) IPO; or (iii) Liquidation Event; (c) Conduct any related party transactions; (d) Any change in shareholding pattern of the Startup; (e) Make any payments to the Founders in excess of the Founder Earnings Threshold and expenses incurred on actuals; (f) Adding or removing a co-founder; and

	(g) Do any action which affects the build3's seniority for repayment.
Pre-Emptive Rights	We expect you to inform us of any issue of shares in the future so that we can have the right to subscribe shares to maintain our shareholding in your business.
Information Rights	Rights of information included in the detailed agreement mean the information that is to be shared with build3 before any execution or decision is made. This will include financial statements, board resolutions, shareholder agreements etc.
Board Observer	A Board Observer receives notices and has the right to attend all board meetings and shareholder meetings, but does not have any voting rights. build3 will reserve a seat of Board Observer in your Startup
Exclusivity	After signing this term sheet, you will not approach any other person or entity for raising additional funds without informing build3.
Conditions Precedent and Closing Actions	Mutually agreed set of facts and actions that you will be required to take before signing of the agreement, at the termination of agreement or after the termination of agreement. build3 shall be provided with: 1. a certified true copy of a resolution of the Board (i) approving and authorising the issue of the Note in accordance with the terms of this Agreement; and (ii) calling an extraordinary general meeting to carry out the business set out in (a). 2. a certified true copy of a resolution of the shareholders approving and authorising an issue of the Note in accordance with the terms of this Agreement. 3. To the extent required, the Startup shall obtain all regulatory permissions, approvals or consents required by it in relation to the issue of the Note. 4. The company has issued equity shares to Build3 for an amount of INR [•] representing [•]% of the total equity cap table. 5. The Startup shall have finalised its business plan in a manner that is satisfactory to build3. (To be fillled out at agreement signing stage) One of the important closing actions includes a Founder's Agreement - The Founders shall enter into a co-founders agreement in consultation with build3 which will include customary terms such as equal Vesting of equity of Founders over 4 years , Consequence of Cessation of Employment, Non compete, Non-Solicit. A sample Founder's Agreement is attached in Appendix 5.

I/We have read and understood the term sheet and agree to the terms hereof, based on which the final agreement will be prepared. I also understand that this agreement is an explanation of terms and will not be grounds for contesting the terms in the legal agreement that I sign later.

____________________ ____________________ ___________________

For *<startup name>*

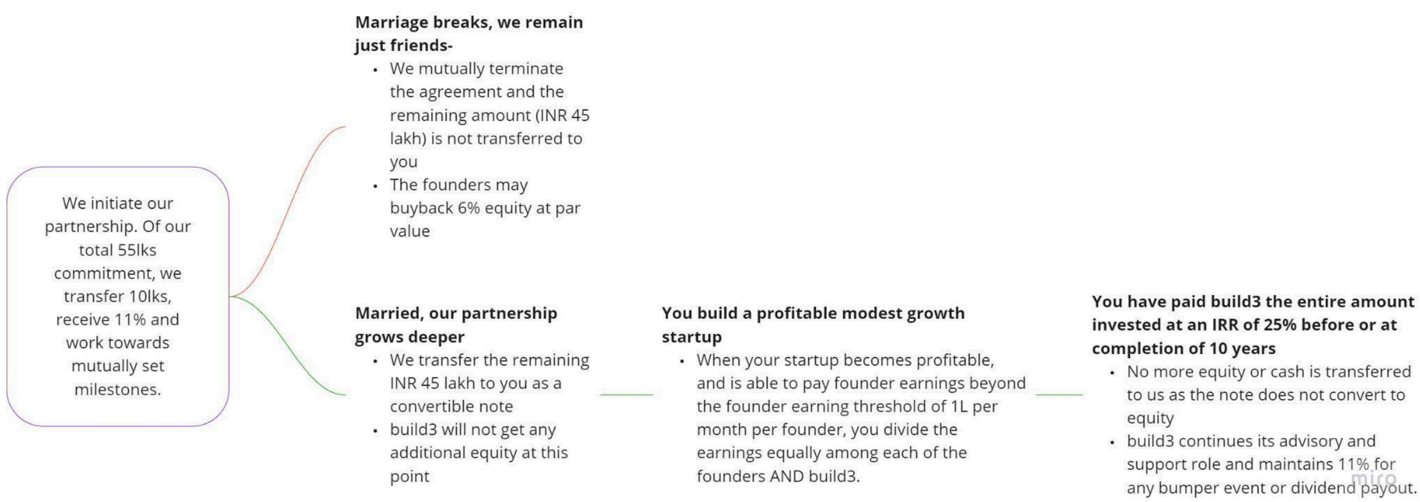
Name: Founder 1 Founder 2

Appendix 2 - Examples

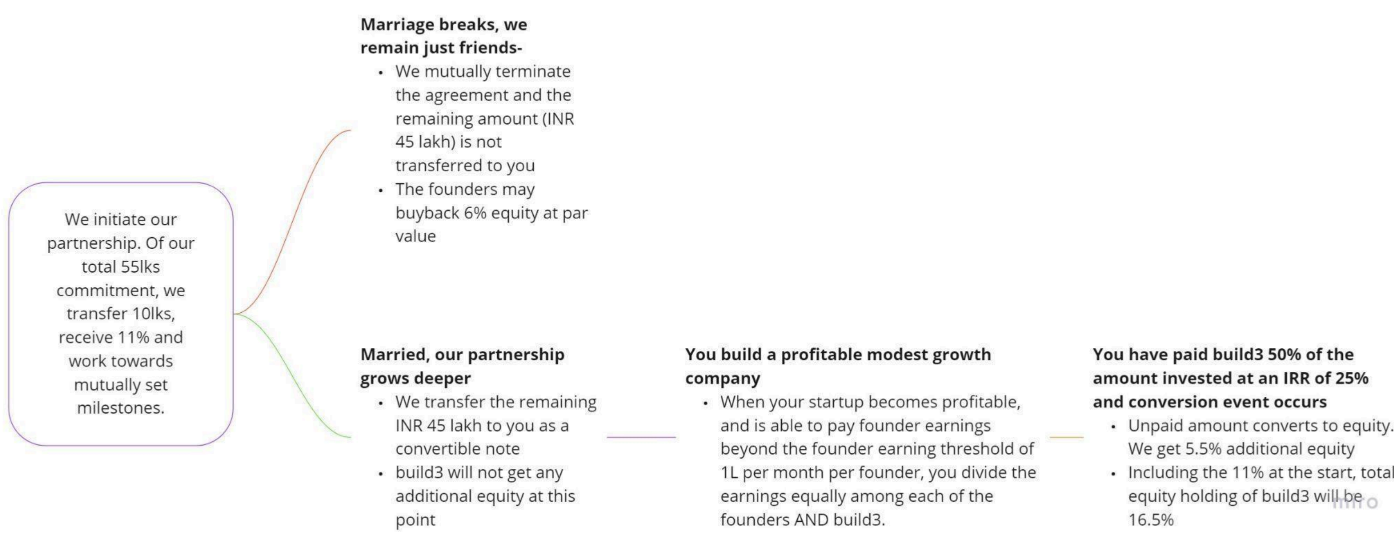
For a mutually agreed INR 55 lakh as contribution from build3, the maximum equity that build3 will hold is 11%. These are the scenarios that could play out -

Example 1 - Profitable, modest growth startup

a.) You repay all the money back to build3.

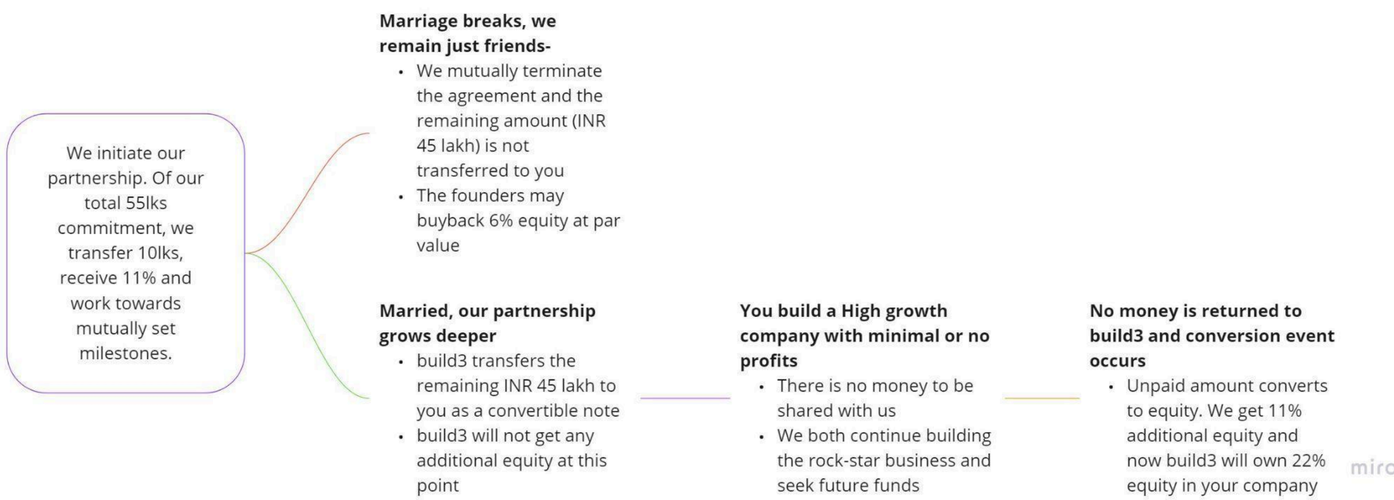


b.) You repay 50% money due with interest to build3



Example 2 - High growth, high value startup

You are not able to return any money back to build 3



Equity Calculator

You can use the Equity Calculator attached in this sheet to get an approximate idea of equity conversion based on your repayment pattern of requested amount

Equity Calculator for Startups

Appendix 3 - FAQS

Q1 Do I need to incorporate a company before signing the agreement?

Yes, the agreement can be signed only between build3 and a Private Limited Company (legal requirement for Convertible Notes).
To make this easy for you, once you principally agree with the terms explained in this agreement we will connect you with an experienced Company Secretary who will help in incorporating your company within 10 working days of you submitting your documents (shared as a simple checklist for you!)

Q2 How and when is the money transferred to you?

We will by default transfer money in two tranches, the first tranche will be a fixed 10lks that we will transfer upon signing the agreement. The second tranche will be the remainder of the agreed requirement transferred upto 90 days after we start working together and when we mutually establish confidence in each other as partners as well as the startup's viability (team execution ability as well as the market's acceptance).

Q3 Can I pay back the money by raising debt?

Venture debt, the only kind available to companies that have not demonstrated profitability for 3 years, is usually available at an interest rate of 16-18%, collateral based loans are available for a couple of percentage points lower (eg. loan against your home/mortgage), both have to be repaid with interest at regular intervals. build3 is contributing money via an equity route where you have no obligation to repay the money at regular intervals and you do not have the risk of losing any collateral. Paying us back through raising debt, if at all even feasible, will reduce build3's equity holding in your business but will lead to reduced profits and/or insolvency for your business since you will be paying off the debt at regular intervals. Startups are equity rich and cash poor, the preferred currency for initial dealings should be equity until cash reserves build up.

Q4 After the trial period, the first 90 days of our partnership, may founders also end the relationship?

Ofcourse. The trial period is for all of us - build3 and the founders to test if we can work with each other towards what we committed. While we will look out for red flags in commitment and commercial viability, you will look out for the value we bring to you as partners. At the end of the trial period, if either of our objectives are unmet we both have the right to end the partnership.

Q5 How do I decide how much money to ask for?

We suggest you create a bottoms up financial model and draw out your business plan through a 6-pager document to arrive at a number, remember to add a 10-20% buffer to cover for unplanned scenarios. It will be wise to request a realistic amount of money for two reasons, (i) to avoid paying 25% IRR on it, and (ii) to keep more of your equity with yourselves to be used for other scenarios.

Q6 Can I repay the amount to build3 by drawing less money OR Can I repay the amount to build3 in excess of the equal share of Founder Earnings?

Yes! You can choose to repay the amount by drawing less earnings or from your profits. This will reduce your liability as interest enables you to repay less in absolute amounts.

Appendix 4 - Values

Our Values

How we plan -

- **Consider all stakeholders (team members, partners, founders, investors etc.):**
  - Think from a 360 degree perspective. Think about all stakeholders and their needs, collect data where applicable and possible; Be a design thinker.

- **Logic and data back the best ideas:**
  - Data and Logic - these two checkpoints make an idea from being good to the best. It's our responsibility to bring our A-game to discussions that we are a part of. We must argue our point with passion, data and logic. Disagreements are good. They lead to discussion, new ideas, better solutions. Disagreements can also lead to personal learning and growth. We must be open to other people's potentially superior ideas and that's how we will truly deliver world class outcomes AND achieve the best version of ourselves (ref: ray dalio's principles for life and work)

- **Goal vs task thinking:**
  - Understand the big picture (goal) and then create a series of tasks to achieve the goal. Don't get caught up in the tasks, only to realise later that they are not helping you achieve your goals. Always ask yourself before undertaking any major new activity, "what's the goal of this activity?" and you will find that your tasks will automatically get aligned

- **Sense and evolve:**
  - The purpose of our organisation is dynamic; it will change through the keen senses of each and every one of us. It is each of ours' responsibility to voice our thoughts and drive change to steer us in the best direction.

- **With ethics and Integrity:**
  - We are bound to operate from a foundation of integrity and ethical conduct, respecting our fellow beings through our employees, business partners, suppliers and customers. We don't encourage practises that are abusive, corrupt, or anti-competition.

- **Distribute everything - especially authority + wealth:**
    - Wherever possible we will distribute ownership to maximise alignment as well as distribution of value creation (and consequently contribute to reducing the wealth divide). (Read: Employee owned companies and cooperatives, e.g. John Lewis partnership. Manusra cooperative coffee).

How we work -

- **Through diligent documentation:**
    - Write everything down, literally. Verbal conversations leave a lot of ambiguity, and just plain forgetfulness which leads to inefficiency. Written communication helps with audits, recall, clarity, and is just good professionalism. DO IT!

- **By being an owner, with focus and planning:**
    - Create your own projects, resource them by pitching them to your peers, plan them well with 6 pagers, work collaboratively through meetings and documentation, and deliver world class outputs, matched to the initial goals and quality checked by your peers and clients. These are not tasks, these are meaty projects (also called goals or rocks) something that moved the needle and it only happened due to your leadership.

    - Practice true single threading one proactive activity at a time! High leverage activities like projects should be planned well to be effective, the time spent in planning pays back many times over - use 6 pagers.

      (Refer to Working Backwards, a book about amazon's ways of working, and also The One Thing)

- **By outsourcing everything non core:**
    - Outsource almost everything, retain only our special sauce or where external vendors are not world class/culturally aligned (it is our responsibility to find the best partner possible for each area where we control strategy, KPIs and accountability)

- **With alignment of purpose and values:**
    - Join for common cause (our stakeholders will have alignment of purpose and values prioritised vs presence of all required skills, 'wants to do it' vs 'can do it' - ideally both!). In teal terms we will ensure Fit for purpose and Fit for organisation in all partners, team members, and clients we join hands with.

- **Through collaboration and with learning:**
    - Almost everything is better together, lean on your peers, lean on friends, lean on professionals outside the organisation to improve your understanding and approach. You will need humility, to do so well. You will crush it if you do it with sincerity. Don't think of the world in purely transactional terms or in win-lose terms, share freely and ask freely, good stuff happens to those that do.

    - Use the advice process for everything, find subject matter experts AND people impacted by your projects, and ask them what would improve your work from their perspective and ONLY then make decisions.

- **Be passionate about creating world class outcomes for your customers (Output is a muscle, flex it gloriously!!):**
    - Always be shipping, create frequent output. Don't talk about creating output or worse - procrastinate, if you do - you have no place here. A wise man once said - the quantity of input doesn't matter, the quality of output does.
    - We are responsible for raising the consumer's awareness of their rights through education, appropriate and helpful marketing communication, and product labelling (where appropriate).
- **Think from a first principle perspective:**
    - Don't just bring your old ideas and replicate them here. Challenge yourself to think of the best new ideas based on your experience, be innovative, be creative, explore (it's not ok to say, this is how it always happens or happens at XYZ, make the argument of why this method/approach is best for us, now).
    - The power of why: Be straightforward. Explain your reasons to your colleagues, to your customers, to anybody that asks :) It's your job (hat tip to simon sinek)
- **Focus during meetings:**
    - People have important things to say, let's not disrespect them and keep our phones and gadgets away during meetings (yes even remote ones!)
- **Tech is your friend, hug it out:**
    - Use tech to improve the customer experience, and internal operations efficiency from day 1 (data and consistency improves outcomes for all stakeholders). Tech is not a magic bullet in and of itself, if you have a stated objective and passion to achieve it, tech will enable you to do it faster, more often, and with more consistency.
- **Self manage, do amazing:**
    - While there will be high levels of freedom to choose what you do and how you go about it, you will also be held accountable. Some even find this disorienting. We trust you, you should trust yourself, and fully commit yourself to doing amazing work… you don't need a manager to tell you what to do (you're expected to manage yourself).

  - Open yourself, take in what's going on around you, and pursue what feels like it will create the best darn value for our mission and its stakeholders (keeping in mind your personal super powers!If you're the Flash, don't try to destroy buildings, leave that to the Hulk - oh sh!t, did I just crossover from dc to marvel?! Hey, it felt right :p)
    (Read: teal management, reinventing organisations, holacracy)

- **Be conscientious towards our team and founders:**
  - People are the lifeblood of our organisation and this world, let's treat each other warmly and fairly.

  - Channel our inner Sherpa nature when helping founders or when working with colleagues. Support by clting examples from our experience, versus prescribing solutions we may only half know or have read somewhere.

- **Be conscientious towards our goal:**
  - Purpose AND Profit (not OR): In the long run, there are no trade- offs between purpose and profits. If we focus on purpose, profits will follow.

  - Innovate and invest in products, technologies and processes that promote the wellbeing of society, of the environment, and our organisation. This must be a continuous cycle, which leads to layer upon layer of improvement.

How we behave -

- **Relationships and conflict - be loving not warring ♥**
  - While it is possible to change other people, it is not our place to do so. We must look inwards and take responsibility to change ourselves. We take ownership of our thoughts, beliefs, words and actions. We don't spread rumours. We don't talk behind someone's back. We don't blame people for our problems.

- **Be empathetic, be a teacher:**
  - Truly care for and support your team in their learning journey and their day to day execution. Help people learn and be socratic when a teaching opportunity presents itself.

- **Strength in diversity, strength from security:**
  - Be sensitive, respectful, and accepting of different beliefs, backgrounds and practises - our diversity is our strength. Feeling safe and secure in one's own skin is important to flourish individually and as a team, a safe environment unleashes one's true potential. It is our combined responsibility to create that environment for our peers and ourselves.

- **Curiosity is A-M-A-Z-I-N-G:**
  - Don't pretend to know, ask questions... the truly wise ask questions, don't be proud and pretend to know the answers. (Anybody can ask a question of anybody and should expect an answer.)

- **Be conscientious towards our minds:**
    - Non violent communications, providing experienced based ideas, vs providing solutions
    - Meditate, it's like yoga for the mind
    - With good vibes all around. Create a work environment where we all feel enthused to come into work everyday (politics and pettiness have no place here, don't create artificial stress for yourself and others.
    - *By being true to our inner selves and fully expressing ourselves. No masks, no inhibitions, no pretensions, just us. (Refer to Wholeness as a part of teal organisations, documented in Reinventing Organisations)*
- **People who reflect and learn are critical:**
- **We believe in second chances, but not thirds**
- **Be conscientious towards our body:**
    - Take breaks when you need them, practice regular fitness.
    - It's important to show self love: We aren't going to be good at anything if we aren't in good shape... be good to yourselves! Be mindful of your eating, exercise, meditation and other practises. (our policies will support you!).
- **Be conscientious towards our planet:**
    - We procure locally to reduce carbon due to unnecessary travel and packaging.
    - Be regenerative: Lets operate in a green, healthy, natural... Nature friendly... Low, zero carbon, regenerative way (Read: donut economics). Be considerate of people and the planet and they will be considerate to you. Find harmony.
- **Be radically transparent:**
    - Be transparent with practically everything. If our learnings can help others grow and create impact, they didn't steal your mojo, they multiplied it! (Read: google open sourcing its big data technologies within 2 years of discovery, or tesla open sourcing its patents). If sharing information can empower more people or get them on the same page so it doesn't always feel like you're swimming against the tide, would it be a wonderful world? Let's live in this world.

Your Startup's Values -
(Reference - Link)

<startup's values>

I have read these values and the ethos of this document, I broadly align with these. We are similar in our thoughts and my signature here confirms that.

____
For *<startup name>*
Name:

Appendix 5 - Sample Founder's Agreement

Simple Sample Founders' Agreement Assignment

Feel free to remove the protips from the final agreement

What is a founders' agreement? A founders' agreement is a document created by the founders of a company to establish how the company will function. It is the product of pre-incorporation discussions that should take place among the company's founders before they establish the company. It includes provisions on ownership structure, decision making, dispute resolution, choice of law, transfer of ownership, ownership percentages, voting rights, intellectual property rights, and more. After incorporating your company, you can include the founders' agreement into other legal documents — such as your corporate bylaws, partnership agreement, or limited liability company operating agreement — to protect each founder's interests.

Startup's Profile	[What does the company do?] [Founder 1] and [Founder 2] comprise the co-founders of the Startup.
What does success mean?	Define what does the success mean for the business 3-5-10 years from now? *Example* - Is unicorn status of the company a success? or creating a profit company :)
Roles and Responsibilities	[Founder 1] – • Accountability 1 • Accountability 2 • ..
	[Founder 2] – • Accountability 1 • Accountability 2 • ..
Company Decisions	All major company decisions require mutual agreement of both founders.
Salary	• [Founder 1] - Rs. [●] per month • [Founder 2] - Rs. [●] per month
Third Party Investment	All founders' equity will be diluted at the same rate to allow for third party investment.
Equity *If you're struggling to think about this, check out the framework sections of for articles on how to split equity between founders*	Each founder will be allocated equity determined • [Founder 1] - [●]% • [Founder 2] - [●]%

	If each founder has a different amount/method of contributing non-refundable initial capital, you can create a table with columns for each founder's name, method of contribution (i.e., through cash or through property such as computers, etc.), and contribution value (e.g., $500,000).
Sale of Equity by a Founder	Founders agree that they will not sell their equity stake for a period of 5 years and whenever they do so, it will be done based on unanimous approval of remaining founders.
Vesting Clause *Here is an article which talks about what is vesting*	4 years in the manner below - Year 1 - [●]% Year 2 - [●]% Year 3 - [●]% Year 4 - [●]%
Exit by a Founder	Any founder may resign from the company at any time and for whatever reason.
Dissolution	Founders may agree unanimously to dissolve the company at any time.
Signature	[Founder 1]
	[Founder 2]

Appendix 6 - Cap Tables

Pre-Money Cap Table

Shareholder	**Shares**	**Equity %**
Founder 1	[●]	[●]
Founder 2	[●]	[●]
Others	[●]	[●]
ESOP Pool	[●]	[●]
Total		**100%**

Post Money Cap Table (Validation stage)

Shareholder	**Shares**	**Equity %**
Founder 1	[●]	[●]
Founder 2	[●]	[●]
Others	[●]	[●]
ESOP Pool	[●]	[●]
build3	[●]	[●]
Total		**100%**

Post Money Cap Table after conversion of note when no repayment is made

Shareholder	**Shares**	**Equity %**
Founder 1	[●]	[●]
Founder 2	[●]	[●]
Others	[●]	[●]
ESOP Pool	[●]	[●]
build3	[●]	[●]
Total		**100%**

Post Money Cap Table after conversion of note when all money is repaid at 25% IRR

Shareholder	**Shares**	**Equity %**
Founder 1	[●]	[●]
Founder 2	[●]	[●]
Others	[●]	[●]
ESOP Pool	[●]	[●]
build3	[●]	[●]
Total		**100%**