

# SH\*T

**For Early-stage Founders Looking For Funding**

## **PART 1: Pre-Seed Stage**

*A spiritual guide through Silicon Valley's acid trip, written by a fellow founder who's been kicked in the teeth by reality so many times, they're now best friends who meet Thursdays for questionable life choices.*

*Minimum adult supervision recommended!*

Your's Truly

**JT**

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# Introduction

If you have it in you. Whatever that is, there's something seductive about the Bay Area, something that draws you in like a moth to a flickering light. But behind that glittering surface, there's a dark swirl of uncertainty, where even the boldest ideas can live in constant superposition of death and alive. That is what this book is about. Not the glossy headlines or the Silicon Valley mythology, but the real pains: the blood, the sweat, and the game of hidden rules I wish we had known about before diving headfirst into the madness of being a founder looking for funding.

## **Why this book?**

Let me briefly introduce myself and explain why I wrote this book. I'm JT, CEO of MindsDB, a company I co-founded with my dear friend Adam C. In the end of 2023, we raised a \$47M seed round from some of the best investors in the world. How did we, the chihuahuas in a pitbull fight, managed to do that?—that's the question I get from many early-stage founders or aspiring founders. Now, depending on the circles you run in, \$47M might be seen as either a drop in the ocean or a staggering amount of cash. But, in most circles, that's a pretty decent seed round.

For us, it didn't come easy, and it sure as hell didn't happen overnight. Before that seed round, we had gone through a wild journey of raising about \$8 million in pre-seed money, and so much could have been done differently. So, a year ago, as a way to blow off steam, I decided to write 3-4 pages every weekend to send to those who ever so often come to me and asking fundraising questions and like us—plucky little scamps—are walking that early startup journey and need funding to make it happen.

What matters here isn't just how much we raised, but the brutal learning curve it took to get there—the fuckups, the close calls, the lessons they don't teach you in any classroom or startup accelerator. And trust me, we've had our share of those. There are great books on the business principles needed to get from nothing to "scale up" (and please, read them). These tales are only from the fundraising perspective. We learned that no one gives you the real picture for surviving the actual sh\*t and the unspoken rules that can make or break your first big round. Almost no-one tells you how it feels to walk out of a dead-end meeting with a prospective investor, licking the bruises and gashes of a pitch that went nowhere, questioning if you're pushing forward with genius or just a dumb idea that's about to implode.

### **Who is this book for?**

Specifically, this book is for you if you're somewhere between "I have an idea, this idea needs some moolah to get it off the ground" and "I am just working on a seed round that would make grandma faint." The focus here is just the fundraising part, what is covered in this book is just but one part of a long journey of building a company.

This book is for the dreamers who've decided that working for

someone else's dream is about as riveting as watching someone else's loading bar reach 99%. In particular, I wrote this for the underdogs. The ones who don't have a Stanford MBA, a family trust fund, or a cousin who's best friends with Marc Andreessen's barber.

You? you could be anyone, but, If I could take a wild guess you are one of the following:

### **You're are fresh out of college or before that**

Congratulations, you still get carded at the bar and your liver is younger than most houseplants. Still clueless after graduation? Welcome to the club of many! If you have no idea what to do with your life, join a startup that's tackling a problem so big it makes your parents question your sanity. Worst case, you'll learn what not to do. Best case, you'll accidentally stumble into your life's work while eating ramen at 2am with people who also have no idea what they're doing. Either way, it beats living in your mom's basement explaining to her why your crypto portfolio is "just consolidating."

You are that person that has found a problem, has prototyped a solution during your free time and no matter what you do, for as ugly as your solution is, the problem is so insane that people keep asking you for it? Well, you are in the right place, but you will not need this book for too long. You are as rare as a monkey riding a Segway through a Taco Bell drive-thru at 3am, investors will chase you. Enjoy your brief stay here, you beautiful anomaly.

### **You're still working that cushy corporate gig**

There's a greater than zero chance that you're still working that cushy corporate gig, the one with the nice benefits, the reliable paycheck, the reassuring stability of a 401k that seems to stretch out into your

comfortable retirement. You're good at navigating the slow, bureaucratic machinery of the corporate world, learning to squeeze the teats of some incredible product-market fit that someone else created years ago. And let's face it—you've gotten pretty damn good at milking it, haven't you? But every once in a while, something inside you stirs. Something tells you that maybe—just maybe—you're wasting your life. Maybe you're like I was, sitting in those endless meetings thinking, "What would happen if I just said, 'fuck it' and did my own thing?"

If you and I are made of the same, that itch doesn't go away. I believe, It is very likely that one day, too old to hold your farts, while reflecting on the reflection of your saggy butt cheeks in the mirror, you'll look back at your safe life, your stack of savings, your perfectly planned but shrinking future, and you'll ask yourself between the tortures of I wonder what would: What would have happened if I asked for that phone number,... what might have been if I'd just taken the leap,... what did I miss?.

You have mouths to feed? buckle up honey, you are in for a fucking scary ride.

### **You're already a founder**

Maybe, naive enough, you've already made that leap, and... you're here because you're drowning or like a confused penguin desperately flapping its wings trying to fly before it hits the ground. Trust me, I know how it feels. One day, you're walking on water, feeling like you've cracked the code, like the world is suddenly obvious. And the next, you're gasping for air, trying to claw your way out from under an iceberg that's crushing you. Welcome to the rodeo cowgirls and cowboys. You've chosen this life, and hopefully this book helps you

f'tit up a bit less.

### **Who is this book NOT good for?**

You are either too early or too late for the journey covered in this book.

#### **Too early: You're are in college or debating it and you have no idea what problem to solve**

You haven't found a problem to work on yet, don't panic, this is not a sign from the universe to drop out and become the next Zuckerberg. Ignore the Twitter morons who say "college is for sheep." If you're in college and you don't know what startup to build, stay put! College is like a cheat code for life: it's a magical zoo where you can observe every species of human disaster, the only way that I think you'd be wasting your money is if you are not spending some decent amount of time intentionally bumping into people with problems, crazy research and ideas. You'll get exposed to more weirdness (and hopefully heartbreak) in four years than most people get in a lifetime. That's called "market research."

#### **Too late: You're already a founder and you have already raised a large seed round**

Once you nail down your pre-seed and seed rounds, once you've figured out how to make investors chase you instead of the other way around, you'll be ready for the real challenge: turning that seed-stage company into a cash-printing machine, so anything that happens post that seed check hits your bank account. that is a journey I am myself discovering, and therefore that's a story for another book.

### **So, what can you expect?**

I hope it is obvious to you, that I didn't write this book to give you a blueprint for success, because I truly don't know one. But I do know that success in this place can feel as arbitrary as the wind, a chaotic, bipolar storm that can either propel you to heights you never imagined or sweep you into the gutter.

This book is a response to all the things we didn't know as early stage founders, all the fundraising lessons we had to learn the hard way. If I could go back and do it all over again, I'd change so much that we'd have a few shaved years off the grind, or at least of barking at the wrong trees. This book is about the framework we built after falling right on our faces enough times to recognize a pattern. It's a framework for seeing the true game, not just the surface-level mechanics of pitching. If you're here expecting some feel-good advice or a shortcut, you're in the wrong place. Like a startup, this is about raw survival, about making fewer mistakes and cutting through the bullshit that drowns 90% of startups in this small town. And let me make one thing clear: this book is for you only if you're dead serious about getting your butt to the Bay Area and do your fundraising here (Maybe, maybe New York, but definitely not somewhere else). If you're dreaming of making it big from the comfort of your hometown or thinking that Zoom calls are going to cut it—you're reading the wrong paper. The Bay Area is its own animal, and people dance differently here. You either play by some unwritten rules that every veteran seems to know or you get eaten alive (you'll probably eat yourself alive, we will talk about that later).

We made so many mistakes, who knows, maybe it's a miracle we survived. But each fuckup became a turning point, a chance to course-correct, and eventually, we started to see the underlying

patterns in the chaos. These moments weren't just about improving our pitch. They were about stripping away the bullshit and asking ourselves the hard questions: Why the hell are we doing this? What's the real problem we're solving? In 5-10 years, will I still want to be working on this stuff? Why should anyone (me included) care? And most importantly, Are we even working on a problem big enough for this to be worth it?

We realized something most founders miss: it's not just about pitching better. It's about fixing the core fundamentals of your business, so the pitch takes care of itself. Hopefully you will see that when you solve the right problems—real problems—people want to throw money at you. And I know how crazy that sounds, because at the start, we didn't believe it either. But trust me: Once you hit that sweet spot, once you align everything just right, investors will chase you. There's nothing more surreal and mind-fucking than saying "no" to someone's money, not because you don't need it, but because someone better for your company just walked into the room.

But before you get there, and hell! for sure after you get there, you're going to fuck up. A lot. And that's okay. Because every mistake you make brings you closer to seeing what's really going on beneath the surface. Every rejection, every failed pitch, every "don't call us, we'll call you" moment—those are the moments that teach you how to really play this game. Because deep down: IT IS A GAME. JUST PLEASE DON'T MAKE THE SAME MISTAKES TWICE.

So, here we are. You've read this far, which means you're either serious in wanting to be an entrepreneur, an early stage founder on the road to your first round. Or you're at least curious enough to stick around, and god forbid tomorrow is the day you tell your boss that you hope the message finds them well, but this is the day you quit. Your keyboard is still warm from a one way ticket purchase to SFO. Good.

## INTRODUCTION

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This book is your guide, not a formula, but your rough roadmap to navigating the absurd, unpredictable, and utterly fascinating world of massive seed rounds in the Bay Area. And if we're lucky, it'll save you from making the same mistakes we did. But remember—this is just a guide. The real journey is yours, and no one can walk it for you.

Let's dive in.

# Chapter 1

## The Five Rules of Pree-Seed Stage

Picture yourself in a dimly lit room where reality itself seems to flicker and waver, like a poorly tuned TV channel picking up signals from another dimension. This is the Idea-stage of a startup, where your idea exists in a once again quantum superposition of brilliant and catastrophic, alive and dead, unicorn and paperweight. Like Schrödinger's startup, until someone opens the box of market validation, you exist in all states simultaneously.

In this realm of pure potential, your idea floats like a ghostly butterfly in the void, neither fully formed nor completely imaginary. It's less a business plan and more a shared hallucination between you and whoever's brave enough to look into your eyes when you speak about it. This is where the Five Rules of Idea-Stage Reality emerge, they exist to keep you from dissolving into the quantum foam of possibility before you've even learned to manipulate it. (I made them up, I didn't so much invent them as discover them, like

ancient runes carved into the walls of a startup incubator bathroom):

### **Rule 1: All Startup Ideas Are Shit Ideas Until They Aren't**

Sun-shine, Let's get real here, Investors: They're basically professional truffle pigs, rooting through the mud of mediocrity hoping to find that one precious nugget that doesn't smell like desperation and delusion. At this point, chances are, your idea is about as useful as an ejector seat in a helicopter. No one, other than your daddy is there to worship at your PowerPoint altar or marvel at your revolutionary plan to disrupt the artisanal sock puppet market, your groundbreaking vision it's just more static in the cosmic background radiation of bad startup ideas, right up there with "blockchain-enabled toothbrush". Maybe..., most of times.

Some other rare-times you got a solution so brilliant it'll make Einstein's hair look even crazier, but the problem? It's smaller than a New Yorker's concept of reasonable rent. That's when these venture capital types hit you with that "too early" wildcard, which is fancy-speak for "damn, you saw this coming before anyone else could spell 'disruption.', yet we dont know if we will see money while we are still kicking" And sure as Trump's spray tan isn't found in nature, some of these tiny-ass problems eventually blow up bigger than a Kardashian scandal and they will need a solution.

The real game here, Love, and trust me on this like you'd trust a New York rat's restaurant recommendations, because they have tried them all: is surviving long enough for the market to wake up and smell the disruption or for you to find a real problem. Sometimes you'll find yourself sitting pretty, with exactly the right solution when

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the world finally catches up to your genius. Other times? You'll have to take your precious baby of a solution out for a spartan cliff drop, because while the problem's still real as rent control arguments, your solution needs a do-over. But this time? This time you've got all those battle scars and war stories to guide you. Think of it as your startup's second draft, and baby, everyone knows the first draft is just where you spill words onto the page like a preschooler pouring sugar and salt at the same time on a drink they've made for their parents.

### **So how did we learn this rule?**

It's late 2022, the market is awful, there's a war in Ukraine that took the world by surprise, everyone's worried about World War III, we're post-COVID, and investor checks aren't just something you find in your cereal box anymore. Hell, even Sam Altman's mother didn't know about ChatGPT or what her son actually did for work then. I'm on a call with George Mathew from Insight Partners (you can Google him later, but think "really good investor at a really good firm"). Don't ask me how we connected, at that point we were basically the startup equivalent of those people who slide into everyone's DMs with "hey beautiful." But hey, we spammed the hell out of this town like proper founders should, and the proof is we somehow landed that call. Something about our pitch caught his eye, and there he was, methodically dissecting my presentation like a surgeon performing an orchiectomy, the kind where you're pretty sure your startup will never see the light of offspring again. Meanwhile, my soul slowly left my body and started browsing LinkedIn for consulting jobs, wondering if I was too old to become a surf instructor somewhere nice in Brazil.

Mercifully, we'd only scheduled 15 minutes. When that blessed

1/4 mark hit, I practically screamed "OH WOULD YOU LOOK AT THAT!~, LOOK AT THE TIME, GOTTA RUN!" like a teenager ditching prom with their dignity still somewhat intact. I had a very important meeting with my mirror scheduled, where I planned to stare deeply into my own eyes and whisper "what the actual fuck?"

The question haunting me was deliciously simple: What mystical unicorn were we seeing that others couldn't spot with a telescope? What neon-bright red flags were others seeing that we were blind to? Who was the crazy one here? In hindsight: My guess? Oh darling, we all were wearing different flavors of crazy pants in this circus.

I still remember vividly the day I called my co-founder Adam Carrigan. Picture this: it's a Sunday afternoon, and I'm interrupting what sounds like one of those trendy online workout sessions. You know the type; where fit people on screens make you feel bad about your life choices while you wheeze like a broken accordion.

"Hey mate, wanna quit your cushy consulting gig?" I asked, with all the casual nonchalance of someone suggesting we grab coffee, not torpedo our careers. He responded: "Yes yesterday, but no, it depends, what's up?"

Through his labored breathing (apparently planking and important life decisions go great together), I could practically hear his brain short-circuiting. We both had great paying jobs, finally, the kind your parents brag about at family gatherings, after a year of: oh well, they work on their computer playing businessmen. Our previous startup adventure had left us with enough emotional scar tissue to make a therapist retire early. But here we were, like recovering adrenaline junkies eyeing a bungee cord, itching for another fix.

"I think databases will become enterprise AI, they will have a Mind" I declared, probably sounding like a fortune cookie having an existential crisis.

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Now, Adam has the built-in risk aversion of a British man facing unscheduled tea time, we're talking about he is the friend who considers jaywalking a gateway crime to full-blown anarchy. But to my utter bewilderment, this gentleman didn't even hesitate. If my partner in business, with whom I'd previously achieved the impressive feat of turning perfectly good savings money into absolutely nothing during our last startup adventure, was ready to leap back into the circus of entrepreneurial chaos, then surely this idea must've been pure, unadulterated, 24-karat gold, right?

...Right?

After back and forths on perfecting our thoughts. We had this wild conviction that Machine Learning would eventually evolve into applied AI, you know, AI that actually does useful stuff instead of just crushing board games, PhD papers, or writing suspiciously existential poetry about cats. We believed, with the fervor of shroomed prophets, that every company on Earth would eventually crave this magical decision-making juice like it was the last bottle of water in the desert. And the market size? For enterprise AGI? Oh darling, just every company in existence. No pressure. No biggie. Just casual world domination.

But here's the punch: this was pre-2023, when AI wasn't the corporate equivalent of avocado toast, something every self-respecting CEO had to have on their agenda. Our solution, while technically impressive (if I do say so myself), required more attention than a needy ex with abandonment issues. In retrospect, in many ways, it felt like architects trying to sell flying houses before humans had mastered the wheel. Technically brilliant, practically useless. So, at this time, after having put tears and sweat into it. For most people, still, our idea was most of the time shit or at least not gold.

A few weeks after my disastrous pitch to George, I found myself in

NYC for a wedding. With the audacity of someone who's been rejected so many times they've achieved enlightened zero-fucks-given status (a state I hope you too will reach), I messaged George: "Remember that startup you verbally eviscerated? Want to grab coffee?" To my eternal surprise, he agreed to 15 minutes of coffee. At the time I did not know him, so I thought it was probably out of morbid curiosity, but; as I later learned that day: he's actually a really cool and curious guy. He just happens to have the bullshit filter of a nuclear-grade truth detector.

Until then, we'd been blessed with magical thinking investors, you know, the kind who see a couple of passionate nerds and think "Well, they'll either change the world or create a spectacular failure worth telling stories about." Later, I will write about how crucial those investors were for our business. But George? George was a product person. He saw the holes in our plan like a wine mom spots judgment at a PTA meeting.

In my notes from our first call, there was this gem: "You're crazy if you think you can compete with existing players that already have the data." We saw ourselves as market disruptors, thinking people would flock to our solution like teenagers to a TikTok trend. But convincing companies to switch data systems is like trying to convince someone to move houses just because you invented a slightly better toilet. Sure, some might bite, but most people are perfectly happy with their current crapper, thank you very much.

The way investors think is brutally simple: how likely is it that this company will become absolutely massive? The question George was probably asking himself was: "How likely is it that these adorable dorks will convince everyone to abandon their perfectly functioning data infrastructure and jump ship to their solution?" About as likely as finding a llama-corn (that rare hybrid born nine months after a

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llama had a magical night of passion with a unicorn) sipping a pumpkin spice latte at your local Starbucks. But then, while having my profound heart-to-heart with the mirror, it hit me like an epiphany: we didn't need to move anyone's data! We just needed to integrate with every single data source that existed. Forget being data hoarders, we'd become the master plumbers of the AI era, connecting all the pipes without stealing anyone's precious data-toilet.

As we met for coffee, I had 15 minutes and I explained the epiphany with the enthusiasm of a hippie that has discovered that they too can brew their own kombucha, all of a sudden I too saw the parts of the puzzle make sense, like when you go from staring at a Magic Eye poster for three hours seeing nothing but static to suddenly spotting that 3D dolphin that was hiding there all along, mocking your perception. The pieces started falling into place faster than Silicon Valley startups pivot to AI nowadays. It was like watching Bob Ross paint one of his "happy little accidents", starting with chaos and ending with something that actually made sense.

Before we knew it, we were walking the streets of New York way past those promised 15 minutes. And then George dropped the kind of validation bomb that hits different, the kind that makes you feel like maybe, just maybe, you're not completely delusional after all. "This idea," he said, with the gravity of someone who's seen enough startups to develop PTSD, "if you pull it off, this is how a giant business is built." Then came the classic investor one-two punch: "Now you just need to execute and validate." Which in startup speak translates to "You've got a tiger by the tail. Don't screw this up". All of a sudden a "shitty idea" started to look more like a good idea!

## **Rule 2: You need to grow the skin of a fucking lizard, you can't give up!**

Oh sweethearts, forget those Hollywood montages where success arrives faster than a Silicon Valley bro can say "A.I". Sure, there are some lucky bastards out there who catch lightning in a bottle and ride it straight to TechCrunch headlines, we probably hate them too. But, for the rest of us mere mortals? The pre-seed stage isn't some heroic sprint to glory; it's more like trying to survive a zombie apocalypse while wearing havaianas, don't take me wrong they feel like walking on clouds, but you can't run a block on them.

Later in Chapter 2, we will cover the basics on what you need in your backpack to survive this, soon, I hope y'all learn that this is all about how you handle risk. For now, however, you need to understand that risk is a two way avenue; before anyone leaps and says 'yes, let's fucking do this', 'yeah I will buy your product', 'where do I sign?', you must be the first-step-taker; you take the risk to ask first, and as such, If you haven't yet mastered the art of getting rejected more times than a Nigerian prince's email asking for social security numbers, don't sweat it. It's not technically required. This line of work will give you a Post Doc in rejection faster than you can say "so... what do you think?." Your skin will grow thicker than a rhinoceros wearing kevlar, it has to. It's like asking if a boxer gets used to being punched in the face. Who knows? Maybe. Either way, You'll build up immunity to rejection like you will build up immunity to ramen; it's not that you enjoy it, you just lose all form of taste.

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## **Rule 2.1: YOU NEED TO BE IN LOVE WITH THE PROBLEM!**

This sub-rule which is the opposite of not giving up rule, is so painfully obvious that as I write it, it makes me want to staple my own eyelids shut, but here we are, having this conversation like two people trying to assemble furniture while high. It's one of the most important rules to follow if you want to survive this madness. **If you can't see yourself doing this for the next 10 years, don't do it.** If you can't picture yourself still doing this particular startup/thing when your future self is explaining to their therapist why you named your firstborn "Series A," then for the love of all that's holy and cute, stop right now. Go back to your gig where the biggest risk is accidentally CC'ing your boss on an email about how much you hate corporate Taco-Tuesdays. And I don't mean that in the sense that you need to always be the kind of person who can look at a spreadsheet full of red numbers and think "challenge accepted" rather than "where's the nearest bridge?". I mean that if the problem, the industry that you picked to solve is not something you would want to solve for the next many years, don't do it. **Life is in fact short.**

### **Let me tell you about my face-plant that relates to this whole circus:**

Picture this: Adam and I, we were just about to crash and burn with our previous hardware startup that we failed at (Real Life Analytics). We were broker than a piggy bank at a hammer convention, questioning every life decision that led us to believe hardware was a good idea. (Pro tip: Hardware is like dating a supermodel, looks amazing, but the costs of that relationship can kill you). If you've succeeded in hardware, you are my hero, you can and you should look down on software people like they're playing with Fisher-Price toys while

you're wrestling bears. It's not even apples and oranges; it's more like comparing one of those walkers that toddlers use to learn their first steps to a rocket.

So there we were, desperate enough to email random people on LinkedIn. By some miracle, this prime-cut hardware-focused fund invited us to San Francisco. I mean,... they didn't pay for our flights, hotels or anything, they just said, if you are in the Bay we can meet in our office, so clearly East coast to SF was a stone throw away, so yes, we were in the area, and we pitched our hearts out to a partner whose face had all the emotional range of Poker world champion. If we'd pitched to actual concrete, we might've gotten more emotions from it. They did ask good questions, and by then we had answers smoother than a VC's LinkedIn humble-brag about their latest unicorn, but our souls had already left the building.

Meeting over, Adam and I stood at that, some random pier where their office was, staring at the bay like two rejected contestants from The Bachelor. "So... this is the end, right?" Adam shared with a smirk, but also with all the enthusiasm of someone announcing their own funeral. "What shall we do?"

Our hearts were more broken than a developer's code after a coffee spill on their only backup. We knew that their "this is interesting you guys, we'll reconvene and message you tomorrow" really meant "Thanks for flying across the country you bosons, but we could've crushed your dreams over the phone."

And then we did what any self-respecting failed entrepreneurs would do: we decided to get absolutely hammered good-bye. Like college freshmen with their first fake IDs, we bought the cheapest booze we could find and went to town.

Next morning, we woke up on our friend's Icelandic ice breaker ship (because believe it or not that's a thing people have in San Fran-

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cisco), splitting headaches and phones buzzing like angry wasps. I answer, and it's no other than the investors from yesterday: "Hey guys" -this time all emotions- "we'll be in the office if you want to discuss investment terms."

I jumped up faster than a cat in a field of mirrors, found Adam, and we sprinted to their office. Only just before we arrived, looking like we'd just lost a fight with a seafood buffet, smelling like if we had showered in lobster juice, did I realize we probably shouldn't have given up so early. There was still one bullet in the chamber, but we'd already written our own obituary yesterday with ink made out of tequila, we knew we could not see ourselves doing hardware for advertisement in the following years. The solution we loved, it was what two nerds like us would enjoy building for fun, but we were looking for a problem to our solution, we couldn't care less if people did or not see the right billboard ad on their way home.

I called back and declined the meeting, which probably made me wonder if we were the first founders in Silicon Valley history to turn down money because their hangover felt like their brain was being used as a drum set by a toddler that just discovered sugar. But here's the real lesson: we had already emotionally checked out. The day before, we'd basically done the startup equivalent of not just burning bridges, but nuking them from orbit, tap dancing on the ashes, and sending a postcard about it. We'd mentally resigned harder than someone who quits their job by storming into their boss's office with an opening line such as "I am glad your mother did not swallow you, but... ", proceeds skywriting with their middle finger "I QUIT" and then parachuting into their exit interview wearing a banana costume. The desire to solve that particular problem was born more dead than my will to ever drink tequila or whatever that elixir was that we killed our last intentions in.

For years, I wondered what could've been if we had taken that last meeting. But now I know it was for the best. We needed that failure like a teenager needs embarrassing yearbook photos. It taught us the most valuable lesson: Before you start taking checks from people, It's ok to stop, if you don't love the problem your startup is trying to solve, on the other hand, if you see yourself working on this for a very long time, never give up, because sometimes, just sometimes, your lowest moment is right before someone decides to bet on your crazy dreams. This lesson came very handy as you will see in Rule #3.

### **Rule 3: Time Is Money— And You're Bleeding Both**

As you progress through the various stages of pre-seed funding, which we will cover in Rule #4, the dance with time becomes a knife fight. Investors at this level value speed as much as you do; they aren't looking to become pen pals. Time is the ultimate currency, and at this stage, it's a cruel and impatient god. For pre-seed, the funding time metrics are stark: one call should be enough for tens of thousands. One or two calls or meetings should be sufficient to pull in hundreds of thousands. To hit the millions, three or four meetings max. If you find yourself deep in a labyrinth of endless investor lunches, long email chains, and vague promises, stop. You're stroking the wrong cat, and both sides are wasting precious hours. The best investors at this stage know the value of quick decisions—either they're in, or they're out. Dragging it out signals either a lack of conviction or a mismatch, and in the pre-seed world, hesitation is as fatal as outright rejection.

Our fable to this rule, is a near death experience. Six or so months into our new startup (MindsDB). Chon Tang from Skydeck (you can

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research about him, but essentially like Professor X to the X-Men Academy for startups), our first investor and now friend. This guy had front-row seats to our fundraising circus: watching us pitch to everyone from venture capitalists to that one guy who looked suspiciously like a janitor but we still believed they could be our angel investor, maybe. We were like desperate singles at last call, hitting on every wallet in sight.

But holy quantum algorithms, were we working harder than a hamster that found a bag of speed next to a bag of nuts! There's something absolutely intoxicating about building a product from nothing but the fumes of your hallucinations while simultaneously trying to figure out what the hell a "go-to-market strategy" is. Chon met with us for countless hours, probably questioning his choices that one moment he said, 'welcome to Skydeck', but sticking around anyway. He was what every entrepreneur needs at that stage: a "fuck it, let's do it" bouncing wall who'd listen to our fever dreams with the patience of a Buddhist monk at a heavy metal concert.

Because here's the thing about the early startup game: the more lost you are, the more time you can spend debating the stupidest of things, like number of pixels for the left margin of paragraph four on your website, than actually building something and trying it with the market. But with Chon, we were all about trying things like teenagers discovering cooking for the first time: throwing oil-drenched spaghetti at the wall with the enthusiasm of a blockchain newb at a Web3 conference, completely oblivious to the fact that all that oil meant nothing would ever stick. To the outside eye, we were basically conducting a masterclass in how NOT to make pasta while thinking we were the next Gordon Ramsay of startups, but from the inside we were working harder than ever to find that one spaghetti we did not put oil in..

The market wasn't ready for us, or maybe we were too busy being the proud parents of our "super cool solution" to notice that -businesses actually- need, you know, business fundamentals. Details, etc.

So Chon invites me to lunch, and I'm thinking "free food!" but no, it's intervention time. He's giving me the "you fought a really good fight" speech to someone that can't open their eyes from how swollen the wounds are, one more punch in the face it's not worth it, people already saw you being beaten to death, they just want you to be able to walk a few months later. He knows we tried harder than a vegan trying to convince Tyson Foods board about broccoli's exciting flavor profile.

There I am the next day, packing up our office into a sad little box (which mostly contained empty Red Bull cans), and just like that is when fate decides to play one of its practical jokes. Some other team, the darling of our cohort, cancels their investor meeting, because they can't say yes to everyone, and suddenly I'm the backup of the backup dancer called to center stage.

I show up to meet this investor who's crankier than a cat in a bathtub about driving all the way to Berkeley from god knows Santa-somethin' for a cancelled meeting. He suggests a phone call instead so he can beat traffic across the bridge, and I'm like "Sure, one more bullet in the chamber!" I call and pitch with the confidence of someone who wasn't packing their failure into a cardboard box as they spoke, channeling everything opposite to that time Adam and I fumbled the bag in San Francisco way back then. Because now, I know it's not over until it's over.

The phone call ends with that classic investor line: "Aight, send me your terms and deck, I'll look at it while driving." Translation: "Cool story bro, I'll file this under 'Never in a Million Years.'" But

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remember Rule #2? Never give up? Well, we sent that pitch deck faster than he could put his blinkers on, complete with a signed YC Compatible SAFE agreement (see the glossary for more details about SAFE agreements) and our bank wiring detailed instructions next to the "we will make you rich and looking forward to catching up again soon".

Fast forward a week or two, because time flies when you're busy writing startup obituaries, and my phone rings. This investor, sounding like someone who just discovered an untouched pizza in their fridge after a rave, asks if we've received the transfer they made days ago. Just like that, like a zombie startup that learned to tap dance, we moonwalked right out of the startup graveyard. And here we are, telling the tale like contestants who not only survived the Hunger Games but also managed to steal President Snow's Netflix password in the process.

So what did we learn? Well, we learned something so fundamental it should be taught in preschool right after "How to Sign Your Name on Crayon Masterpieces 101." Picture this conversation:

"What did you learn today, gummybear?"

"I drew this monkey, Daddy! And I learned that you shouldn't waste a single precious millisecond extra with early-stage investors that are not into you!"

"That's my little girl! Your life expectancy just increased by 40% if you ever decide to be one of them interpernurs. And, I must say, that monkey is absolutely adorable."

You see, the brass knuckles of this tale weren't just about our stubborn refusal to give up. No, it was about how we became the startup equivalent of that person who thinks is your ex, just because

you exchanged a few flirty lines, and since then, just won't stop texting. We haunted investors until they came back with messages like: "Look, I was planning to ghost you, but before I file a restraining order, let me be crystal clear: It's not a maybe, it's a hard no. Not now, not ever, not in this universe or any parallel dimension where unicorns tap dance on Mars to wallabies playing in a band. I've got a million other deals I haven't met yet, and your constant messaging is making my phone vibrate off my damn desk."

And those times they asked for due diligence? were they interested? well we were on idea stage, so more early stage than a caterpillar's first identity crisis? That was just them using us as their personal market research interns. They knew it was all speculation at this point; like trying to predict which way a drunk penguin will waddle. But hey, at least we learned something new every time we jumped through their hoops like circus seals chasing premium fish.

So what's the protocol when investors start asking for your grandmother's DNA and a detailed analysis of your childhood trauma, all things outside of your deck and investor room folder? Here's the deal: ghosting is like a dance-off at a startup mixer; it takes two to tango, baby! But trust me, your response should NOT depend entirely on your dance card. Are you the belle of the ball with VCs throwing term sheets at you like confetti, or are you the awkward wallflower who just got their first "maybe" after 47 rejections?

Either way, channel your inner time management guru and remember: your time and their time is worth its weight in Bitcoin (circa whenever it's high as Friday night Snoopdog). Sure, if you want their money, you can play along and say "Absolutely, I'll send you whatever documentation your heart desires!" But here's the twist: make it conditional on a SAFE agreement. The, show me yours and I will show you mine paradox. That means they commit to investing

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by giving you a SAFE, if they like what they see, then they wire the money, and on the other side you commit to taking their money if their due diligence doesn't reveal that you're actually three raccoons in a trench coat. It's way better than becoming their unpaid market research intern while they dangle funding like a cat toy in front of an increasingly desperate kitten.

Bottom line? I wish we'd known from day one that the formula was simpler than a one-piece puzzle: Take the call, read the room faster than a poker pro, learn, improve, and move on. Send that deck, SAFE agreement, and bank details with the confidence of someone ordering pizza at 3 AM. I'm convinced our savior investor only wrote that check because they thought, "Well damn, anyone ballsy enough to send their bank details after one phone call must be either crazy or brilliant, and in Silicon Valley, that's basically the same thing."

## **Rule 4: Avoid the Wrong Investors**

Hear me out and repeat: **"Only take money from people who can laugh while watching it evaporate."** Not because you're planning to fail—you'll work harder than a rat on a cocaine-coated wheel—but because this is pre-seed, baby. The odds against you are about as friendly as an Australian Magpie in mating season. Pre-seed is not a garden; it's a battlefield. It's where you sharpen your teeth on the grindstone of doubt, where your idea sheds its soft, useless parts and becomes something sharp enough to cut in real interest. And before you learn what this means, you want to understand who you want to—but most importantly: who you *don't* want to draw interest from.

### **Warning: Friends, fools, and family round**

Some call pre-seed that, and if you ever hear this advice, heed me: **run**. Run like hell. You are not a con artist peddling snake oil under the guise of a brilliant idea!!! *Nein!* As just explained, and worth diving deeper: The pre-seed stage is the riskiest chapter in a startup's life cycle, a place where even the most determined founder is more likely to fail than to thrive. This is where the unvarnished truth comes out: (once again, repeat after me, 5 times) **“DO NOT take the money that grandma saved for your mother's rainy day!”** At this stage, when you can't tell your ass from your hand, that money is better off in the S&P 500 or parked in some safe, diversified corner of the financial universe.

The sad reality is, believe it or not, and god bless them, there's no shortage of good souls, eager to believe and eager to part with cash they can't afford to lose. It might seem tempting when you're desperate to make your idea fly, but taking someone's life savings, money they bled years to accumulate, is wrong, and unless you are an asshole, it is the fast track to sleepless nights, moral bankruptcy, and the guilt that will haunt you long after the startup burns out. The path is lined with those willing to bet everything, from the trust fund artist looking for meaning to the retiree with savings that shouldn't be gambled on a pipe dream. These are the ones you must resist. In the pre-seed stage, don't take money that isn't designed to risk disappearing. It's not just about doing the right thing—it's about ensuring that the support around you is rooted in smart, informed decisions. At this stage you cannot be here to be someone's miracle or savior; you're here to build, to prove, and to play the long game with the right backers who understand exactly what they're in for.

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### **Warning: You'll meet the "advisors"**

Those beings who offer their "expertise" in exchange for equity. They'll promise introductions that never materialize, like crypto gains in a bear market. When they come at you with their advisory agreement PDFs, hit them with the ultimate uno reverse card: "Love your enthusiasm! How about you put some skin in the game? A small check would really align our interests..." Watch them disappear faster than free pizza at a developer meetup or you will find what you want which is that first round of checks.

### **From whom then?**

Acknowledge that for the true investor, the pre-seed stage is a numbers game, and it demands a certain kind of participant—two, in fact: the informed and the strategic. They both spread their bets thinly across many hundreds of startups, knowing that most will fail but one or two will soar high enough to cover the losses many times over.

## **Rule 5: IT IS NOT a Single Round; It's an Ongoing Round**

You've started on your tighty whities, standing at the edge of a financial cliff, wearing nothing but your dreams and a pitch deck. The wind of market uncertainty is whipping through your metaphorical hair, and somewhere in the distance, an Angel is probably saying "interesting" while mentally planning their dinner.

Here's where the illusion shatters: raising at pre-seed isn't a dramatic all-or-nothing moment with champagne and applause. It's an ongoing battle, a financial siege. Investments at this stage are

a mosaic of SAFEs and convertible notes, pieced together as you scramble for validation and resources. You probably won't get one big, gleaming check; you'll get trickles, possibly starting with breadcrumbs that keep you alive while you scrape for the next. It's not linear; it's an unpredictable patchwork. And here's the paradox: as your idea becomes less terrible, your terms get better. What starts with a few tens of thousands can swell into millions if you prove that you're more than a flash in the pan.

The beautiful absurdity of it all: in the beginning, everyone's waiting for someone else to make the first move. It's like trying to start a conga line at a particularly stiff corporate party: nobody wants to be the first to wiggle their hips. But once a few people join in, suddenly everyone's an enthusiastic dancer.

The psychology works like this: Walking into a room announcing "I'm raising a few million" with empty pockets is like trying to sell timeshares on Mars. But watch how the story transforms: "We're raising 100k and already have 50k", now you're selling tickets to dudes into a party that's already buzzing with chicks on a bachelorette party from Sweden. "Raising 300k with 100k in the bank", the intrigue builds. "Looking for 1M with 300k-600k locked in", if this happens quick enough, suddenly you're the hottest ticket in Silicon Valley.

Now, as we dive in details, here comes the delicate art of terms (keep them YC-safe compatible, unless you enjoy watching sophisticated investors give you sudden and intense migraines or delusions). The "cap" (look it up): your theoretical valuation, is like a price tag in a parallel universe where crypto only goes up. It's a number that exists in the realm of "trust me, bro" until enough people nod sagely and say "seems legit."

Start with a valuation that makes early investors feel like they're getting in on the ground floor of the next big thing. Then, as more

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checks materialize, gradually adjust that number upward like a master chef adding salt; carefully, tastefully, but with conviction. Check Crunchbase or make a friend that will let you peek at their Pitchbook to see what other visionaries in your space are commanding. It's like a sophisticated game of pricing psychology where everyone pretends the numbers are based on complex mathematical models, when really it's more like interpretive dance. Welcome to the pre-seed evolution!, where your funding journey transforms in stages like a Pokemon with anxiety issues.

### **Stage 1: The "Please, Anyone?" Phase (\$10k-100k):**

This is where you're basically selling hope wrapped in a PowerPoint. Angels look at you the way a parent looks at a child trying to explain why drawing on the walls is actually not good for property values. But here's the thing: you only need one believer, one beautiful optimist who sees past the duct tape and dreams to your actual potential.

### **Stage 2: The "Hey, We're Kind of Real" Phase (\$100k-200k):**

Suddenly, you have that magical first check. It's like getting your first kiss; awkward, probably could have gone better, but hey, someone thought you were worth it! Now you can walk into rooms saying, "We've already raised..." which is startup speak for "See? Someone else thinks we're not completely crazy!"

### **Stage 3: The "Now We're Cooking" Phase (\$200k-500k):**

This is where the momentum builds faster than technical debt in a hackathon. Each "yes" breeds more "yeses" like rabbits discovering Viagra. Investors start responding to your emails faster than they

ghosted you in Stage 1. You're no longer pitching; you're "updating interested parties on your round's progress." Fancy!

### **Stage 4: The "Is This Real Life?" Phase (\$500k+):**

Welcome to the line to the tickets for the entry leagues. You are raising \$1m and you already have \$500k, And now you know how this game works, you can go up to a few million this way. You can choose to dance this conga to your own playlist, but here once again, a lot of this dance is accelerated if you join an accelerator, and if you do, of course, please do it right, because there is a wrong way for sure.

### **So, what is the difference between a pre-seed stage and a seed stage?**

We will cover Seed stage and Seed rounds in chapter 3 and 4, as well as in the Glossary. But understand that there black and whites are not a thing in early stage. For you, you are in a journey of building a company, this language, pre-seed, seed, series A, etc, its fundraising lingo. For now, let's just say that what you can take away from this chapter is that this language helps you set the expextations for when you are asking for money.

### **I am in PRE-SEED stage?**

When you tell investors that you are in the pre-seed stage, the good investors (meaning those who are used to investing in early-stage startups) will know that they are making investments based on how promising the opportunity looks just by examining the problem you are trying to solve. They will decide whether to invest based on the two risks we cover in Chapter 2: Market risk and Founder risk. The

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checks you receive will not be given at a set valuation, but rather with the prospect of a future valuation. This means that, at this stage, no one can really say how good the opportunity is, because you are still selling a vision rather than a proven business. They are literally making a bet—please read the glossary for details about convertible notes and SAFE agreements. Essentially, your value is unknown; you don’t even have a product yet, but you are convincing people that the problem you are setting out to solve is worth investing in. If you succeed, they hope to turn a relatively small check (tens of thousands to a few million dollars) into a significant return. Investors need to be able to imagine you as someone who could build a wildly successful business (that means picturing you with one to ten horns on your forehead and shitting rainbows).

So, if you are talking to an investor whose LinkedIn profile says “later stage, (A,B,  $\Omega$ )” you are barking up the wrong chickens. The best thing you can do is ask them for an introduction to someone who invests at the early stage. That introduction will help you get connected in the right direction.

**What is pre-seed money good for, you may ask?** Well, it’s to pay the team, to cover operational costs, and ideally to get you to a point where you can focus solely on customers, building, and validating your solution. So eventually, having 18–36 months or so of runway ahead of you without having to spend all your time fundraising is, for the most part, what a SEED round will likely provide.

### **So, am I in SEED stage?**

Well, this is something that happens a bit more organically than you might think.. you stumble into seed stage. The moment someone wires you money, you’re “investor-backed”—which sounds glamorous

until you realize it's just you, a spreadsheet, and a redbull can at 2 a.m. The important thing to know is that as you collect them signatures on SAFEs, you must, in tandem, like a juggler of shit-on-fire, you shall perform the ancient art of "progress." This means transforming your idea from "wouldn't it be cool if. . ." to a "look, it actually solves something!". This metamorphosis is not overnight. Your business will slowly ooze from "pure fantasy" to "mildly convincing hallucination". Suddenly, you're not just selling air in a can—you're selling oxygen for oxygen deprived, with a label and a barcode. That's when early-stage investors start muttering, "Maybe it's time for a priced round," like wizards debating whether it is time to summon a demon or to give you sparklers until you grow a pair. We'll unravel that particular demon spell in Chapters 3 and 4, and in the glossary, because you'll need a talisman.

So, If you're not hearing these magic words: "Fuck it, how about we do a priced round?", yet. Focus on building your business, and—just as importantly—on protecting your own and your company's collective butts from the two cosmic banana peels we discuss in Chapter 2. Until then, set expectations low and keep telling people you're in the pre-seed stage.

## Chapter 2

# **The Two Risks Theory: Your Pree-seed Startup figures it's basic sh\*t out or dies**

Early-Stage Funding isn't just about money. It's about the psychology of parting ways with money to someone that is mostly a stranger, about understanding the beautiful madness that makes someone look at your half-baked idea and think, "Yes, I would like to set some perfectly good money on fire in the hopes that this particular flame might turn into a phoenix." Before you can dance this particular tango, you need to know that in the end, this whole game is about: risk, wearing different hats, speaking different languages, but always risk, specifically for investors, they're measuring the density of uncertainty that your startup will survive from the moment they give you money to that imaginary moment in the future of 5-10 years when they will be able to get their dollars back times many.

Picture risk as a quantum field that warps and shifts depending

on where you stand in the startup timeline. Like those Buddhist texts that describe different realms of existence—the hell realms (suffering and despair -> pre-seed), the hungry ghost realms (insatiable thirst and hunger -> seed), the human realm (balance between joy and pain -> post-seed)—each stage of funding occupies its own distinct reality tunnel, complete with its own physics, complexities, challenges and metaphysics of risk. In the pages ahead, we'll navigate through two of these parallel dimensions: the pre-seed funding realm, where ideas float like unanchored dreams in a sea of pure possibility but you are also hit with a dose of confusion, suffering and despair, and the seed funding realm, where those dreams begin to crystallize into something that might actually survive contact with reality. Each realm demands its own rituals of understanding, its own sacrifices, its own strange dances with uncertainty. To traverse them successfully, grab your notepads, my sweet summer platypuses, you'll need to become fluent in their respective languages of risk—because while they might look similar from a distance, up close they're different.

There is something I've witnessed so many times; it's started to feel like one of those immutable truths—like the way cats always land on their feet or how your code only works perfectly right before the demo crashes. In the pre-seed stage, there are really only two fundamental risks that matter: market risk and founder risk. They dance together like drunk philosophers at a Silicon Valley meditation retreat. You must learn to master those risks if you ever want to get past the starting line of your startup, and yes this is also a critical requirement for any funding in your plans. As these are basically the two only reasons why everyone (but you) knows that you can certainly die from. Once again: If you are not aware of these risks, you are most likely to be the next startup that no one will ever hear about.

## **Our first exposure to risk awareness**

As a proxy for explaining the market and founder risks in this chapter, let me tell you about my first contact with an investor ever, and illustrate how simple the thought process for investors is. This was only a few days into my previous startup, the one that failed, our dear friend Rob, who joined us as a co-founder storms into the room like he'd just seen Elvis riding an alpaca through the parking lot. "You guys know who Mark Cuban is?" he gasped, practically vibrating with excitement.

We were so clueless about anything startups, that frankly, I looked at him confused, mentally flipping through my limited sports Rolodex like a drunk trying to find their house key.

"He's the guy from Shark Tank," Rob explained, probably questioning all his life choices that led to this moment. "Mark, saw our startup and has three questions": "Hi guys! Tell me about the market, what's your plan to get that market, and why are you doing this?."

So we did what any new "founder" should never ever do (to any investor, or anyone interested in your gig): We wrote a four-page UN style essay that read like a love letter crossed with a business plan and seasoned with just a hint of desperation. We even invited Cuban to dinner, because apparently, we thought TV celebrities are just sitting around waiting for dinner invites from random startup kids that just flew in from the other side of the world. But then again, what if he had said yes?

As I write this, and think about that moment, I doubt Cuban made it past "Dear Mr. Cuban, must we start with we love your show about sharks... (see my underwear attached)" before his eyes glazed over and he filed our email under "fucking clueless." We had no idea we were playing a game with rules that everyone pretty much

understand, we were playing chess while still trying to figure what tic-tac-toe is. Now I know, and I hope you learn that all Cuban wanted to know was how risky our venture was. That's it. Very simple questions that we answered with what was essentially "100 years of solitude draft 2".

So let me break it down to you.

### **2.1 Market Risk: What percentage of the net global economy are we talking about?**

Market risk is like that friend who keeps telling you they'll definitely come to your party but never shows up. It's the risk that even if you build exactly what you set out to build, even if you execute flawlessly, the market might just ghost you like a bad Hinge date. This is the risk that should be keeping you early stage founder awake at 3 AM, staring at the ceiling until you are convinced that the market you are going after is enormous. Think of it this way: An overused, but always useful analogy is that you could build the world's most perfect horse-drawn carriage in 1910, with exquisite craftsmanship and revolutionary boudoir features, but Henry Ford's Model T was already making your entire market obsolete. That amigos, that is market risk. It's like opening a blockbuster video store in 2007—technically perfect execution of an idea whose time had passed, or like trying to sell life insurance to vampires, solving a problem for people that don't have that problem. The tricky thing about market risk is that it disguises itself as technical risk, like a programmer who shows up to a party wearing a "Trust me, I'm a people person" t-shirt while clutching their laptop like a security blanket. Most startup literature, written by people who probably haven't written code since BASIC was

## 2.1. MARKET RISK: WHAT PERCENTAGE OF THE NET GLOBAL ECONOMY ARE WE TALKING ABOUT?

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cool, will solemnly tell you: Technical founders are like cats chasing laser pointers when it comes to engineering challenges, frantically pouncing on every shiny technical problem while the actual business opportunity casually strolls out the door. They'll (We'll - maybe?) spend months perfecting their distributed quantum blockchain AI architecture while their potential customers are busy not giving a shit. Here's one brutal truth served with a side of reality sauce: startups don't die because their tech stack wasn't perfect. They die because they built something as useful as a submarine with a sunroof. You may already know all that, internet is full of it, however, there is more... Let me tell you something that nobody told me early on, probably because they were too busy drawing startup journey diagrams that look like rollercoasters designed by a drunk architect. It's not about the idea, it's about the problem. Before you even think about writing code or making those PowerPoint slides, you need to become something of a professional creeper. Not the weird kind, the kind that observes real problems that real people have. And when I say real people, in some cases, the kind that wouldn't know a REST API from a nap. You need to find problems that affect so many people that even your grandmother's bridge club is complaining about them. Then ask yourself: is this actually a problem, or am I just a hammer looking for nails? And here's the kicker, would you be happy spending the next decade of your life solving this problem? Because let's be real, somebody had to invent toilet paper, and that person probably didn't wake up one morning thinking "Today, I'm going to revolutionize the ass-wiping industry!" But thank god they did, because alternatives were... suboptimal. So before you dive into building the next big thing, make sure it's a problem worth solving, this is critical while your savings account slowly dies of loneliness. Here's a rule of thumb #1 that's as reliable as gravity and twice as painful

to ignore: if you can't multiply the number of potential customers by the price they'd actually pay (not your fantasy number, the real one that makes them wince but still nod) and get to at least a billion dollars, you're deep in founder risk territory. It'll shine through your pitch like a disco ball at a funeral, catching every investor's eye for all the wrong reasons. You might as well be wearing a t-shirt that says "I haven't done my homework" in neon letters while trying to convince Warren Buffett to invest in your artisanal pickle startup. Think about it, if your total addressable market calculation looks more like a corner store's daily receipts than a small nation's GDP, you're not just facing an uphill battle; you're trying to climb Mount Everest in flip-flops while carrying a refrigerator. And trust me, those check-writing veterans, those grizzled veterans of a thousand pitches, they can smell this particular flavor of delusion from three accelerator programs away. It's like trying to hide an elephant in a phone booth technically possible if you have a really big phone booth and a really small elephant, but who are you really fooling? And here's the thing, this market risk versus founder risk duality isn't just some abstract concept I'm tossing at you like Confucius wrapped in a fortune cookie's existential crisis. Trust me, this particular flavor of metaphysical torment will become your most faithful companion, more constant than your shadow, more persistent than that one bug in production that only appears during demos. The veterans of this strange game, those battle-scarred prophets of the Valley, they'll tell you with knowing smiles that it never really leaves: it's like a philosophical tattoo you got while completely lucid, fully aware it would become a permanent part of your consciousness, like the awareness of your own mortality. Years from now, when you're deep in the trenches of startup life, feeling like you're simultaneously trying to explain general relativity to a goldfish while performing brain surgery on

yourself in a moving elevator that's also on fire, you'll look back at these early days of fretting about market risk versus founder risk and laugh. Not because it gets easier, oh sweet innocent child of summer, but because you'll have developed the kind of cosmic humor that comes from watching reality repeatedly transform your meticulously crafted plans into abstract performance art, like watching a Picasso painting happen to your business model in real-time. And you don't want to tell yourself, I wholesomely messed up the first step of this journey... Market risk. So after finding a problem that plagues the masses like a particularly persistent existential itch, remember and repeat Rule of thumb 2.1 from the previous chapter: You must fall in love with it more deeply than any priest has ever loved their calling; we're talking about the kind of devotion that makes religious zealots look like casual Sunday churchgoers. Or so it begins: Founder risk.

## **2.2 Founder Risk: The Human Comedy**

Imagine trying to predict which way a cat will jump while it's still thinking about it. This is the risk that the founding team might implode, pivot into oblivion, or simply lack the adaptability to navigate the chaos of early-stage company building. It's often less about technical capability and more about that ineffable quality of being able to dance on hot coals while juggling flaming swords and singing "Like a prayer", backwards.

I've seen brilliant technical founders who could architect complex systems in their sleep but crumbled faster than a cookie in a milk tsunami when faced with actual human interaction. I've seen charismatic visionaries who could sell premium sand in the Sahara but couldn't execute their way out of a paper bag. Founder risk is about the gap between what a team thinks they can do and what

they can actually deliver when everything is on fire and Mercury is perpetually in retrograde.

Let me paint you a picture that's as common in Silicon Valley as electric scooters and overpriced smoothie bowls: Two bright-eyed founders, fresh from that magical OpenAI pizza mixer, convinced they're the next Jobs-Wozniak duo because they both like apples and finished each other's sentences about Musk. Fast forward three months, and they're having the kind of relationship discussions that make divorce court look like a tea party. There are learnings on what possible scenarios you are to live, covered in Chapter 6. But, the learning for you here is how you understand that a dance between these two risks is mastered.

Here's the unvarnished truth, served with a side of reality check: Your co-founder relationship needs more careful consideration than your last five Bumble matches combined. And let's be honest, at least on Bumble, the worst that can happen is an awkward coffee date. With a co-founder, you're signing up for a business marriage that makes actual marriage look like a casual fling. You're not just sharing dreams and equity; you're sharing the kind of stress that makes your hair turn gray while you're reading this sentence.

If you're still in that honeymoon phase where everything feels like a rom-com directed by the universe itself, where you and your co-founder feel like you're sharing one cosmic brain cell, well... Lets cover the rifts that every startup blog, Medium article, and TechCrunch think piece loves to dissect like they're performing an autopsy on a failed relationship while trying to sell you a course on "founder harmony." These are the classics, the greatest hits of startup dysfunction, the relationship problems that make marriage counselors look at founder therapy and say "nah, I'm good." But unlike those sanitized listicles written by people whose biggest venture was

a lemonade stand, I'm going to give you what I have seen to be true.

### 2.2.1 The "I'm Not Your Employee" Tango

Picture this: One founder, usually the CEO type who's watched one too many Steve Jobs documentaries and thinks wearing the same hoodie every day makes them a visionary, starts treating their co-founder like they're an entry-level code monkey who just learned what a for-loop is. Suddenly, every conversation feels like a performance review, and the other founder is composing passive-aggressive Slack messages that would make Shakespeare sweat with their subtle brutality. It's like watching a marriage dissolve because one person decided they're the "parent" and the other is the "child" who needs to be told to clean their room – except the room is a Git repository and the cleaning is a complete architecture overhaul at 11 PM on a Sunday.

#### **How people tell you to avoid it?**

They set up elaborate "feedback frameworks" and "communication protocols" that last exactly 2.5 days before devolving into passive-aggressive emoji reactions and cryptic "we need to talk" calendar invites. Some try rotating CEO roles weekly, which works about as well as letting two toddlers take turns being in charge of naptime.

#### **The real solution?**

Let me tell you about the ancient startup ritual of Ego Death By Whiskey™. You and your co-founder, armed with the cheapest bottle of liquid courage Walgreens had to offer, engaging in what I call "preventive therapy for the cosmically doomed." Because here's the

thing about co-founder relationships; they're like playing Russian roulette. You'll face these moments where reality starts bending, where suddenly your co-founder's face morphs into that of every bad decision you've ever made. And that's when you realize: holy shit, this is exactly like that time you thought dating that scary someone but then senses came back to you. If these red flags start waving harder than a bored semaphore operator after their double espresso, and no amount of "let's align our chakras" talks can fix it, well... Remember how you Matrix-dodged that toxic ex? Yeah, time to channel that energy again. For the nth time in this book: Life is short.

### **2.2.2 The Great Equity Regret Spiral**

Oh, the sweet agony of realizing you split the equity 50/50 because you were both high on startup dreams and matching friendship bracelets! Three months in, one founder is pulling 20-hour days while the other is "building relationships" by attending every startup mixer in a 50-mile radius and posting LinkedIn updates about "the grind" with more hashtags than actual content. The technical founder is sleeping under their desk, debugging production issues, while the business founder is "ideating" over \$14 smoothie bowls with other "visionaries." Shitless scared of their part of the job, avoiding fundraising and customer rejection like that guy who only sends LinkedIn connection requests through a VPN in Antarctica, so when no one accepts, he can blame it on the penguins.. Suddenly, those equity conversations you had over beers and optimism feel like they were negotiated by your most naive past self, who clearly needed a stern talking-to about the value of actual work versus "vibes management."

### **How you are going to handle this?**

Results, baby!! Smart founders try to implement vesting cliffs and milestone-based equity distribution. The really smart ones? They also, actually talk about expectations before splitting equity like it's the last slice of pizza at 3 AM.

### **How Less smart founders handle it?**

Just passive-aggressively track each other's working hours in a spreadsheet that will definitely never be used as evidence in a future lawsuit.

### **2.2.3 The Technical-vs-Business Thunderdome**

Two founders enter, no founder leaves without emotional scarring! In one corner, we have the technical founder who believes business development is just fancy talk for "lunch meetings" and considers PowerPoint a form of fiction. In the other, we have the business founder who thinks debugging is something you do with a fly swatter and believes "just add blockchain" is a valid technical specification. They circle each other like wary cats, each convinced the other's job is basically a hobby. The technical founder mutters about "actually building something" while the business founder waves them term sheet templates like they're magic scrolls of legitimacy. It's like watching two people try to build a bridge from opposite sides of a canyon, except one's using mathematics and the other's using PowerPoint animations.

### **Prevention attempts (That you should avoid)?**

Some try job shadowing, which usually ends with the business founder breaking production and the technical founder accidentally insulting

a key investor. Others try weekly "education sessions" that quickly devolve into "explain it like I'm five" moments that leave both parties questioning their life choices.

### **The rare success stories?**

As obvious as it reads: They learn to appreciate that both skills are necessary, sadly however, this only usually happens after a near-death experience involving a failed demo and a very angry investor. We will cover more on this throughout this book.

### **2.2.4 The Vision Schism**

Remember that perfect alignment you had about changing the world through blockchain-enabled sustainable coffee sourcing for introverted dolphins? Well, surprise! One founder now thinks you should pivot to AI-powered meditation apps for pest control, while the other is still committed to the original vision like it's their firstborn child. You're no longer finishing each other's sentences – you're interrupting them with "actually..." and "well, technically..." until your all-hands meetings (it's just you two) feel like philosophical cage matches moderated by your increasingly concerned whiteboard.

### **How some blogs tell you to cope?**

Some founders create elaborate "vision documents" that become longer than Game of Thrones fan fiction. Others implement strict "pivot protocols" that require three rounds of committee approval – in a company of three people. The ones that nail founders risk? They learn to embrace the chaos and treat their vision like a living document, not a religious text.

### **You?**

Unless you're Moses and your startup plan literally descended from heaven on stone tablets (in which case, kudos on the divine MVP), you're going to have to embrace the art of being wrong. Like, spectacularly wrong. The kind of wrong that makes your past self want to travel through time just to give you a gentle slap and a "bless your heart." Every day is basically a cosmic comedy where the universe looks at your carefully crafted plans and says "That's cute, hold my beer." Here's the thing about startup visions - You need to roll with the punches, pivot faster than a black swan ballerina, and accept that absolute truths in startups are about as real as your investor's promises to "definitely" make those follow-up intros. And for the love of all things holy, while you and your co-founder are having your fifteenth philosophical throwdown about whether the button should be "seafoam green" or "mint whisper," remember this: in the time you've spent arguing, you could have A/B tested both options, discovered they both suck, and pivoted to interpretive dance software. The truth usually lies somewhere in the middle, probably hanging out with all your discarded product features and that one sock that always disappears in the laundry.

### **2.2.5 The Money Honey Meltdown**

This one's a classic: One founder wants to bootstrap until the heat death of the universe, eating nothing but expired ramen and coding by candlelight to save on electricity. The other is ready to raise a Series A before the MVP has even MVP'd, dreaming of office ping pong tables and kombucha on tap while planning the company retreat to Bali for "team building." Every financial decision becomes a proxy war for deeper values, like watching two people try to plan

a wedding where one wants a backyard BBQ and the other wants to rent the International Space Station. The phrase "burn rate" gets thrown around like a weapon, and the company credit card becomes a source of more drama than all seasons of Silicon Valley combined.

### **The prevention playbook on Medium?**

Some try setting up elaborate budgeting systems that would make an accountant cry tears of joy, only to ignore them completely when the first shiny SaaS tool catches their eye. Others create detailed financial plans that become obsolete faster than a cryptocurrency whitepaper.

### **The ones who make it?**

They learn to balance frugality with function, usually after a few close calls with bankruptcy.

### **So, what is the lesson here?**

These rifts, my friends, are as inevitable as technical debt and as common as "disruptive" startups in San Francisco. They lurk beneath the surface of every co-founder relationship like psychological landmines wrapped in term sheets and equity agreements, waiting to explode. But here's the real trick: surviving these rifts is what separates the unicorns from the "whatever happened to that startup". So embrace the learning from chaos, keep your therapist on speed dial if you have one, and remember: if you're going through founder hell, keep going, just remember to pack your sense of humor because that is as much as you can afford, you know that equity lawyer who charges more per hour than a therapist specializing in venture capi-

talist daddy issues and will not fix the core issues. It's like that old saying: what doesn't kill your startup makes it stronger, or at least makes for a better story at your next founder support group meeting.

Look, until you've wrestled these demons into submission, you're basically walking around with a flashing neon sign that screams "FOUNDER RISK" in Comic Sans. And those savvy investors? They can smell that fear from three WeWork locations away, like sharks detecting a single drop of imposter syndrome in an ocean of startups.

Founder risk is fatal, you precious disaster-in-waiting: if you've got a co-founder (and survived reading those previous tales of startup horror), I'm about to drop some truth that'll save your sanity faster than a shot of vodka saves a bad first date. Before you even THINK about incorporating, be cautious of that one who claims to be a startup guru because he once met Mark Z's barber's dog walker, and figure out who's wearing which hat in this circus. Now, I know what you're thinking: "But we're a dynamic trio! We're like Batman, Robin and that guy that is always working, except we all think we're Batman!" That whole "everyone does everything" approach sounds as dreamy as a unicorn riding a rainbow while singing Queen's greatest hits. In theory, it's beautiful: like communism or those "healthy" cookies that taste like sweetened cardboard with chocolate-adjacent chips. But in practice? It's about as functional as a glass hammer at a construction site.

Want to move at the speed of light (or at least faster than your competitors who are still debating their logo font)? You need roles clearer than your ex's hints that "it's not you, it's me." And for the love of all things profitable, either have decisions in odd numbers (3, 5max), or get as fast as possible to the point where you agree who can make the final call when in doubt, when it's 3 AM and you're both staring at each other like two squirrels trying to remember

where they buried their last acorn, paralyzed by the earth-shattering decision of whether to print business cards or just exist in the digital ether.

Here's a brutal litmus test that'll save you years of therapy: If you look at your co-founder's skills in their domain and you don't feel like a toddler with crayons trying to reproduce the Mona Lisa, you're probably in for the kind of trouble that makes the Titanic look like a minor boating incident. You should be in awe of each other's capabilities like a cat watching a ceiling fan – completely mesmerized and slightly confused about how they do that thing they do. If you're both Python developers who think product management is just writing longer commit messages, you're not a founding team; you're a coding club with delusions of grandeur.

The real trouble? and oh boy, is it trouble – comes when you realize too late that you're basically dating your clone. It's like trying to start a restaurant where everyone's a chef and nobody wants to wash the dishes. Because once again; you need someone who makes you feel like an absolute amateur in their domain, and vice versa. Because when the shit hits the fan (and in startups, there's always a fan, and it's always on max speed), you need to trust that your co-founder has got their domain locked down tighter than a drum while you handle your own circus, otherwise wicked stuff will happen, and that flavour of trouble doesn't just knock: it kicks down the door, raids your fridge, and decides to crash on your couch indefinitely while eating all your premium ramen stash.

## **The Cosmic Dance**

Here's where it gets interesting: these two risks are like conjoined twins who took different life paths, with one becoming more domi-

nant than the other. In my opinion, you should address the essentials of founder risk first, so you can focus on market risk while keeping founder risk under control. As such, everything about founder risk should be handled efficiently. On the one hand; If you spend too much time perfecting your team dynamics through ayahuasca ceremonies, the market might move on without you. On the other hand; Everything about market risk is an ongoing discovery process, perhaps only until you start building product and pitching you start seeing market gaps you didn't want to see before.

Here's your pre-seed vibe check: if every meeting is a rerun of "So, Who's the CEO?" or "Are you sure you're not just dressed up as a startup on Halloween?"—congrats, you're still radiating founder risk like a Chernobyl reactor. But if the questions suddenly mutate into "Show me your month-over-month growth, your CAC, your LTV, your secret handshake with the market gods," and you're sweating because you have more metrics in your ass than dollars in your bank account, that's not a bad thing—it means you've finally convinced people you're a real team and now they want to know if this market even makes sense at all, and, only you get to find the answer to that. This also means your market story still probably sucks, so you need to work on that.

As you build some pitching scar tissue, you will also learn that different investors will weigh these risks differently based on their own trauma— I mean, experiences. But you, you need to believe you've got those two risks covered, when you really believe that, not the shallow belief of a startup founder practicing their pitch in front of a mirror, but the deep cosmic certainty that comes from staring into the void until the void starts taking notes. Everything in your pre-seed daays will start to happen, the investors will materialize before you; like Buddha-nature revealing itself to an enlightened

monk.

Understanding these two risks is crucial because it shapes everything about how you understand your business and therefore how you approach the pre-seed stage. And when it comes to investors: It influences who you pitch to, how you pitch, and what kind of validation you prioritize. It's about recognizing that at this stage, you're not just building a product or a company—you're conducting an elaborate performance art piece where the audience decides if your credit card banks will ask you to "get on your knees and call me daddy" next month.

So when you're out there raising pre-seed money, remember: you're not just selling a vision or a product. You're selling your understanding of these two risks and your strategy for navigating market risk precisely (founder risk coverage is not optional, it can't be a plan, you must show it practically doesn't exist). The investors who get it, who really understand this strange dance, they're not looking for certainty, they know that sh\*t is not found in nature; they're looking for founders who can tap dance through a minefield while making it look like performance art.

# Glossary 1 - Pre-seed Startup Lingo

**Value** | *val-yü* |

*noun-verb [founder units]*

**Value is a mental proccess** - Repeat this ten times-: Value is the mental proccess that someone goes through when they look at something and compare it to their needs and wants. In this book, those needs and wants are to solve a problem they have.

**Idea** | *ī-dē-a* |

*concept [sanity chewer]*

**Your idea is to solve a problem** - Here's the only tattoo-worthy advice in this book: Every time your brain whispers, "I have a business idea," slap it and yell, "No! I have a problem to destroy!". **If** your "idea" isn't a desperate attempt to fix something that's been chewing on your sanity like a raccoon in your attic, you're in urgent need to

get back to the drawing board.

### **Problem** | *prä-blm* |

*noun [cheek agony]*

**Someone's royal pain in the ass** - That someone can be you, if not, if you don't wake up cursing the problem you want to solve, If you don't have the problem; go find someone who does. Befriend them, interrogate them, buy them tacos, whatever it takes. If they run away, good—chase another. Repeat until you find a pain so real, like a Valdemort, where people would Venmo you just so you don't say the problem's name. That's the only "idea" that matters. Everything else is just startup cosplay.

### **Founder** | *faun-dr* |

*noun [problem smasher]*

**You, I suppose** - The person that sees a problem and is crazy enough to think that they can solve it. You must, if you are reading this book see solving the problem as an eventual but inevitable exchange of value, this means that eventually in the journey of solving the problem, you will be exchanging solving the problem for money. You must believe this is as true as gravity. Otherwise burn this book.

### **Runway** | *rn-wā* |

*noun [survival countdown]*

**How long you can survive without raising more money?** – Runway is the number of days/months/years between now and “the moment you start eyeing your houseplants as potential salad” It’s simple math: take the cash in your bank, divide by how fast you’re burning it, and voilà—that’s how long you have before you’re pitching VCs from a Starbucks bathroom. The initial goal is to prolong this timeline until you find product-market-fit, which in the Bay Area you can do thanks to “early stage funding.”

## **Silicon Valley** | *si-l-kn va-lē* |

*proper noun [about south]*

**Back in the Day, It Was It** – Once upon a time, if you wanted to build a startup, you had to pilgrimage to Santa Clara, California, where the air was thick with WiFi and the scent of burning venture capital. But then, like a fungus, VCs and founders oozed out across the Bay Area, gobbling up real estate and artisanal toast until the whole San Francisco Bay Area became one giant, overpriced tech terrarium. Now, if you so much as sneeze out a tech-business-idea anywhere from Palo Alto to Berkeley, someone in a Patagonia vest may try to invest in your allergies.

## **Bay Area** | *bā ārē* |

*proper noun [Vegas for nerds]*

**Where hoodies are formalwear** – To those who haven’t penetrated its mysteries, it is easy to picture a Las Vegas casino at 3 AM,

that liminal hour when reality starts to fray at the edges. The air thrums with an electric drone, time pools like mercury under neon signs, and cigarette smoke performs lazy arabesques through shafts of artificial light. At the roulette table, a man radiating borrowed confidence scatters his chips across the felt like casting bones for divination—black, red, 20, 47—trying desperately to impose pattern upon chaos. The wheel spins with cosmic indifference while the gathered crowd holds its collective breath, united in that peculiar communion of chance. Most of these pilgrims to the temple of probability stumble away with emptied pockets and hollowed eyes, dialing familiar numbers that bridge the gap between delusion and reality: "Mom? Yeah... I need a ride." But there's always that singular anomaly, that statistical outlier. She glides through the casino doors on stiletto heels that tap out victory in Morse code against marble floors, her smile gleaming like a blade in the desert dawn. She beat the house! The chosen one ascends!

The Bay Area may appear as a more sophisticated version of this tableau—a high-stakes playground where dreams are currency and reality bends like light through fiber optic cables. Some dismiss it as Vegas for the cognitively enhanced, players buzzing on a cocktail of ambition, Adderall and Ketamine. But beneath this superficial chaos, there are people that are playing an entirely more complex game, it's a place where people that want to solve problems with technology meet with risk gurus that manage the highest concentration of "fuck-yeah-capital" in the world, if you are reading these pages, the Bay Area is a place you want to be in.

### **Early Stage** | *r-lē stāj* |

*phase [reality dodging]*

**The startup hunger games** - Let me lay it out straight: until you're pulling in a sweet, sweet mill to ten-mill in annual recurring rev. The kind that makes investors purr like well-fed kittens. You're still crawling through the trenches of pre-seed and seed funding, where you're not selling facts (you don't have any); you're selling futures. Your data isn't really data: it's poetry written in the language of possibility—a story about tomorrow that you're asking others to believe in today. Don't waste your time crafting beautiful Excel prophecies; they're about as useful as broccoli for vampires. Your job isn't to prove you're right about exact numbers; your job is to convince yourself first, then your team, and then the rest of the world that this is an idea worth investing time, resources, and money into. At first, it will be 100% storytelling, but as you progress, it will become a mix of that and what you are learning from your ever-evolving Minimum Viable Product.

### **Pre-seed Stage** | *prē-sēd stāj* |

*phase [mom's nightmare]*

**The “I have an idea, please clap” phase** - Some call it idea stage, some call it pre-seed round stage, your mom calls it "please don't quit your job mijo". When it comes to fundraising, Pre-seed stage is the when you are at the first round of checks for your fever dream of a company. When you have an idea (a problem) and you are trying to validate that it is a problem worth solving. (For more details, please read Chapter 1, rule #5).

## **Seed Stage** | *sēd stāj* |

*phase [squirrel dreams]*

**The “look Ma, I am not a homeless person anymore!” stage** – When your startup finally gets enough cash to stop stealing WiFi from Starbucks, but you’re still living on hope and caffeine. Seed stage is when you have started working on solving the problem and you are trying to validate that the solution you have been cooking up, has a growing number of people say: damn, I have this pain and I am trying this solution of yours and it is working. This doesn’t necessarily mean that you have a product-market fit, and that people are paying for it, but it means that you are on the right track. Now hear me out, if you can get people to pay for your solution, the earlier the better, but to raise a seed round, it is not required that your bank account is fatter than a squirrel in a peanut butter factory, It would ALWAYS be nice though. (For more details, please read Chapter 1, rule #5).

## **Series-A Stage** | *sir-ēz-ā stāj* |

*phase [sly dog territory]*

**The cash flow celebration** - Not covered in this book. But you are making cash and cash is growing as we read this one line sentence: "Good for you ;)".

## **Priced Round** | *prīst raund* |

*round [valuation time]*

**The actual buy shares moment** - A priced round is when a VC firm says they are interested in investing in your company, and they will give you money in exchange for shares (and they mean, right now, not in the god knows when future like in a SAFE agreement). More about this in Chapter 3 and 4.

## **Term Sheet** | *ter-m shēt* |

*document [investment terms]*

**The “so, are we exclusive now?” document** – When someone drops the phrase “term sheet,” it means you’ve leveled up from “let’s grab coffee” to “let’s define this relationship”—with a priced round. A term sheet is the official list of rules for your investment romance: who gets what, who calls the shots, etc. However, at pre-seed, you’ll mostly hear about SAFE agreements (the startup equivalent of “let’s just see where this goes”), but it’s good to know term sheets exist. We’ll spill all the juicy details in Chapter 4.

## **Convertible Notes** | *kn-vr-t-bl nōts* |

*agreements [debt]*

**Really weird lending contract** - When you hear the words "Convertible Note," you should respond: "Yes, Ma'am, I am aware of them. We don't do Convertible Notes, but we do use SAFE agreements. By that, we specifically mean we take money using the YC SAFE agreement." Please, ladies and gentlemen, keep it standard and stick to the basics, or you are going to have a bad time later.

## **SAFE Agreements** | *sāf-grē-mnts* |

*agreements [startup prenup]*

**The startup world's prenup template** - A SAFE is a document that outlines the terms of your early-stage investment. Listen: every founder since 2013, who's ever hallucinated a unicorn after their third Red Bull has used a SAFE—so unless you're Picasso with a law degree, don't try to get creative here. Study the damn thing, sign it, and get back to building your fever-dream empire before you start sculpting term sheets out of ramen noodles.

## **Valuation cap** | *vā-lü-ā-shn kāp* |

*number [valuation]*

**The near future valuation of your company** - Before you do anything reckless, go read up on the YC SAFE agreement. But here's the bit that actually matters: the “cap” is the imaginary number everyone pretends your company will be worth in the future. It's not what you're worth today (which is probably somewhere between “slide deck” and “wishful thinking”), but what you might be worth in a few months—if you're lucky—or a few years, if you're starring in a slow-motion train wreck. When people eventually want to do a priced-round, those early SAFE investors get to convert at the cap in their SAFE—like they found a cheat code for your company's stock. If your company's worth more than the cap, they look like clairvoyant geniuses and you will look like a great negotiator. If it's worth less, they don't get ripped off—they just pay what the new, wide-eyed investors are paying. It's actually fair: you've got nothing but a pitch

and a prayer, and they're betting on your ability to turn caffeine and anxiety into a business. If your startup collapses into a flaming pile of "oops," they lose their money, you get to walk away, and nobody's coming to break your kneecaps.

## **Cap Table** | *kāp tābl* |

*document [ownership]*

**A spreadsheet that lists who owns what percentage of the company** - Picture a cap table at pre-seed like a kindergarten seating chart: it's just you and your co-founders writing down who gets the blue crayon, while investors are still outside, noses pressed to the glass, waving their SAFEs like golden tickets that don't actually get them inside. No one else than you, your co-founders, and maybe your grandma if you ignored rule 4, owns real shares yet. But beware: the future moment when you do a priced round, your cap table mutates faster than a gremlin in a rainstorm, and suddenly every SAFE-holder is demanding a seat at the grown-ups' table. So pretty please, keep your pre-seed cap table cleaner than a monk's search history before nirvana, or you'll be untangling equity knots until your next startup is a therapy app for traumatized founders.

## **Board of Directors** | *bōrd v dī-rktrz* |

*group [leadership]*

**A group of people who are responsible for the overall direction of a company** - At pre-seed, your "board" is just you and your co-

founders arguing over who forgot to pay Zoom again. Please, guard those seats like they're the last bag of Hot Cheetos in a middle school cafeteria. Any investor demanding a board seat this early is clueless. Real ones know that board seats are for priced round investors, when the drama gets good.

### **Investors** | *in-ves-trz* |

*players [money whisperers]*

**The risk philosopher** - They're pattern-recognition savants who've transformed spectacular failures and meteoric successes into a kind of muscle memory. For them, risk isn't some mystical force to be feared or worshiped; it's as fundamental as gravity, as quotidian as breathing. Their real fascination lies in watching how you, thou founderi, dance with these inevitable dangers, how you'll navigate the storm clouds they can already see gathering on your horizon.

Here's your first koan: the best investors, those rare beings who can in fact help you transmute your toilet-born prophecy into market reality, aren't mere dispensers of capital. They're risk philosophers, operating on intuition distilled from countless cycles of creation and destruction. They don't need spreadsheets or calculators; their scars tell better stories than any Excel model. They've witnessed countless founders like you chase mirages straight off cliffs, each believing they were different, special, chosen. Every dollar they commit is a vote cast into the void, and the house odds would make even a Vegas bookie blush.

### **Angels**

These are individuals who understand what they're getting into when it comes to investing in startups — They are investors who've allocated a slice of their portfolio to bets that they know may turn to ash. To them, your venture is one high-stakes chip in a broader game. It says somewhere in the bible; YOU SHALL NEVER give an Angel investor board rights. You want these Angels to be people that can give you: Money and connections to either more money or customers. Don't forget that the real Angel investors, by virtue of how this game being a numbers game, they don't have much time to spend in each company. So be in the lookout for red flags.

### **Angel Money**

Here's where things get interesting, like a game of hot potato where nobody wants to be the first to catch. These angels—the clever little honey badgers—they're professional followers, masters of the "you first" dance. They're not going to write you a check just because you've got a slick deck and practiced your pitch in front of a mirror until your reflection started giving you feedback. They're like those people at a party who won't hit the dance floor until they see someone else making a fool of themselves first. No, they need validation from someone else to take the first plunge, preferably from the risk priests of the startup ecosystem: Accelerators.

### **Accelerators**

Accelerators do the heavy lifting for angels and other investors; due diligence, market validation, and founder vetting. They also help

you turn your raw potential into something that looks more like a business while you are clutching your pitch deck like it's a golden ticket to Willy Wonka's factory of venture capital. When an accelerator stamps your passport, it's like getting blessed by a high lama; suddenly, those risk-tolerant angels start seeing halos where they once saw warning signs.

Unlike Angel's offices, accelerator's gates will keep reopening, giving you multiple chances to perfect your "I'm totally not desperate" face.

**First attempt:** You walk in confident as a peacock at a bird fashion show, armed with your groundbreaking idea about "Uber for plants" or "blockchain for pet emotions." The partners stare at you with that special blend of pity and confusion, like watching someone try to eat soup with a fork. Rejection email arrives faster than your last overdraft letter.

**Second attempt:** Three months later, you're back, this time with "AI-powered toasters" or whatever fever dream your sleep-deprived brain conjured up. But wait! You've learned something. Your understanding of the game is slightly less terrible. The partners' eyebrows raise a microscopic amount higher. Progress! Still rejected, but now with a "Keep trying!" that doesn't sound entirely sarcastic.

**Third attempt:** By now, you're like Bill Murray in Groundhog Day, except instead of trying to win Andie MacDowell's heart, you're trying to convince seasoned investors that your "social network for introverts" isn't an oxymoron. The beautiful thing? Each rejection must come with a free masterclass in why you suck slightly less than last time.

Here's the universal truth that would make Buddha wiggle: For accelerators, every "no" is actually a "not yet" in disguise. Each application is like a new episode in your personal Silicon Valley sitcom,

where the main character (that's you, you gorgeous nerd) keeps coming back with increasingly less delusional ideas. The accelerator partners start recognizing you - not as that stalker who won't take no for an answer, but as that persistent bastard who's actually learning from their face-plants.

### **VCs and VC Firms**

Oh dear. Venture Capital (VC) is the final boss of the startup funding video game.

#### **A VC firm**

The the company VCs work for, Imagine a committee of Gordon Gekkos who've traded their Coco for Soylent and their brick phones for iPhones, prowling the Valley in Teslas, hunting for the next unicorn to ride into IPO Valhalla.

#### **The fund**

The fund is a number, mostly irrelevant for you, other than to know for how long they have been doing this for, think of it as the number of grey hairs you can count. But basically this is the pile of stash from where their checks come from. Such piles get renewed every time they run out. Named originally: Fund 1, fund 2, fund 3, etc.

#### **VC's**

Bond villain with a Patagonia vest. VC's are the people you interact with and that you partner with. They wield PowerPoint decks like medieval swords, speak in tongues of "runway," and if you are not

careful, they can vaporize your cap table with a single 'let's shake it here'. To a founder, a VC is both the golden ticket and the Wonka who might drop you into the chocolate river for fun. They'll ask you to "think bigger" while simultaneously reminding you that 99% of startups are just elaborate bonfires for other people's money. If Angels are the cool aunts and uncles who slip you \$20 and a wink, VCs are the parents who want to see your report card, meet your friends, and maybe install a camera in your living room. At the pre-seed stage treat them as sophisticated Angels, they will still invest in SAFE's and remember rules #3 and #5. Unless ofcourse they say they are interested in a "priced round", then you are in for a Seed stage ride. In which case you MUST read Chapter 3 and 4 (Seed stage important manure you should know).

### **Fundraising**

This is no other than convincing people to invest in your company. At pre-seed stage, fundraising is a constant, you are always fundraising and building your business at the same time, so you ARE going to get better at it, every single day, if you spend time to improve from feedback.

### **Fundraising Process**

Later, this will mean something entirely different, but right now, you just need to do a few simple things: build a wish list of early-stage investors you would like to have on board. This is work that only you can do.

The process will, in part, feel like collecting Pokémon. When it comes to VCs, treat each meeting as a way to get to know each other,

and remember that every meeting is an opportunity to ask for an introduction to someone else on your list. You will always need to have your pitch deck with you, and you are going to learn—one way or another—how to pitch.

### **Pitch Deck**

A pitch is a presentation you give to investors to convince them to invest in your company. This will never be a static document; if your pitch deck doesn't change every time you pitch, you are not learning and you are not improving. Every time you get a "This is interesting," you know what to keep. Every time you get a "No," you need to ask why, and then incorporate those learnings into your next pitch. Many times you will find yourself hand-waving answers to questions; make sure that for the next pitch you have an appendix slide for that. It will show that you are not just really good at making things up on demand, but that you have thought about it all. Your deck needs to have three things: the problem, why this is still a problem, the market (see Chapter 2), and the solution you are building (which must include the validation you have done so far, and this should be different week by week). After that, you simply have appendix slides that keep growing.

### **Pitching**

Pitching is a great deal of theater, but if you are reading this book, it means you are in for that game. It is the act of giving a presentation to prospective investors and the skill to convince them to invest in your company. This dance at this stage is as close as possible to a one-night stand. Even if you have never participated in one, you can picture yourself in the scenario of what both parties need to agree

to such a dance. The decision of early-stage investing happens in such a short time that you really don't know the other person, nor can you tell for sure if this will be great or a disaster. And you have very little information to go on. In fact, as a founder, you have more data than the investors do. So everything you say, how you say it, even how you dress, makes a difference. You dressed like you are going to prom? No, you will exude desperation. You show up without seeing a shower in days? That's a scary place to put money in. You lose your temper when they poke holes in your dreams? Well, if you haven't even kissed yet, what's next if this already a show they want to exit? Anyway, you get the point: each investor interaction is a blank page. Treat it like a blank page and make it count. Perfection your pitch until you see most conversation ending in, what terms are you looking for? how much are you looking for? how soon are you looking for it?

### **Due Diligence**

Due diligence is a process that investors go through to understand the company and the investment. You are so early that this is really about validating that you are actually building something real, and that you are not just a bunch of raccoons in hoodies. If you are spending too much time on this, something smells like a dead animal, and you are probably doing it wrong.

### **Closing the Deal**

After each meeting, quickly without delay send them your SAFE agreement and deck, asking for a time for the next meeting. If they are not excited, they will ghost you, and you will move on to the next investor.

## Ghosting and Rejection

So, the accelerator gods have ghosted you harder than that Tinder date who saw you accidentally snort wasabi thinking it was guacamole, that mythical UC/Stanford professor-turned-investor unicorn is too busy revolutionizing quantum mechanics to care about your startup's distinct lack of citation-worthy breakthroughs (which is totally fine by the way - remember Airbnb started by renting air mattresses to broke conference attendees, not exactly Nature publication material). Your idea might not be splitting atoms or bending spacetime, but hey, often-times the path to billions is paved with simple solutions to everyday problems. Welcome to Plan C, mijo - the path of pure, unfiltered hustle through the digital trenches of LinkedIn and other networking shenanigans. Remember Rule 2 like it's your new religion: Never. Ever. Give. Up. Your startup might be held together with eye boogers and dreams right now, but that's no reason to throw in the towel. Time to channel or give birth to your inner digital stalker (the professional kind, not the restraining order kind). Because here's the beautiful truth about the Bay Area: it's a graveyard of failed startups, and every tombstone marks someone who might just help you avoid their fate. These beautiful disasters, these glorious failures - they're your new best friends. They've been through the meat grinder and came out the other side with two priceless things: battle scars and contact lists. Fire up LinkedIn like it's your personal dating app. But be clever about it, you magnificent spam artist. Don't just blast "PLZ INVEST" messages like a Nigerian prince with a startup fetish. Start with the walking wounded - those who've recently tasted the bitter wine of startup mortality. Slide into their DMs with the grace of a caffeinated ninja: "Hey [insert name], saw you built [their failed startup] - fascinating approach to

[whatever they tried to fix]. Working on something similar, would love your battle-tested perspective. Coffee?" Some will ignore you harder than a cat ignores its expensive bed. Others will respond with war stories and wisdom. And here's where the magic happens: never leave a meeting, even a "no," without asking The Question™: "Know anyone else who might enjoy watching me try to defy gravity with this particular brand of sexy? Remember: keep pushing, keep hustling, keep spamming (tastefully, like a Shamanic goddess trying to sell enlightenment on Instagram - just enough wisdom to intrigue but not enough to get banned from the algorithm). Eventually, like watching a Buddhist monk discover energy drinks for the first time, someone will look at your duct-taped dreams - held together with the determination of a squirrel building its last nest before winter - and think, "You know what? This particular flavor of crazy might just work, as discovering vodka pairs surprisingly well with pickle juice at 3am." And that's when the real fun begins. Your first SAFEs!

## **Chapter 3**

# **Graduating from Pre-seed to Seed Stage**

Oh, sweet Buddha, there's a glorious next level in this video game of venture-backed startups—the "seed round." To claw your way into this next dimension, you must master execution risk. To understand this, imagine yourself blindfolded, juggling fire while riding a unicycle across a tightrope. A panel of VCs below, scoring your performance like Olympic judges who've just snorted lines of exponential growth. That's what it feels like: you're expected to fundraise and build at the same time, which requires the focus of a kamasutra monk and the risk appetite of a wingsuit pilot. Forget what your probability professor told you—here, in this game, you often have the odds against you.

### **The Seed End State**

To get into the details of execution risk in particular, let's start with the end state and walk backwards from there; You will find yourself crossing the seed stage portal: You've actually convinced a room full of Patagonia-wearing venture capitalists that your business isn't just another ayahuasca vision. You all agree on the value they see in your company! and the term-sheet is still warm from signatures to an investment in amounts of tens of millions, enough zeros to make you question if you are dreaming, economics professors rock back and forth in padded rooms, clutching equations and whimpering about fundamentals like abandoned lovers at a wedding.

If everything is executed with excellence, you will soon after, hear a notification on your phone from your corporate bank account and, you will know the seed round money made it in. Suddenly, high on hopes like it's your last day at Burning Man, you're strutting around like a peacock who just discovered Instagram filters - we're talking premium Cup Noodles with actual dehydrated vegetables, baby! I know, I know - contain your bourgeois gasps. Because, before we continue deeper into this champagne-and-instant-ramen lifestyle, let's as promised, rewind and examine how one ascends from the primordial soup of pre-seed stage to this slightly less primordial soup of seed funding. Welcome to the small-big leagues tryouts, habibi. I hope you brought a good therapist.

### **The Pre-seed to Seed Stage Metamorphosis**

Before you are seed stage ready, your life should feel like all of a sudden your story starts to click, you starting to see those pre-seed checks roll in like they're auditioning for a financial strip show. There

you are, swimming in the primordial soup of Angel money like a startup amoeba with delusions of grandeur, and soon after, you will feel like you have mastered the problem you are here to kill, your market makes sense to everyone that hears you talk about it, and, you no longer see any founder risks, so you start piling up those SAFEs like a squirrel hoarding nuts for nuclear winter. Total amount raised?, creeping up on that various mill territory. Those weeks or months of pitching felt like trying to explain string theory to your chihuahua. But now, you have cracked the code, right? right?

### **The Physics of This Game**

Well, hold onto your ergonomic standing desk!, because if you are not really careful, money's about to pull a Houdini faster than you can say "burn rate." Be WARNED about the physics of this game: you are flying an airplane with a hole in the gas tank.

### **What do you need to Execute?**

You need to be able to focus, so yes, finally pay yourself just enough to make your darling Banka'f'merica stop sending you those passive-aggressive overdraft love letters. And get very tactical about what you need to execute.

### **Hire the Minimum Number of People You Need**

If your wallet can afford it, and if you must, hire for very, very critical gaps, but please don't. Just... don't, do not go wild. Every person you add to your startup smoothie is like adding another flavor - sounds great until you're drinking a kale-pineapple-blockchain-AI monstrosity that tastes like broken dreams. Before you know it, your nimble

little startup is moving with all the grace and speed of a three-toed sloth. Trust me, you want to avoid being slow at all costs.

### **Runway and Burn-Rate**

In the previous glossary we introduced our stooge couple: Runway and Burn-Rate. They are your best friends. If you are not careful and with the minimum number of people you need before Product Market Fit: your company's checking account will become the antimatter to your progress, a cosmic black hole devouring resources faster than a Silicon Valley juice cleanse destroys wallets. Time warps like a Dali painting on acid, and the next thing you know, your product is as visible as a ninja at midnight wearing active camouflage. Meanwhile, you're lying awake at 3 AM, staring at the ceiling like it's displaying error messages from the Matrix, mentally rehearsing how to ask your best friend - who abandoned a cushy corporate job to join your circus - if she misses free snacks and dental insurance.

As such, listen up, you beautiful disaster: transitioning from pre-seed to seed stage is NOT how good you are at getting seed money, that talks more about your poetry skills. It is about your metamorphosis from powerpoint slides to a tangible solution or MVP. Where you can validate that people really want a solution for the problem you are solving, while at the sametime you are also building the solution and burning cash, which is like being in a reality show where the prize is more borrowed time. Because, every time you accept money, you are inviting people to your unicorn ride. Eventually, everyone who drank your Kool-Aid of disruption, they're all going to emerge from their WeWork meditation pods and demand to see some cold, hard results. And you, yes YOU, you magnificent delusional optimist, you'll MUST be the one leading that results-demanding parade. Remember,

amigo: you started this dream and you should be chasing that dream like an overenthusiastic puppy interacting with senile dogs at the park, sniffing butts, trees, rocks, running around like a maniac until someone decides to play catch with you and your ball. Execution has become your new religion.

So while you're celebrating those pre-seed wins (as you probably modestly, very modestly should), remember that the clock is ticking. Your job now is also to make sure your product is used. Execute. Validate. Iterate. Repeat. And the brutal truth: The best product in the world is worth exactly zero if nobody uses it. You could build the digital equivalent of sliced bread, but if you can't get it in front of people who actually need to make sandwiches, you're just creating very expensive nothing.

And here we are, you magnificent chaos agent. You've made it through the pre-seed gauntlet, which is like surviving a dinner party where your in-laws are trying to explain blockchain to a golden retriever while simultaneously questioning your life choices. Congratulations, you've graduated from the kiddie pool of startup funding. But before you start doing victory laps around your WeWork office like you just won the Super Bowl by successfully microwaving a burrito, let me drop this truth bomb wrapped in a taco shell of absurdity: this book ends here, right at the moment where things get really, really weird. Because what comes next—the actual seed round, the term sheets that read like ancient scrolls written by lawyers who've clearly been mainlining espresso since the Reagan administration, the art of closing a seed round while your bank account is doing its best impression of a desert mirage—that's a whole different circus, and I'm currently writing that book while simultaneously questioning my own sanity and wondering if I should have just become a professional llama whisperer instead. So stay tuned, padawans. The sequel

is coming, and it's going to be even more unhinged than this one, because by the time you're ready for seed stage, you'll have earned the right to read about how to navigate a funding round that makes your pre-seed experience look like a gentle game of patty-cake with a very understanding grandmother.

## **Chapter 4**

# **Five Extra Rules but for Seed Stage [WIP]**



# **Extra Glossary - Seed Stage Jargon [WIP]**



# Conclusion [WIP]