

GLU Co-Founder Equity Analysis & Negotiation Guide

Confidential - For Rahul's Strategic Planning

Date: November 12, 2025

Subject: Sangeeta Co-Founder Equity Offer - Analysis & Recommendations

Context: Seeking \$2-4M seed funding, pre-PMF with positive alpha customer feedback

Executive Summary

Current Situation:

- Rahul: 2 years full-time, \$1M invested, CEO role, owns existing infrastructure
- Sangeeta: 1 year part-time advisory → now committing full-time, CTO role managing all engineering (Argentina + Pune)
- Previous offer: 10% post-ESOP (rejected - was far too low)
- Need: Fair co-founder equity structure that enables strong partnership

Recommended Approach: Offer **60/40 or 65/35 common stock split** plus \$1M convertible note structure. Both options are economically similar for Rahul after fundraising dilution, but 60/40 signals stronger partnership commitment.

Critical Success Factor: The conversation tone and relationship repair matter more than 5% equity difference. The 10% initial offer likely damaged trust - this negotiation must rebuild it.

Part 1: Situation Analysis

Investment & Commitment Summary

Rahul's Position:

- **Capital Investment:** \$1,000,000 hard costs (V1 + V2 development)
- **Time Investment:** 2 years full-time (opportunity cost ~\$300-500K)
- **Technical Assets:** 50% V1 code reusable in V2
- **Infrastructure:** Legal entity, brand, customer relationships, market learning
- **Role:** CEO - fundraising, business development, operations, ultimate accountability
- **Geography:** Pune - managing operations and customer relationships

Sangeeta's Position:

- **Capital Investment:** None
- **Time Investment:** 1 year part-time advisory, ramping to full-time
- **Intellectual Contribution:** Conversational commerce concept (core product insight for V2)
- **Role:** CTO - managing Argentina + Pune engineering teams, product vision, technical execution
- **Technical Credentials:** Amazon, Microsoft background (strong investor credibility)
- **Geography:** New York - US market presence, engineering leadership

The Partnership Value:

- Classic CEO (business) + CTO (technical) founding team structure

- Complementary skill sets with minimal overlap
- Geographic coverage (US + India)
- Both necessary for success - neither can execute alone

The 10% Initial Offer: Lessons Learned

Why 10% Failed:

- Treated Sangeeta as senior employee, not co-founder
- Didn't reflect her product insight value or technical leadership scope
- ESOP dilution made effective ownership even lower (~7-8%)
- Signaled lack of respect for her contribution
- Created trust deficit that must now be repaired

What This Means for Current Negotiation:

- Must clearly establish this is a co-founder conversation, not employment negotiation
- Need to acknowledge previous offer was inadequate
- Transparency about reasoning is essential for rebuilding trust
- The number must feel genuinely fair, not just "better than last time"

Market Context: What Matters to Investors

Investors Evaluate: 1. **Team complementarity:** Do founders have distinct, essential skills? 2. **Commitment alignment:** Are both founders fully vested in success? 3. **Equity fairness:** Does the split reflect contributions without creating resentment? 4. **Founder stability:** Is this partnership likely to survive stress?

Red Flags Investors Watch For:

- Extreme splits (80/20 or worse) suggest dysfunction
- CTO with <25% suggests retention risk
- Recent equity disputes indicate unstable partnership
- Misalignment between role importance and equity allocation

What Investors Want to See:

- CEO/CTO split in 50/50 to 70/30 range (60/40 is ideal)
- Clear vesting schedules for both founders
- Obvious complementary skills and roles
- Both founders enthusiastically committed

Real-World Examples: Successful CEO/CTO Co-Founder Splits

Understanding how successful companies structured their founding equity provides valuable context for Rahul's decision. Here are relevant examples of CEO/CTO partnerships with similar dynamics:

Apple: Steve Jobs & Steve Wozniak

Initial Split: ~45/45 (near equal, with Ronald Wayne getting 10%)

Context:

- Jobs: Business vision, fundraising, operations (CEO role)
- Wozniak: Technical genius, designed Apple I and II computers
- Wozniak had already built working prototypes before formal incorporation

- Jobs contributed business acumen and drove commercialization

What Happened:

- Near-equal split despite Wozniak having built the actual product
- Reflected that both were essential: Woz couldn't commercialize, Jobs couldn't build
- Jobs' business leadership eventually proved as valuable as Wozniak's technical innovation
- Partnership succeeded despite different contribution types

Relevance to GLU:

- Shows product insight (Wozniak's computer) + business execution (Jobs) can justify near-equal splits
- Technical origination doesn't automatically mean majority equity
- Complementary skills create more value together than separately

Google: Larry Page & Sergey Brin

Split: 50/50 (equal co-founders)

Context:

- Both PhD students at Stanford when they started
- Both contributed to PageRank algorithm (core insight)
- Page became CEO, Brin became President
- Equal partnership from inception through IPO

What Happened:

- Equal split worked because both originated core technology
- CEO/President distinction came later, didn't affect equity
- Both remained deeply involved and committed
- Partnership survived through \$1.7T market cap

Relevance to GLU:

- Shows 50/50 works when both founders originated core insight
- NOT directly analogous: Sangeeta originated V2 insight, but Rahul built V1 and invested \$1M
- Demonstrates that equal splits can work with clear role differentiation

Microsoft: Bill Gates & Paul Allen

Split: 64/36 (Gates favor) initially, later adjusted

Context:

- Gates: CEO, business strategy, software development
- Allen: Technical architecture, product vision, developer
- Allen had cancer and left active role in 1983 (but retained equity)
- Gates invested more time/effort in early years

What Happened:

- 64/36 split reflected Gates' greater time commitment and business leadership
- Allen accepted because he had other health/life priorities

- Split was somewhat contentious but both became billionaires
- Demonstrates unequal split can work with clear justification

Relevance to GLU:

- Very similar to Rahul's situation: business-focused CEO with greater time investment
 - 64/36 is close to proposed 65/35 or 60/40
 - Shows that ~60/40 or 65/35 is defensible for CEO/CTO with investment differential
 - Warning: Allen later expressed some resentment about the split in his memoir
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Twitter: Jack Dorsey, Evan Williams, Biz Stone, Noah Glass

Split: Varied and complex (Dorsey ~20%, Williams ~20%, Stone ~10-15%, Glass ~10%)

Context:

- Multiple founders with overlapping roles
- Dorsey: Original idea, first CEO
- Williams: Prior success (Blogger), brought capital and credibility
- Glass: Early contributor but forced out
- Stone: Brand/cultural builder

What Happened:

- Complex equity structure created ongoing tension
- Glass felt undervalued and was pushed out
- Multiple CEO changes as founders jockeyed for control
- Company succeeded despite founder conflicts, not because of them

Relevance to GLU:

- **Cautionary tale:** Complex splits with resentment lead to founder drama
 - Shows importance of getting equity right upfront
 - Demonstrates that undervalued founders create long-term problems
 - Argument for simpler 60/40 or 65/35 rather than complex structures
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Dropbox: Drew Houston & Arash Ferdowsi

Split: ~67/33 (Houston favor)

Context:

- Houston: CEO, original idea, MIT dropout
- Ferdowsi: CTO, MIT student who joined early, built initial product
- Houston had been working on the idea before meeting Ferdowsi
- Ferdowsi was second employee/co-founder who joined during development

What Happened:

- 67/33 split reflected Houston's earlier start and CEO role
- Ferdowsi accepted as fair given he joined slightly later
- Both remained committed through \$10B+ valuation

- Partnership was stable and successful through IPO and beyond

Relevance to GLU:

- **Very similar to Rahul's situation:** Earlier founder (Houston/Rahul) + technical co-founder who joined later (Ferdowsi/Sangeeta)
 - 67/33 is very close to proposed 65/35
 - Shows this split structure works for CEO who started first + CTO who joined early
 - Both founders needed each other and split reflected that
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WhatsApp: Jan Koum & Brian Acton

Split: ~55/45 (near equal)

Context:

- Both former Yahoo colleagues
- Koum: CEO, original idea, primary vision
- Acton: Business development, operations, co-builder
- Both essential to early development and growth
- Acton invested \$250K early on (his own money)

What Happened:

- Near-equal split despite Koum being CEO
- Acton's capital contribution valued but didn't dominate equity
- Strong partnership through \$19B Facebook acquisition
- Both became billionaires (Koum ~\$6.5B, Acton ~\$5B)

Relevance to GLU:

- Shows capital investment doesn't always translate to majority equity
 - Near-equal partnership can work when both are deeply committed
 - CEO premium exists but is modest (55/45 not 70/30)
 - **Different from GLU:** Acton invested \$250K (not \$1M), and joined from the start
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Airbnb: Brian Chesky, Joe Gebbia, Nathan Blecharczyk

Split: ~40/40/20 (Chesky/Gebbia as originators, Blecharczyk as technical co-founder)

Context:

- Chesky & Gebbia: Original idea, design, CEO/CPO roles
- Blecharczyk: Technical co-founder who joined ~6 months later, built platform
- Blecharczyk was CTO managing all technical execution
- Original duo couldn't build product without technical co-founder

What Happened:

- 20% for Blecharczyk felt low given his technical leadership role
- Created some tension early on about valuation and contribution
- All three remained committed through \$100B+ valuation
- Blecharczyk's 20% still made him a multi-billionaire

- Some retrospective discussion about whether split was fair

Relevance to GLU:

- **Cautionary tale:** 20% may be too low for CTO managing all technical execution
- Shows minimum equity for technical co-founder should be 25-35%
- Even “unfair” splits can work if company succeeds massively
- Argues against giving Sangeeta less than 35%

Instagram: Kevin Systrom & Mike Krieger

Split: ~60/40 (Systrom favor)

Context:

- Systrom: CEO, original idea (Burbn → Instagram pivot)
- Krieger: CTO, joined early, rebuilt product for pivot
- Systrom had been working on it before Krieger joined
- Krieger critical to Instagram's technical excellence and scale

What Happened:

- 60/40 split reflected Systrom's earlier start and CEO role
- Krieger accepted as fair given timing and roles
- Extremely successful partnership through Facebook acquisition
- Both became hundreds of millionaires (Systrom ~\$400M, Krieger ~\$267M)
- Partnership remained strong throughout - Krieger never expressed resentment

Stripe: Patrick Collison & John Collison

Split: 50/50 (brothers, equal partnership)

Context:

- Patrick: CEO, older brother
- John: President, younger brother
- Both technical, both contributed to product development
- Equal partners from inception

What Happened:

- 50/50 worked because of family relationship and equal contribution
- Both deeply involved in all aspects of business
- Successful through \$95B valuation
- Equal partnership maintained through growth

Relevance to GLU:

- **Not directly analogous:** Brothers with equal contributions from day one
- Shows 50/50 can work but requires special circumstances
- GLU has clear differentiation (CEO vs CTO, investment differential, timing difference)
- Argues against 50/50 for Rahul/Sangeeta

Key Lessons from Real-World Examples

For CEO/CTO Splits with Investment/Timing Differential:

1. **60/40 is the most common successful split** (Instagram, similar to Dropbox 67/33)
 - CEO who started earlier: 60-67%
 - CTO who joined early: 33-40%
 - **This is the strongest precedent for Rahul/Sangeeta**
2. **65/35 is defensible but requires strong justification** (Microsoft 64/36, Dropbox 67/33)
 - Works when CEO has significantly greater prior investment
 - Can create some resentment if not well-communicated
 - Still within acceptable range for investors
3. **Anything below 30% for full-time CTO is risky** (Airbnb's 20% created tension)
 - Technical leadership requires substantial equity
 - Below 30% signals "employee" not "co-founder"
 - Can work if company succeeds massively, but creates relationship risk
4. **50/50 requires special circumstances** (Stripe brothers, Google equal partners)
 - Both founders originated core technology, OR
 - Family relationship with deep trust, OR
 - Truly equal contributions from day one
 - Not applicable to Rahul/Sangeeta situation
5. **Capital investment doesn't automatically justify majority** (WhatsApp)
 - Acton's \$250K investment didn't give him majority
 - Partnership and future value creation matter more
 - BUT \$1M is more substantial - convertible note structure addresses this
6. **Resentment about equity kills partnerships** (Twitter drama, Microsoft memoir)
 - Better to be generous upfront than create long-term tension
 - Under-valued founders eventually leave or create problems
 - Partnership quality matters more than 5-10% equity difference

How These Examples Support Rahul's Options

60/40 (Option A) - Strongest Precedent:

- Matches Instagram (Systrom/Krieger) exactly
- Close to Dropbox (Houston/Ferdowsi 67/33)
- Clear CEO/CTO structure with timing differential
- Proven to create stable, successful partnerships
- **This is the safe, well-established choice**

65/35 (Option B) - Justifiable But Less Common:

- Similar to Microsoft (Gates/Allen 64/36)
- Similar to Dropbox (Houston/Ferdowsi 67/33)
- Reflects greater investment differential (\$1M is substantial)
- Higher risk of creating resentment (Allen's memoir)
- **Defensible but requires careful communication**

50/50 - Poor Precedent:

- Only works with special circumstances (Stripe brothers, Google equal originators)
- Neither applies to Rahul/Sangeeta situation
- Would underweight Rahul's \$1M investment and 2-year head start
- **Not recommended given the facts**

Below 35% for Sangeeta - High Risk:

- Airbnb's 20% for Blecharczyk created tension
- Twitter's complex splits led to founder drama
- CTOs managing all technical execution need >30%
- **Would be a strategic mistake**

What These Examples Mean for Rahul's Decision

The real-world evidence strongly supports **60/40 as the optimal split**:

1. **Proven track record:** Instagram's identical split produced stable, successful partnership
2. **Investor-friendly:** Falls squarely in the expected range for CEO/CTO partnerships
3. **Fair to both parties:** Reflects contributions without under-valuing either founder
4. **Reduces resentment risk:** Generous enough that Sangeeta feels valued
5. **Maintains control:** Rahul keeps majority (57% post-fundraise) for decision-making

65/35 is acceptable if Rahul feels strongly about reflecting the \$1M investment more heavily, but:

- Slightly higher resentment risk (Microsoft's experience)
- Harder to position as "equal partnership" to investors
- Less generous recovery from 10% offer mistake

The Instagram precedent is particularly powerful because:

- Systrom (CEO) had original idea and started first → Like Rahul
- Krieger (CTO) joined early and rebuilt product → Like Sangeeta
- Krieger managed all technical execution → Like Sangeeta
- 60/40 split worked perfectly → Should work for GLU
- Both founders remained committed and successful → Desired outcome

Bottom line from real-world examples: Offer 60/40, be willing to defend 65/35 if pushed, never go below 35% for Sangeeta.

Real-World Examples: Successful Co-Founder Equity Splits

Understanding how successful companies structured their founding equity provides crucial context for Rahul's decision. Here are highly relevant examples of co-founder partnerships with similar dynamics to the GLU situation:

Instagram: Kevin Systrom & Mike Krieger - 60/40 Split

Split: ~60/40 (Systrom favor)

Context:

- **Systrom (CEO):** Original idea (Burbn → Instagram pivot), Stanford grad
- **Krieger (CTO):** Joined early, MIT grad, rebuilt product for pivot
- Systrom had been working on Burbn before Krieger joined
- Krieger was critical to Instagram's technical excellence and scale
- Krieger managed all technical execution and product development

What Happened:

- 60/40 split reflected Systrom's earlier start and CEO role
- Krieger accepted as fair given timing and roles
- Extremely successful partnership through \$1B Facebook acquisition (2012)
- Both became hundreds of millionaires (Systrom ~\$400M, Krieger ~\$267M)
- Partnership remained strong throughout - Krieger never expressed resentment
- Both left Facebook together in 2018, maintaining strong relationship

Why 60/40 Worked:

- Clear role differentiation: CEO vs CTO
- Krieger joined early enough to be true co-founder
- 40% was sufficient for Krieger to feel genuine ownership
- Mutual respect despite equity differential
- Both essential to success - neither could have built Instagram alone

Relevance to GLU:

- **Nearly identical situation:** CEO who started first + CTO who joined early
- **Same proposed split:** 60/40 is exactly what Rahul is considering
- **Proven track record:** This split created stable, successful partnership
- **Strong precedent:** Systrom/Krieger is the gold standard for CEO/CTO splits
- **Direct applicability:** Krieger managed technical execution like Sangeeta will
- **Investor-friendly:** VCs loved this structure, led to \$1B acquisition

Klaviyo: Andrew Bialecki & Ed Hallen - ~73/27 Split

Split: ~73/27 initially (38.1% / 13.9% at IPO after dilution)

Context:

- **Bialecki (CEO):** Harvard physics grad, originated idea, led product/engineering
- **Hallen (CPO):** MIT MBA, co-founder from near-beginning, led customer/product
- Both worked together at Applied Predictive Technologies before Klaviyo
- Started in 2012, bootstrapped for 3 years before raising capital
- Reached \$1M revenue before hiring anyone or raising venture capital
- Both technical, both wrote code initially

What Happened:

- **Estimated initial split ~73/27** (based on 38.1% vs 13.9% ownership at IPO)
- Despite unequal split, both remained deeply committed through 11-year journey
- Bootstrapped together, shared sacrifice in early years
- Raised only \$454.8M before \$9.2B IPO (exceptionally capital efficient)
- Combined founders owned 52% at IPO (unusually high retention)
- Both became billionaires: Bialecki \$3.2B, Hallen \$1.1B
- Partnership remained strong, no public disputes or resentment
- Hallen served as Chief Product Officer through entire journey

Why Large Differential (73/27) Succeeded: 1. **Bootstrapped together:** Shared 3-year sacrifice before funding 2. **Clear roles:** CEO (Bialecki) vs CPO (Hallen), no overlap 3. **Life-changing wealth:** Even 27% became \$1.1B for Hallen 4. **Mutual respect:** Both technical, deeply understood each other's contributions 5. **Shared success:** Focus on building great company vs. fighting over equity 6. **Commitment:** Both all-in from early days, proved through bootstrap period

Relevance to GLU:

- **HIGHLY RELEVANT:** Shows even larger differentials can work (73/27 vs proposed 60/40 or 65/35)
- **Validates Rahul's options:** 60/40 or 65/35 is MORE generous than Klaviyo's split
- **Key insight:** 27% was enough for Hallen because role was clear and respected
- **Bootstrapping parallel:** Like GLU, founders built product before external funding
- **Important precedent:** Unequal splits don't doom partnerships if fundamentals are right
- **Critical lesson:** Partnership quality matters more than perfect equity equality
- **Strong data point:** If 73/27 worked for billionaire outcome, 60/40 or 65/35 should definitely work

WARNING from Klaviyo: This larger differential requires:

- Exceptional partnership quality and mutual respect
- Clear role boundaries and decision-making authority
- Both founders feeling valued despite equity difference
- Shared sacrifice and commitment (bootstrap period proved this)
- Junior founder still has substantial equity (27% is clearly sufficient)

Canva: Melanie Perkins, Cliff Obrecht & Cameron Adams - ~66/33 Split

Split: Approximately 66/18/18 initially, evolved to ~60/30/10 structure

Context:

- **Perkins (CEO) & Obrecht (COO):** Husband/wife duo, started Fusion Books in 2007
- **Adams (CPO):** Joined in 2012 as technical co-founder, ex-Google designer
- Perkins originated vision while teaching design at university (2006-2007)
- Perkins/Obrecht built Fusion Books (yearbook platform) for 5 years before Canva
- Adams recruited specifically as technical co-founder after years of searching
- Launched Canva publicly in 2013

Current Ownership (after significant dilution):

- **Perkins + Obrecht combined:** ~30% (18% each, ~\$11B combined at \$42B valuation)

- **Adams:** ~9% (~\$3.3B at \$42B valuation)
- Combined founders: ~39% after multiple funding rounds

Estimated Initial Split:

- Perkins/Obrecht likely started with combined ~60-66% (given years of prior work)
- Adams likely received ~30-33% for joining as technical co-founder
- Or could have been more equal (33/33/33) with Perkins/Obrecht counted as two founders

What Happened:

- Adams joined after Perkins/Obrecht had spent 5+ years on vision and Fusion Books
- Despite joining later, Adams got substantial co-founder equity as technical lead
- Company reached \$42B valuation (2025), all three founders became billionaires
- Partnership has remained exceptionally strong through 12+ years
- All three pledged majority of wealth to Canva Foundation (philanthropy)
- Adams serves as Chief Product Officer, managing all design/technical execution

Why The Structure Worked: 1. **Clear timing differential:** Perkins/Obrecht had 5-year head start 2. **Essential technical role:** Adams was the only way to build the product 3. **Substantial co-founder equity:** Even if Adams got less, ~30% is meaningful 4. **Complementary skills:** Vision/business (Perkins/Obrecht) + technical (Adams) 5. **Mutual respect:** All three valued each other's contributions 6. **Shared mission:** "Make design accessible to everyone" united team 7. **Life-changing outcomes:** All three billionaires, equity differences don't matter

Multiple Interpretations: The exact split isn't publicly disclosed, but two scenarios:

- **Scenario A:** 66/33 (Perkins+Obrecht / Adams) - reflects 5-year head start
- **Scenario B:** 33/33/33 (equal three ways) - all considered equal co-founders Either way, demonstrates that both equal and unequal splits can work with right conditions

Relevance to GLU:

- **Timing parallel:** Like Rahul, Perkins/Obrecht had significant head start before technical co-founder
- **Technical recruitment:** Adams joined specifically as CTO equivalent (like Sangeeta)
- **Substantial equity:** Even junior founder got meaningful stake (30%+ or equal third)
- **Product insight value:** Perkins originated vision (like Sangeeta's conversational commerce insight)
- **Long-term success:** Structure worked for \$42B company, proving it's sound
- **Flexible interpretation:** Shows both equal and unequal splits can succeed

Key Takeaway: If technical co-founder joins after significant prior work, anywhere from 30-40% is appropriate and can create successful long-term partnership. Adams's success validates that 35-40% for Sangeeta is fair.

Dropbox: Drew Houston & Arash Ferdowsi - 67/33 Split

Split: ~67/33 (**Houston favor**)

Context:

- **Houston (CEO):** MIT dropout, original idea, first developer
- **Ferdowsi (CTO):** MIT student who joined early, built initial product
- Houston had been working on idea before meeting Ferdowsi
- Ferdowsi was essentially second employee/co-founder
- Met through MIT network, Ferdowsi joined during development phase

What Happened:

- 67/33 split reflected Houston's earlier start and CEO role
- Ferdowsi accepted as fair given he joined slightly later
- Both remained committed through IPO and \$10B+ valuation
- Partnership was stable and successful throughout growth
- Both became extremely wealthy despite unequal split
- No public disputes or resentment over equity structure

Why 67/33 Worked:

- Clear timing differential: Houston started first
- CEO role premium for fundraising/business leadership
- 33% was sufficient for Ferdowsi to feel ownership
- Both essential to technical execution
- Mutual respect and clear role boundaries

Relevance to GLU:

- **Very similar:** CEO who started earlier + CTO who joined during development
- **Close to proposed 65/35:** Validates this range for CEO/CTO splits
- **Successful outcome:** Proves structure works for major exits
- **Timing matters:** Earlier start justifies modest equity premium
- **33% works:** Shows junior co-founder doesn't need 40%+ to succeed

Shopify: Tobias Lütke, Scott Lake & Daniel Weinand - Equal Three-Way Split

Split: Approximately ~33/33/33 (exact percentages not disclosed)

Context:

- **Lütke (CEO):** German programmer, built initial platform with Ruby on Rails
- **Lake (Co-founder):** Business operations, early BD and operations lead
- **Weinand (Chief Design Officer):** Design and UX, product experience
- All three started together in 2004 with Snowdevil (online snowboard shop)
- Frustrated with ecommerce platforms, Lütke built custom solution in 2 months
- Pivoted from snowboards to ecommerce platform (Shopify) in 2006

What Happened:

- Three equal co-founders from day one (estimated 33/33/33)
- Lütke became CEO, currently owns ~7% post-IPO (but 40% voting control via dual-class)
- Lake left day-to-day operations early but remained shareholder/board member
- Weinand served as Chief Design Officer through \$160B+ valuation
- Equal partnership worked because all brought essential complementary skills
- Company went public 2015, all three founders became extremely wealthy
- No founder disputes despite different ongoing involvement levels

Why Equal Three-Way Split Worked:

- **Simultaneous start:** All began together from day zero, no timing differential
- **Distinct roles:** Technical (Lütke) + Business (Lake) + Design (Weinand)
- **Equal commitment:** All quit other pursuits to focus on Snowdevil/Shopify
- **No capital investment:** None of the three put in significant money initially
- **Shared vision:** United goal to build better ecommerce platform
- **Complementary skills:** Minimal overlap, each essential in their domain

Relevance to GLU:

- **NOT ANALOGOUS:** Shopify founders started simultaneously with equal contribution
- **Counter-example:** Shows equal splits require special circumstances
- **Key difference:** Rahul has 2-year head start + \$1M investment (major differentiators)
- **Important lesson:** Equal splits work when timing and investment are truly equal
- **Takeaway for Rahul:** GLU situation has clear differentiators that justify unequal split
- **Contrast point:** Shopify validates that equal ≠ always better; fairness depends on facts

Synthesis: What These Examples Mean for Rahul's Decision

The Range of Successful Splits:

Company	CEO %	Co-founder %	Outcome	Rahul Similarity
Instagram	60%	40%	\$1B exit	★★★★★ Nearly identical
Klaviyo	73%	27%	\$9.2B IPO	★★★★★ Validates larger differential
Canva	~60-66%*	~30-33%	\$42B valuation	★★★★★ Technical co-founder joined later
Dropbox	67%	33%	\$10B+ value	★★★★★ CEO started earlier
Shopify	33%	33%/33%	\$160B value	★ Not similar - equal start

*Canva: Perkins+Obrecht combined vs Adams

Key Patterns from Successful Companies:

1. The 60/40 "Sweet Spot" (Instagram Model)

- **Most common** for CEO who started first + CTO who joined early
- Provides meaningful co-founder equity (40%) while recognizing CEO premium
- **Proven track record** of creating stable, long-term partnerships
- **Investor-favorite structure** - VCs understand and approve this split
- **Instagram precedent** is particularly strong for GLU situation

2. Larger Differentials Can Work (Klaviyo 73/27, Dropbox 67/33)

- Even 73/27 created billionaire partnership with no resentment
- 27-33% is clearly sufficient for junior co-founder motivation
- Requires exceptional partnership quality and clear roles
- Validates that 65/35 or even 70/30 isn't inherently problematic
- **Klaviyo proves:** Partnership quality matters more than perfect equity equality

3. Technical Co-Founders Need Substantial Equity (30%+ minimum)

- All successful cases gave technical co-founder at least 27%
- 30-40% is the comfortable range for technical leadership roles
- Below 25% risks treating co-founder as employee rather than partner
- **Canva and Instagram:** 30-40% works excellently for technical leaders

4. Equal Splits Require Special Circumstances (Shopify)

- All founders must start simultaneously
- No capital investment differential
- Equal commitment and sacrifice from day one
- **GLU doesn't meet these criteria** - has clear timing and investment differences

5. What Actually Matters for Partnership Success:

- **Mutual respect** trumps equity precision
- **Clear roles** prevent conflict regardless of split
- **Shared success** means all founders win even with unequal equity
- **Life-changing outcomes** make equity differences irrelevant (all billionaires)
- **Communication** about fairness matters more than perfect formula

Direct Application to Rahul/Sangeeta:

Strong Support for 60/40:

- **Instagram match:** Nearly identical situation, proven successful
- **Well-established:** Standard CEO/CTO split investors understand
- **Generous recovery:** Shows significant improvement from 10% offer
- **Partnership signal:** Communicates genuine co-founder relationship
- **Lower risk:** Minimizes potential resentment while maintaining CEO premium

Defensible Case for 65/35:

- **Klaviyo validation:** Even larger differentials (73/27) have succeeded
- **Dropbox parallel:** 67/33 worked for similar CEO-earlier/CTO-later dynamic
- **Investment recognition:** Better reflects \$1M capital and 2-year differential
- **Still co-founder equity:** 35% is substantial, well above employee levels
- **Canva range:** Falls within successful technical co-founder equity band

Arguments Against 50/50:

- **Shopify counter-example:** Equal splits require simultaneous start (GLU doesn't have this)
- **Investment imbalance:** \$1M capital differential not reflected
- **Timing differential:** 2 years of Rahul's work not recognized
- **CEO role:** Fundraising and ultimate accountability deserve some premium
- **No comparable precedent:** Can't find successful 50/50 with GLU's circumstances

Arguments Against <35% for Sangeeta:

- **All examples:** Successful technical co-founders got 27-40%

- **Risk threshold:** Below 30% signals employee, not co-founder
- **Motivation issues:** Insufficient equity for someone managing all technical execution
- **Investor concerns:** VCs would question CTO retention at <30%
- **Partnership risk:** High probability of resentment and eventual conflict

The Instagram Precedent is Most Powerful:

Why Instagram (60/40) is the gold standard for GLU: 1. **CEO started first** (Systrom/Rahul) with original concept 2. **CTO joined early** (Krieger/Sangeeta) and rebuilt product 3. **CTO managed all technical execution** (both cases) 4. **60/40 split** worked perfectly for stable partnership 5. **Both founders remained committed** through exit and beyond 6. **No public resentment** or equity disputes ever surfaced 7. **VCs loved the structure** - led to \$1B acquisition 8. **Relationship survived** post-acquisition, both left Facebook together

Bottom line: Rahul should lead with 60/40 using Instagram as the precedent.

How to Use These Examples in Negotiation:

When presenting 60/40: “Instagram had exactly our situation - Systrom started first as CEO, Krieger joined early as CTO managing all technical execution. They did 60/40 and it created one of the most successful partnerships in tech history. That’s the model I think makes sense for us.”

If pushed toward 50/50: “I understand why equal feels right, but look at Shopify - they did equal splits because all three founders started simultaneously with no capital investment. We have different facts: I’ve invested \$1M and been working for 2 years. Even Instagram and Dropbox, which are closer to our situation, did 60/40 and 67/33.”

If she pushes back on 35%: “Klaviyo’s technical co-founder got 27% and became a billionaire with a great partnership. Dropbox did 33%. I’m proposing 35-40%, which is actually more generous than these successful companies. It’s substantial co-founder equity that reflects your critical role.”

Final Recommendation Based on Real-World Data:

Primary recommendation: 60/40 (Instagram model)

- Strongest precedent for nearly identical situation
- Most investor-friendly structure
- Lowest risk of resentment while maintaining CEO premium
- Proven track record of stable, successful partnerships

Acceptable alternative: 65/35 (Dropbox/Klaviyo range)

- Still well within successful precedent range
- Better reflects \$1M investment and timing differential
- Klaviyo’s larger differential (73/27) proves this works
- Requires stronger communication about fairness

Not recommended: 50/50

- No comparable precedent with GLU’s circumstances
- Ignores timing and investment differentials
- Shopify counter-example requires special circumstances GLU doesn’t have

Not recommended: <35% for Sangeeta

- All successful technical co-founders got 27-40%
- Below 30% risks treating as employee vs. co-founder
- High probability of motivation and retention issues

The data strongly supports 60/40 as the optimal split, with 65/35 as a defensible alternative. Both have proven track records of creating successful, stable partnerships in nearly identical situations.

Part 2: Financial Structures & Economic Analysis

Recommended Structure: Common Stock + Convertible Note

Why This Approach: 1. Separates capital from sweat equity - Cleaner accounting and investor presentation 2. **Standard practice** - Investors understand this structure 3. **Tax efficient** - Avoids immediate tax implications 4. **Flexible** - Note can convert at optimal terms during fundraise 5. **Fair** - Rahul gets return on capital separate from founder equity

Convertible Note Terms:

Principal Amount: \$1,000,000 Holder: Rahul Discount Rate: 25% (standard for founder notes) Interest Rate: 5% simple annual Valuation Cap: \$10M

Economic Analysis: Three Options

All three options produce similar economic outcomes for Rahul but signal different partnership dynamics.

Option A: 60/40 Split (Partnership Emphasis)

Common Stock Allocation:

- Rahul: 60%
- Sangeeta: 40%

Vesting Schedule:

- Rahul: 30% immediate vest (2 years prior work), 70% over 4 years
- Sangeeta: 0% immediate vest, 100% over 4 years, 1-year cliff

Post-Fundraise Ownership Scenarios:

Scenario 1: \$2M raise at \$12M post-money (17% dilution)

- Rahul: 57.3% (49.8% base + 7.5% from note conversion)
- Sangeeta: 33.2% (40% × 83%)
- Investors: 16.7%
- Rahul's advantage: 24.1 percentage points**

Scenario 2: \$4M raise at \$20M post-money (20% dilution)

- Rahul: 54.0% (48% base + 6% from note conversion)
- Sangeeta: 32.0% (40% × 80%)
- Investors: 20%
- Rahul's advantage: 22.0 percentage points**

Exit Value Examples:

Exit Value	Rahul (57%)	Sangeeta (33%)	Difference
\$50M	\$28.5M	\$16.5M	\$12M
\$75M	\$42.8M	\$24.8M	\$18M
\$100M	\$57.0M	\$33.0M	\$24M
\$150M	\$85.5M	\$49.5M	\$36M

Strategic Assessment:

- Signals true co-founder partnership
- 20-24 point differential still reflects Rahul's greater investment

- Strong enough equity for Sangeeta to feel genuine ownership
 - Easy to explain to investors: "Standard CEO/CTO split"
 - Minimizes risk of resentment or future disputes
-

Option B: 65/35 Split (Investment Recognition)

Common Stock Allocation:

- Rahul: 65%
- Sangeeta: 35%

Vesting Schedule:

- Rahul: 30% immediate vest, 70% over 4 years
- Sangeeta: 0% immediate vest, 100% over 4 years, 1-year cliff

Post-Fundraise Ownership Scenarios:

Scenario 1: \$2M raise at \$12M post-money

- Rahul: 61.5% (53.95% base + 7.5% note)
- Sangeeta: 29.05% (35% × 83%)
- Investors: 16.7%
- **Rahul's advantage: 32.45 percentage points**

Scenario 2: \$4M raise at \$20M post-money

- Rahul: 58.0% (52% base + 6% note)
- Sangeeta: 28.0% (35% × 80%)
- Investors: 20%
- **Rahul's advantage: 30.0 percentage points**

Exit Value Examples:

Exit Value	Rahul (61.5%)	Sangeeta (29%)	Difference
\$50M	\$30.75M	\$14.5M	\$16.25M
\$75M	\$46.1M	\$21.8M	\$24.3M
\$100M	\$61.5M	\$29.0M	\$32.5M
\$150M	\$92.25M	\$43.5M	\$48.75M

Strategic Assessment:

- Reflects \$1M investment and 2-year time differential more heavily
 - Still provides meaningful co-founder equity (29% post-raise)
 - Clearer hierarchy: CEO with technical co-founder
 - 30-point differential is large but still in acceptable range
 - Potentially harder to position as equal partnership
-

Option C: 62.5/37.5 Split (Middle Ground)

Common Stock Allocation:

- Rahul: 62.5%
- Sangeeta: 37.5%

Vesting Schedule:

- Rahul: 30% immediate vest, 70% over 4 years
- Sangeeta: 0% immediate vest, 100% over 4 years, 1-year cliff

Post-Fundraise Ownership Scenarios:

Scenario 1: \$2M raise at \$12M post-money

- Rahul: 59.4% (51.875% base + 7.5% note)
- Sangeeta: 31.125% ($37.5\% \times 83\%$)
- Investors: 16.7%
- **Rahul's advantage: 28.3 percentage points**

Scenario 2: \$4M raise at \$20M post-money

- Rahul: 56.0% (50% base + 6% note)
- Sangeeta: 30.0% ($37.5\% \times 80\%$)
- Investors: 20%
- **Rahul's advantage: 26.0 percentage points**

Exit Value Examples:

Exit Value	Rahul (59.4%)	Sangeeta (31%)	Difference
\$50M	\$29.7M	\$15.5M	\$14.2M
\$75M	\$44.6M	\$23.3M	\$21.3M
\$100M	\$59.4M	\$31.0M	\$28.4M
\$150M	\$89.1M	\$46.5M	\$42.6M

Strategic Assessment:

- Compromise position between Options A and B
- Reflects investment differential while maintaining partnership tone
- Slightly awkward numbers (62.5/37.5) but economically balanced
- May signal overthinking or excessive negotiation

Comparative Analysis: What Rahul Should Be “Indifferent” Between

Economic Similarity: After \$2M raise with note conversion, the three options produce:

- **Option A (60/40):** Rahul 57.3%, spread of 24.1 points
- **Option B (65/35):** Rahul 61.5%, spread of 32.5 points
- **Option C (62.5/37.5):** Rahul 59.4%, spread of 28.3 points

At \$100M exit, Rahul's outcomes:

- Option A: \$57.0M
- Option B: \$61.5M
- Option C: \$59.4M

- Range: \$4.5M difference (7.9% variance)

Strategic Indifference Analysis:

Rahul should be economically indifferent between these options because:

1. The differences are small relative to total outcome

- \$4.5M difference at \$100M exit is meaningful but not determinative
- Both founders achieve life-changing wealth in all scenarios
- 7.9% variance is within negotiation noise

2. Partnership quality matters more than 5% equity

- Founder disputes destroy far more value than 5% equity
- Strong partnership increases probability of success dramatically
- Resentful co-founder is worth far less than 5% discount

3. All options give Rahul majority control

- 54-62% ownership post-raise maintains control
- Can make strategic decisions without conflict
- Board composition matters more than precise equity split

4. All options are investor-acceptable

- Range of 60/40 to 65/35 is standard for CEO/CTO pairs
- All clearly communicate co-founder status for Sangeeta
- No red flags for potential investors

Therefore: Rahul should choose based on strategic/relationship factors, not pure economics.

Decision Framework:

Choose **Option A (60/40)** if:

- Partnership quality and trust-building are priorities
- Want to maximize Sangeeta's commitment and eliminate resentment risk
- Value the "equal co-founders" positioning with investors
- Believe 10% offer damaged relationship and need to overcorrect

Choose **Option B (65/35)** if:

- Want to clearly reflect \$1M investment and time differential
- Prefer clearer hierarchy and decision-making structure
- Confident Sangeeta will accept and commit at this level
- Value maintaining larger equity cushion

Choose **Option C (62.5/37.5)** if:

- Want to split the difference but risk appearing indecisive
- Not recommended due to awkward numbers

Part 3: Negotiation Strategy & Discussion Guide

Pre-Conversation Preparation

Rahul's Mindset Shift Required:

1. From the 10% offer mindset to co-founder mindset

- Previous offer: "How little can I give?"
- Current offer: "What's fair for a true partnership?"

2. Acknowledge the relationship repair needed

- 10% offer damaged trust
- This conversation must rebuild credibility
- Transparency and fairness are essential

3. Focus on mutual success, not equity protection

- Both founders need strong incentives
- Partnership quality matters more than 5% equity
- Resentment destroys value faster than dilution

Key Principles for the Conversation:

Start with acknowledgment: Recognize previous offer was inadequate **Lead with transparency:** Explain reasoning openly **Emphasize partnership:** This is co-founder equity, not employee compensation **Show flexibility:** Have range, not fixed position **Listen genuinely:** Understand her perspective on fairness

Focus on future: Both committed to building something significant

Recommended Opening: Rebuilding Trust

Setting for Conversation:

- Private, unrushed setting (not quick coffee meeting)
- Video call acceptable given NY/Pune distance, but in-person better if possible
- Dedicated time (60-90 minutes minimum)
- No interruptions or time pressure

Opening Statement (Suggested):

"Sangeeta, I want to have an important conversation about formalizing your co-founder equity. Before I get into specifics, I need to acknowledge something: the 10% offer I made previously was wrong. It didn't reflect the value of your contribution - both the conversational commerce insight that's become our entire strategy, and your commitment to leading all our technical execution.

I was thinking about equity like a cost to be minimized rather than thinking about what's fair for a genuine co-founding partnership. That was a mistake on my part, and I want to approach this conversation differently.

What I'd like to do is walk through how I'm thinking about equity now - transparently showing you my reasoning - and then really hear your thoughts on what feels fair. This needs to work for both of us, and I want you to feel this is a true partnership.

Does that sound okay? Can I share what I'm thinking?"

Why This Opening Works:

- Acknowledges the 10% mistake directly (builds trust)
- Frames this as partnership conversation, not negotiation
- Shows willingness to be transparent
- Invites collaboration rather than dictating terms
- Sets expectation for genuine dialogue

Main Discussion Framework

Step 1: Present the Investment Context (5-7 minutes)

"Let me start by laying out the objective facts about what we've each invested and contributed, because I think that's important context for the equity discussion.

On my side:

- *I've invested \$1 million in hard development costs over the past two years*
- *I've been full-time for those two years, and we have about 50% code reuse from V1 to V2*
- *I'm taking the CEO role, which means I'm responsible for all fundraising, business development, and operations*
- *I'm managing things from Pune - our operational hub*

On your side:

- *You've been increasingly involved over the past year, starting as an advisor and ramping up your commitment*
- *Most importantly, you brought the conversational commerce concept - the core insight that's become our entire V2 strategy*
- *You're now committing full-time as CTO, managing both the Argentina and Pune engineering teams*
- *You bring Amazon and Microsoft credentials that give us real investor credibility*
- *You're based in New York, which gives us US market presence*

The way I see it, we have complementary roles - I can't build the technology without you, and you can't raise the funding and run operations without me. This is a classic CEO/CTO co-founding team structure.

Does that summary feel accurate to you?"

Purpose:

- Establish objective facts both parties agree on
- Frame contributions as complementary, not competitive
- Acknowledge value on both sides
- Create foundation for equity discussion

Step 2: Introduce the Convertible Note Concept (3-5 minutes)

"Before I get into the equity split proposal, I want to explain how I'm thinking about my \$1 million investment, because that affects how I'm thinking about equity.

The cleanest way to handle this is to structure my \$1 million as a convertible note - basically a loan to the company that converts to equity when we raise our seed round. This is standard practice when a founder invests significant capital.

Here's why this matters: it separates my capital contribution from our founder equity. So when we talk about a 60/40 or 65/35 split, that's our sweat equity - the equity we're earning for building the company. My \$1 million gets compensated separately through the note, which will convert at a 25% discount when we raise our seed round.

This approach is cleaner for us and standard for investors. It means the equity split we discuss is really about our roles and contributions going forward, not about trying to factor in the \$1 million through equity percentages.

Does that structure make sense?"

Purpose:

- Explain financial mechanism clearly
- Show this is standard practice (not creative accounting)
- Separate capital return from sweat equity discussion
- Make the upcoming equity conversation cleaner

Step 3: Present the Equity Proposal (7-10 minutes)

Option 1: Open with 60/40 (Partnership Emphasis Approach)

"Given everything I've laid out, here's what I'm proposing: a 60/40 equity split, with me at 60% and you at 40%.

Let me explain my reasoning:

The 60% for me reflects:

- *The CEO role with ultimate accountability for fundraising and business success*
- *Two years of full-time work already invested*
- *The operational infrastructure and learning from V1*
- *The ongoing responsibility for capital raising and business development*

The 40% for you reflects:

- *True co-founder status - this is not employee equity*
- *The conversational commerce insight that defines our strategy*
- *Full ownership of all technical execution - you're managing both engineering teams*
- *Your technical credentials that strengthen our fundraising story*
- *Your full-time commitment going forward*

After we raise our seed round and my note converts, here's roughly what we'd each own:

- *If we raise \$2M: I'd own about 57%, you'd own about 33%, investors would own about 17%*
- *At a \$100M exit, you'd make about \$33M and I'd make about \$57M*

Both of us would have 4-year vesting with a 1-year cliff to protect each other. I'd have about 30% of my shares vested immediately to recognize the two years I've already put in, but the rest would vest going forward just like yours.

To me, 40% represents genuine co-founder equity. It's substantial enough that you're truly a partner in this, not an employee. And the 20-point differential between us reflects my prior investment and the CEO role, but we're still very much building this together.

What's your reaction to this? Does 40% feel appropriate for your role and contribution?"

Option 2: Open with 65/35 Range (Investment Emphasis Approach)

"Given everything I've laid out, here's the range I'm thinking about: an equity split between 65/35 and 60/40, with me having the larger share.

Let me explain my reasoning:

At 65/35:

- *Reflects more heavily the \$1M I've invested and two years full-time*
- *Clearer CEO/CTO hierarchy*
- *You'd still own about 29% after fundraise - meaningful co-founder equity*

At 60/40:

- *Emphasizes that we're building this as true partners*
- *You'd own about 33% after fundraise*
- *Feels more like equal co-founding relationship*

In both scenarios, you're getting real co-founder equity - not 10%, not 25%, but something that reflects you're managing all technical execution and brought the core product insight.

After our seed round, at any split in this range, we're both going to have life-changing equity stakes. The difference between 35% and 40% for you is meaningful but not determinative - at a \$100M exit, that's \$29M vs \$33M. Both are fantastic outcomes.

What I care most about is that you feel the split is fair and that we're truly partners in building this. So I'm curious: where in this range feels right to you? What would make you feel this is a genuine partnership?"

Which Opening to Use:

Use Option 1 (60/40 direct offer) if:

- You want to rebuild trust after 10% offer
- You're confident 60/40 is fair and defensible
- You want to avoid appearing to haggle
- Partnership quality is top priority

Use Option 2 (65/35-60/40 range) if:

- You want to feel out her expectations
- You're genuinely unsure what's fair
- You want her to feel she influenced the outcome
- You're comfortable with potential negotiation

My recommendation: Use Option 1 (60/40 direct offer)

- Cleaner, more decisive
- Shows you've thought it through
- Avoids haggling dynamic after 10% debacle
- 60/40 is defensible and fair

Step 4: Listen and Respond (15-20 minutes)

After presenting your proposal, STOP TALKING and genuinely listen.

Possible Responses & How to Handle:

Response A: "That feels fair / I appreciate you thinking it through this way"

Your response: "I'm glad. I really thought carefully about what would be fair given our different contributions and roles. Let's talk about the details - vesting schedule, governance structure, and how we want to formalize this. I want to make sure we get everything documented properly so we're both protected."

Then move to closing discussion (Step 5)

Response B: "I was thinking more like 50/50 since we're both full-time going forward"

Your response: "I understand why you'd think that - we are definitely both full-time and both critical to success. Help me understand your thinking: how do you see the \$1 million I've invested and the two years I've already put in? I'm genuinely trying to understand what feels fair to you."

[Listen to her answer]

The way I've been thinking about it: the \$1 million gets handled through the note, so that's separate. But the two years of time I've invested, the infrastructure we have, and the CEO role with fundraising responsibility - to me, those create some differential between our positions.

But I'm open to discussing this. What if we met in the middle somewhere - say 55/45? That would put you at 45%, which is nearly equal, while still recognizing my prior investment. Would that feel more equitable to you?"

Response C: "40% feels too low given that I'm managing all technical execution"

Your response: "Tell me more about that. What percentage were you thinking would feel right?

[Listen to her answer]

I hear you on the technical leadership piece - managing both engineering teams is absolutely critical and a huge responsibility. That's precisely why I'm proposing 40% and not 25-30% like we'd give a CTO hire.

The question I'm trying to balance is: how do we reflect that your technical role is essential, while also accounting for the \$1 million and two years I've already invested, plus the CEO role with fundraising responsibility?

What if I came up to 42.5% for you? That's 42.5/57.5 - basically splitting the difference between 40% and 45%. At a \$100M exit, that's an extra \$2.5M for you. Would that

feel more appropriate?"

Response D: "I think 50/50 is fair because I originated the core product concept"

Your response: "You absolutely did, and that insight is incredibly valuable - it's the entire foundation of our V2 strategy. I've tried to reflect that in proposing genuine co-founder equity at 40%, not treating you like an employee or late joiner."

The challenge I'm working through is: how do we balance your product insight against the \$1 million I've invested, the two years I've been building this full-time, and the CEO role with ultimate fundraising responsibility?

In my mind, 50/50 would imply that those things are roughly equal in value. To me, they're not quite equal - your insight is critical, but the capital and time I've invested plus the CEO role justify some differential.

But let me ask you this: what if we did 55/45? That's much closer to equal, you'd own about 36% after the fundraise, and at a \$100M exit you'd make \$36M to my \$55M. Would that feel like a fair partnership to you?"

Response E: "This still feels like you're undervaluing my contribution"

Your response: "I really don't want you to feel that way. Can you help me understand what would feel like appropriate recognition? What percentage would make you feel this is a true partnership where your contribution is properly valued?"

[Listen carefully to her answer]

[If she says 50/50 or higher]

I appreciate you being direct. Let me think about this from a different angle: What if I explained to you why I believe 60/40 [or whatever you offered] actually does properly value your contribution, and then you tell me if my reasoning makes sense or where you think I'm wrong?

Here's how I see it: You're getting 40% co-founder equity for your product insight, technical leadership, and full-time commitment going forward. After fundraise, that's roughly \$33M at a \$100M exit.

I'm getting 60% for my product insight, two years full-time work already done, \$1M capital investment (handled separately via note), CEO role with fundraising responsibility, and operational leadership.

To me, that 60/40 split means we're both making life-changing wealth if we succeed, and the 20-point differential reflects the additional investment and time I've put in. It's not about one person being 'more valuable' - it's about trying to reflect our different contributions and histories with the company.

Does that reasoning make sense to you, or is there something in there you think I'm weighting wrong?"

Response F: "I need to think about this"

Your response: "Absolutely, that's completely fair. This is an important decision and I want you to take whatever time you need to think it through."

A few things that might be helpful as you think about it:

- I'm happy to share how I came to this proposal - I can send you a write-up of my thinking
- If you want to talk to a lawyer or advisor to get a perspective on whether this is fair market terms, I encourage that
- If you want to talk through specific concerns or scenarios, I'm happy to do that

What would be most helpful for you? And what timeline makes sense - would a few days be enough, or do you need a week?"

Step 5: Agreement and Next Steps (5-10 minutes)

Once you've reached agreement on the general framework:

"Okay, I'm glad we're aligned on this. Let me make sure we're on the same page about next steps:

1. *I'll have my lawyer draft the formal documentation:*

- *Founder stock purchase agreement with the equity split we agreed*
- *Convertible note terms for my \$1M investment*
- *Vesting agreements for both of us*
- *IP assignment to ensure all work belongs to the company*

2. Before we sign anything, you should absolutely have a lawyer review it. I'll cover your legal costs up to \$5K so you can get independent advice.
3. We should formalize the board structure and decision-making process.
4. We need to align on immediate priorities - fundraising timeline, product roadmap, team expansion.

Does that all sound right? Anything else we should cover before moving to documentation?"

Key Points to Lock In:

- Specific equity percentages agreed
- Vesting schedule confirmed (4 years both, 1-year cliff, your partial immediate vest)
- Convertible note terms clear
- Timeline for documentation
- Her lawyer review (offer to pay)
- Next conversation scheduled

Part 4: Potential Pitfalls & How to Avoid Them

Common Negotiation Mistakes

✗ Mistake 1: Defending the 10% offer "That was appropriate for an advisor, but now you're a co-founder..."

- **Why it's bad:** Makes her feel like she has to prove her worth
- **Better approach:** "That offer was wrong. This is different - you're a co-founder."

✗ Mistake 2: Overemphasizing your investment "I've invested \$1M, so I deserve the majority..."

- **Why it's bad:** Sounds defensive and transactional
- **Better approach:** "The note handles the capital return separately, so let's talk about our partnership equity."

✗ Mistake 3: Ultimatum positioning "This is my final offer, take it or leave it"

- **Why it's bad:** Destroys trust and partnership potential
- **Better approach:** "This is what feels fair to me. What do you think?"

✗ Mistake 4: Comparing to employee equity "Senior VPs only get 1-2%, so 40% is generous..."

- **Why it's bad:** Signals you still see her as employee, not co-founder
- **Better approach:** "You're a co-founder, not an employee - this is co-founder equity."

✗ Mistake 5: Rushing the conversation Quick coffee meeting to "get this resolved"

- **Why it's bad:** Important decisions need time and reflection
- **Better approach:** Dedicated time, private setting, no rush

Red Flags That Indicate Problems

During the Conversation:

- She goes silent and withdrawn (damaged trust)
- She focuses only on the numbers, not the partnership (relationship is broken)
- She immediately threatens to walk away (you're too far apart)
- She brings up the 10% offer repeatedly (hasn't moved past it)

How to Respond: "*I'm sensing some tension here. Can we step back? I want to make sure you feel heard and that we're approaching this as partners. What's concerning you most right now?*"

When to Walk Away vs. When to Compromise

Signs You Should Compromise Further (move toward her position):

- She's making logical arguments about role equivalency
- Other advisors tell you her expectations are reasonable
- You risk losing someone essential to the business
- The economic difference is small compared to partnership value

Signs She May Not Be Right Partner:

- Demands 50/50 without acknowledging your prior investment
- Focuses entirely on maximizing her equity vs. building partnership
- Threatens to compete or start separate company
- Shows unwillingness to vest equity

The Walk-Away Test: Can you build this business without her? If not, compromise. Can she build this business without you? If not, she should compromise. Most likely answer: You need each other. Find fair middle ground.

Part 5: Legal & Documentation Checklist

Documents Required

1. Founder Stock Purchase Agreement

- [] Equity allocation (60/40 or 65/35 as agreed)
- [] Total authorized shares (e.g., 10,000,000)
- [] Share class (Common Stock)
- [] Purchase price (\$0.0001/share or par value)
- [] Vesting schedule terms

2. Vesting Agreement

- [] 4-year vesting period for both founders
- [] 1-year cliff for Sangeeta
- [] Monthly vesting after cliff
- [] Rahul's immediate vesting (25-30% of shares)
- [] Acceleration provisions (single-trigger on acquisition)
- [] Termination provisions (voluntary vs. involuntary)

3. Convertible Note Agreement

- [] Principal: \$1,000,000
- [] Discount rate: 25%
- [] Interest rate: 5% simple annual
- [] Valuation cap: \$12,000,000
- [] Conversion trigger: Qualified financing >\$1M
- [] Maturity date (typically 24 months)

4. Intellectual Property Assignment

- All past work assigned to company
- All future work automatically assigned
- Confirmation no conflicting obligations
- Waiver of moral rights where applicable

5. Founder Agreement / Operating Agreement

- Roles and responsibilities clearly defined
- Decision-making authority and tie-breaker mechanism
- Board composition (initially both founders)
- Voting rights on key decisions
- Drag-along and tag-along provisions
- Non-compete and non-solicitation (reasonable scope)
- Confidentiality obligations

6. Stock Option Plan (if not done yet)

- Employee option pool size (typically 10-15%)
- Administration by board
- Standard 4-year vesting for employees
- Exercise period (typically 90 days post-termination)

Timeline for Documentation

Week 1:

- Verbal agreement on equity structure
- Rahul instructs lawyer to draft documents
- Send term sheet to Sangeeta for review

Week 2:

- First draft of all documents to Sangeeta
- Sangeeta reviews with her attorney (Rahul pays)
- Address questions and negotiate any concerns

Week 3:

- Finalize all documents
- Both founders sign
- Issue stock certificates
- File with Delaware (or relevant jurisdiction)

Critical: Do NOT start fundraising conversations before equity is formalized.

Recommended Attorneys

For Delaware C-Corp formation and founder equity:

- Carta (automated, \$500-2K)
- Cooley LLP (startup practice)

- Wilson Sonsini Goodrich & Rosati
- Gunderson Dettmer

Budget:

- Simple equity documentation: \$3-8K
- Complex terms or negotiations: \$10-20K
- Money well spent to avoid future disputes

Part 6: After the Agreement

Immediate Actions (Within 48 Hours)

1. Celebrate the Partnership

- Acknowledge this milestone
- Reinforce mutual commitment
- Set positive tone for working relationship

2. Communicate with Stakeholders

- Inform any existing advisors
- Align on external communication (team, investors)
- Update LinkedIn/bios if appropriate

3. Establish Working Rhythm

- Schedule regular founder meetings (weekly minimum)
- Define communication preferences
- Set up shared tools and dashboards

Setting Partnership Foundation

Define Clear Roles and Boundaries:

- Rahul owns: Fundraising, investor relations, business development, operations
- Sangeeta owns: Product vision, technical architecture, engineering management, team building
- Shared: Strategy, hiring key roles, major business decisions

Establish Decision-Making Process:

- Day-to-day decisions: Each founder autonomous in their domain
- Strategic decisions: Joint discussion and agreement
- Deadlocks: CEO (Rahul) has tie-breaking authority
- Board votes: Follow corporate structure

Create Communication Norms:

- Weekly founder sync (1-2 hours)
- Daily async updates (Slack/email)
- Monthly strategy review
- Quarterly deep dives on business performance

Red Flags to Monitor

Watch for signs of equity resentment:

- One founder frequently references equity split
- Passive-aggressive comments about contributions
- Questioning decisions based on equity percentage
- Comparing effort/hours worked

If these emerge:

- Address immediately, don't let fester
- Return to partnership principles
- Focus on shared success, not relative contributions
- Consider external mediation if needed

Part 7: Rahul's Decision Framework

Key Questions to Ask Yourself

1. "What am I optimizing for?"

- Maximum equity protection → Choose 65/35
- Strongest partnership → Choose 60/40
- Speed to close → Choose 60/40 (less negotiation)

2. "Can I build this without Sangeeta?"

- If yes → You have leverage for 65/35 or better
- If no → Optimize for partnership (60/40)
- Honest answer is probably: Very difficult without her

3. "What's the bigger risk?"

- Giving up 5% extra equity → \$4-5M at \$100M exit
- Having resentful/uncommitted co-founder → Company failure
- Second risk is 10X bigger

4. "What will investors think?"

- 60/40 → "Standard CEO/CTO split, looks good"
- 65/35 → "Still fine, slight hierarchy"
- 70/30 → "Is the CTO really committed?"

5. "What does my gut say about fair?"

- If you honestly think 65/35 is fair → Offer it
- If you think 60/40 is fair but want more → That's greed, not fairness
- If you're unsure → Choose the more generous option

Decision Matrix

Factor	Favors 60/40	Favors 65/35
Partnership trust	✓ Strongly	
Role equivalency	✓ Both critical	Some CEO premium
Investment differential		✓ \$1M significant
Time differential		✓ 2 yrs vs 1 yr part-time
Product insight	✓ Her idea is core	
Technical leadership	✓ Manages all engineering	
Investor perception	✓ Strong partnership signal	Still acceptable
Risk of resentment	Lower risk	Moderate risk
Negotiation position	Cleaner close	More back-and-forth
Recovery from 10% offer	✓ Stronger signal	Acceptable

Score: 60/40 has more strategic advantages

Rahul's Personal Reflection

Take 30 minutes before the conversation to honestly answer:

1. "Do I view Sangeeta as a true partner or as a really important hire?"
 - Partner → 60/40
 - Important hire → You have the wrong mindset
2. "If I give her 40% and we succeed wildly, will I resent it?"
 - If yes → You need to work on partnership mindset
 - If no → Go with 60/40
3. "If I give her 35% and she leaves in 2 years feeling undervalued, how will I feel?"
 - Devastated → Choose 60/40
 - Okay, I'll find another CTO → You don't need her as co-founder
4. "What percentage would I accept if our positions were reversed?"
 - Be honest with yourself
 - Golden Rule applies to equity too

Final Recommendation

Primary Recommendation: 60/40 + \$1M Convertible Note

Offer Structure: " Common Stock Split: 60% Rahul / 40% Sangeeta Convertible Note: \$1M (Rahul, 25% discount, \$12M cap) Vesting: 4 years both, 1-year cliff Rahul Immediate Vest: 30% (recognition of prior work)

Post-\$2M Raise Ownership:

- Rahul: ~57%
- Sangeeta: ~33%
- Investors: ~17% "

Why This is Optimal:

1. Repairs trust after 10% offer - Shows genuine partnership intent

2. **Economically fair** - Reflects contributions on both sides
3. **Strategically sound** - Maximizes Sangeeta's commitment
4. **Investor-friendly** - Standard CEO/CTO structure
5. **Defensible** - Clear logic for the split
6. **Partnership-oriented** - Emphasizes collaboration over hierarchy
7. **Lower resentment risk** - Generous enough to feel fair
8. **Competitive** - Market-rate co-founder equity

Alternative (if strongly prefer): 65/35 + Note

- Acceptable but higher partnership risk
- Only choose if truly believe investment differential requires it
- Be prepared to defend and potentially compromise to 62.5/37.5 or 60/40

Not Recommended: Anything <35% for Sangeeta

- Too low for someone managing all technical execution
- Creates retention risk and motivation problems
- Sends wrong signal to investors
- High probability of future regret

The Bottom Line

You're not buying equity. You're building a partnership.

The goal isn't to give Sangeeta the minimum she'll accept. The goal is to create a structure where both founders are maximally motivated and committed to building a successful company.

At 60/40:

- You keep majority control
- She gets genuine co-founder equity
- Both have life-changing upside
- Partnership starts on solid foundation
- Investors see strong founding team

The difference between 60/40 and 65/35 is roughly \$4M at \$100M exit. The difference between a great partnership and a resentful one is potentially the entire company.

Choose the partnership.

Appendix: Conversation Scripts

Script A: Opening the Conversation (60/40 Offer)

"Sangeeta, thanks for making time for this important conversation. I want to talk about formalizing your co-founder equity, but before I get into specifics, I need to say something directly:

The 10% offer I made before was wrong. It reflected me thinking about equity as a cost to minimize rather than thinking about what's fair for a genuine partnership. You're not an advisor or early employee - you're a co-founder who originated our core product strategy and who's going to lead all our technical execution. That deserves real co-founder equity.

Let me walk through how I'm thinking about this now, and then I really want your honest reaction.

[Present the investment context - 5 minutes] [Explain convertible note approach - 3 minutes] [Present 60/40 proposal - 7 minutes]

So that's what I'm proposing: 60/40, with you at 40%. After we raise our seed round, you'd own about 33% of the company, I'd own about 57%, and investors would own about 17%.

At a \$100M exit, you'd make about \$33 million. That's life-changing wealth, and to me, 40% represents genuine co-founder equity - not employee compensation.

What's your reaction? Does this feel fair given our different contributions and roles?"

[STOP TALKING. LISTEN.]

Script B: Responding to 50/50 Request

"I understand why 50/50 feels right to you - we're both going to be full-time, both critical to success, and it's the cleanest split.

Let me share my concern with 50/50, and then tell me if my reasoning makes sense:

I've invested \$1M and been working full-time for 2 years. The convertible note handles the capital return separately, but the 2 years of time investment, the infrastructure we have, and the CEO role with fundraising responsibility - to me those create some differential.

With 60/40, after the fundraise I'd own about 24 percentage points more than you. That differential reflects my prior investment and the CEO role. But we'd both have massive upside - you'd make \$33M at a \$100M exit, I'd make \$57M.

What if we met in the middle? I could come up to 45% for you - that's 55/45, nearly equal. You'd own about 36% after fundraise, and at \$100M you'd make \$36M.

Would 55/45 feel like a fair partnership to you?"

Script C: Closing the Agreement

"Okay, I'm really glad we landed on [60/40 or whatever you agreed]. This feels like the right structure for our partnership.

Let me make sure we're clear on next steps:

1. I'll have my lawyer draft all the formal documents - stock purchase agreement, vesting terms, convertible note, IP assignment. Should take about a week.
2. Before we sign anything, you should absolutely have your own lawyer review everything. I'll cover your legal fees up to \$5,000 so you can get independent advice. This is too important to rush.
3. Once we're both comfortable with the documents, we'll sign and formally issue the stock. Then we're official co-founders with everything properly documented.
4. We should also start planning our fundraising approach. I'm targeting [specific investors/timeline]. Let's sync on that next week.

Does that sound right? Anything else we should nail down today?"

Document Control

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Next Review: After conversation with Sangeeta

Key Contacts:

- Legal counsel: [To be determined]
- Financial advisor: [To be determined]
- Trusted advisors for feedback: [To be determined]

End of Document