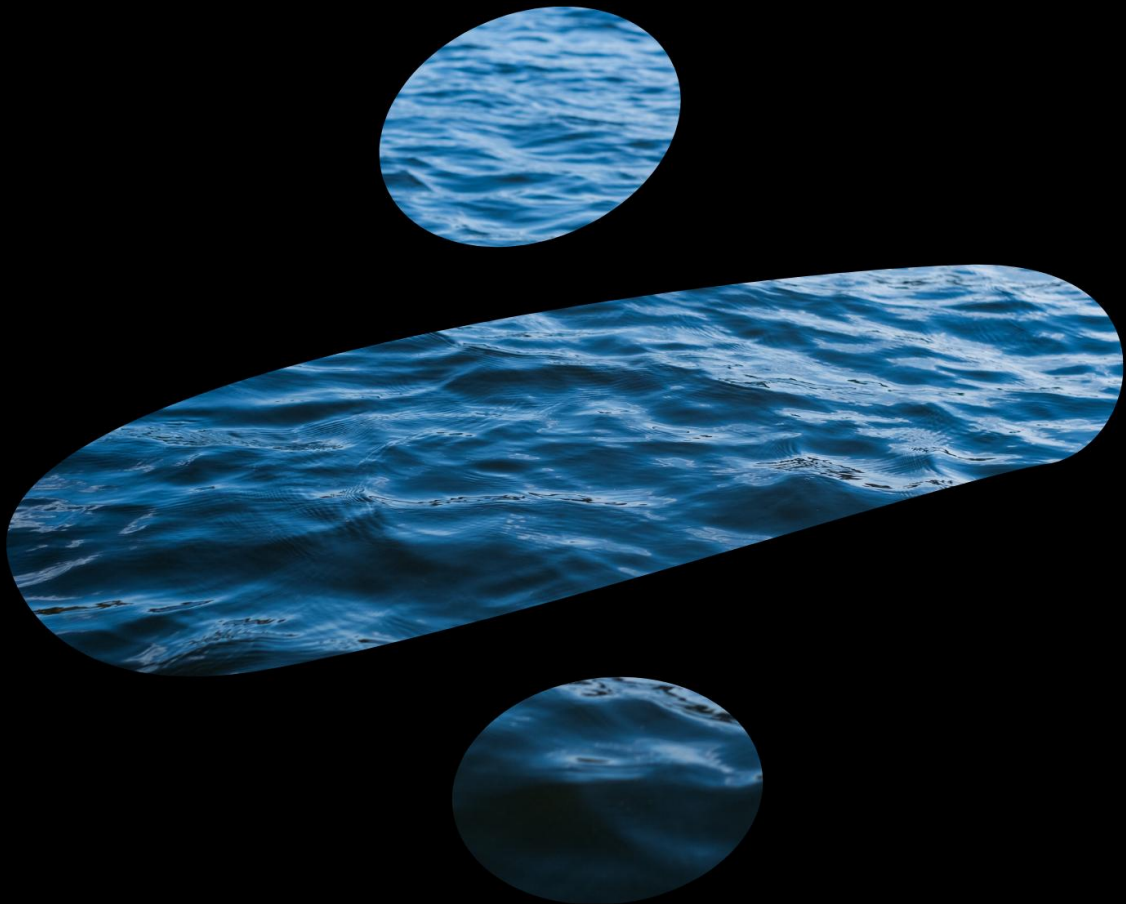




Before You Split, Before You Grant

THE FOUNDER'S EQUITY & ESOP PLAYBOOK

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● THE PROBLEM THIS DOCUMENT SOLVES

Founders treat equity like *play money*.

There is a recurring tragedy across African tech hubs: a founder has a great idea. They bring on a technical co-founder and split the company 50/50 on day one over coffee. Two months later, the technical co-founder takes a full-time corporate job and stops coding. But they still own 50% of the company.

Or a founder meets a senior industry executive who promises to "open doors." The founder gives them 10% equity upfront. The advisor makes two phone calls and disappears.

Or a founder promises 5% equity to their first three engineers via WhatsApp messages, with no vesting agreement, no formal option plan, and no board resolution.

Eighteen months later, the startup has 15,000 active users and gets an investor term sheet for a \$500,000 Seed round. The VC sends a legal team to conduct cap table diligence.

The VC finds a dead weight co-founder holding 50%, an inactive advisor holding 10%, unformalised WhatsApp equity promises, and no employee option pool.

The VC pulls the term sheet. The startup dies.

This is not a theoretical story. It happens every single month in Accra, Lagos, Nairobi, and Johannesburg. Early-stage African founders lose millions in funding or destroy their companies not because their product failed, but because they treated equity like play money.

This playbook is the remedy. It gives you the exact frameworks, benchmark numbers, legal structures, and script templates needed to allocate equity fairly, build a clean ESOP, manage advisors, and protect your cap table for institutional VC investment.

● BEFORE YOU START

This playbook explains how equity usually works. It is not legal or tax advice. Company, securities and tax rules differ between countries and change often: have a qualified lawyer review your documents before you sign them.

The 5 golden rules of equity

Before you write an offer letter or sign a co-founder agreement, burn these five rules into your memory:

01

Never Give Away Unvested Equity

No co-founder, employee, or advisor receives their equity on day one. Everyone vests over time. The industry standard is 4 years with a 1-year cliff. If someone leaves at Month 11, they leave with zero equity. No exceptions.

02

50/50 Splits Are Laziness In Disguise

A 50/50 split feels polite, but it usually means you avoided having an uncomfortable conversation about role clarity, capital risk, and long-term commitment. Equal splits without dynamic criteria lead to resentment when one founder works 80 hours a week while the other works 20.

03

Grant Options in the TopCo, Never the OpCo

If you have a Delaware C-Corp, UK Ltd, or Mauritius HoldCo that owns your local operating company in Nigeria, Kenya, or Ghana, your ESOP must issue shares in the holding entity. Issuing options in local operating subsidiaries creates administrative nightmares, exchange control bottlenecks, and massive tax friction upon exit.

04

Advisors Get Work-Bound Grants, Not Free Shares

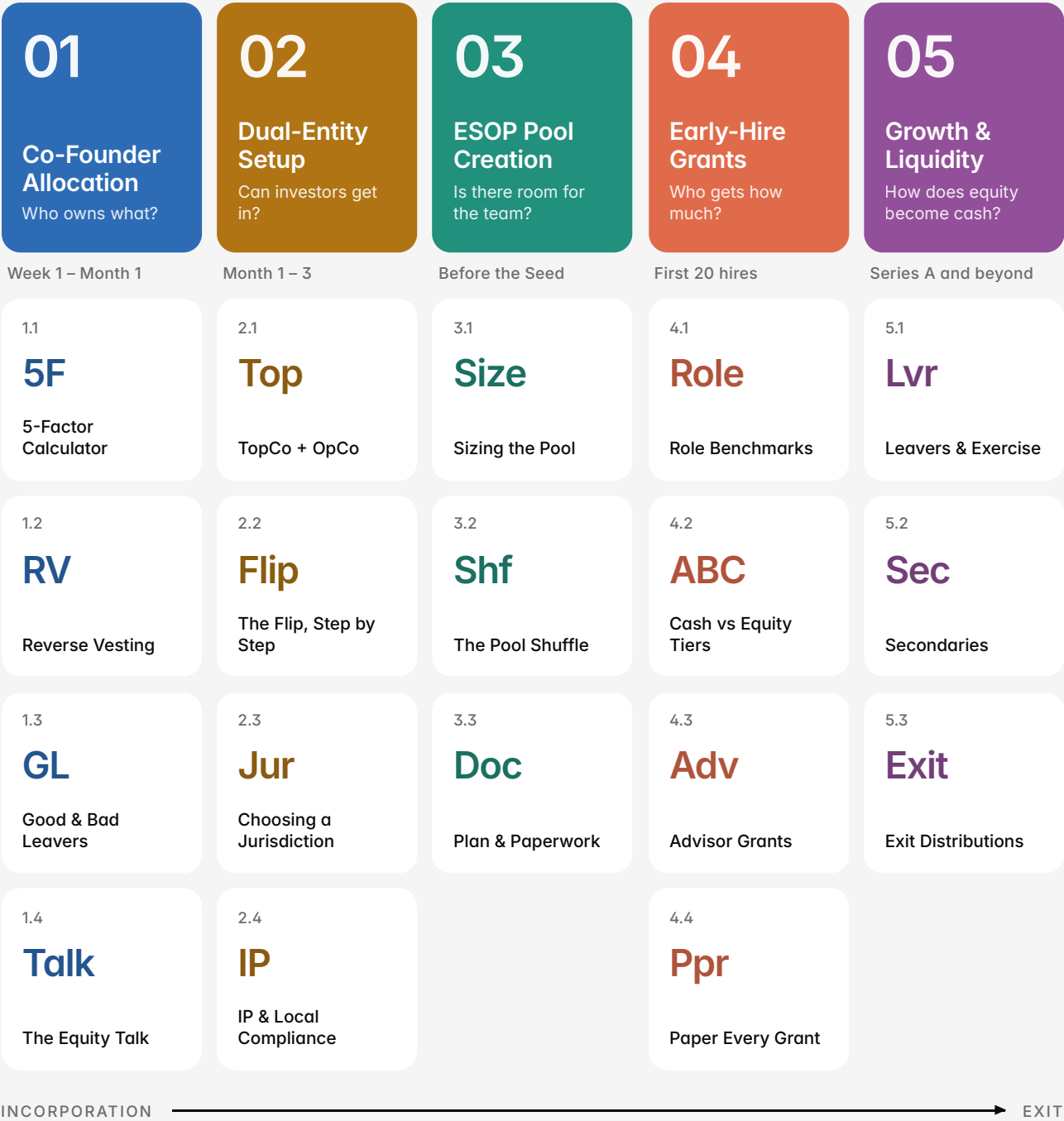
Advisors get small equity slices (0.1% to 0.5%) that vest over 1 to 2 years tied to specific, measurable deliverables. If an advisor does not open doors or deliver value in the first 90 days, your agreement must allow you to terminate them with zero equity earned.

05

Equity Is Currency You Can Never Print Again

Cash can be earned back. Equity, once given away to the wrong person, is gone forever. Treat every 1% of your company like \$100,000 in cash. Protect your cap table like your company's life depends on it, because it does.

FIGURE 0.1 | **The Equity Lifecycle**
The complete journey of startup equity, from incorporation to exit. Read left to right.

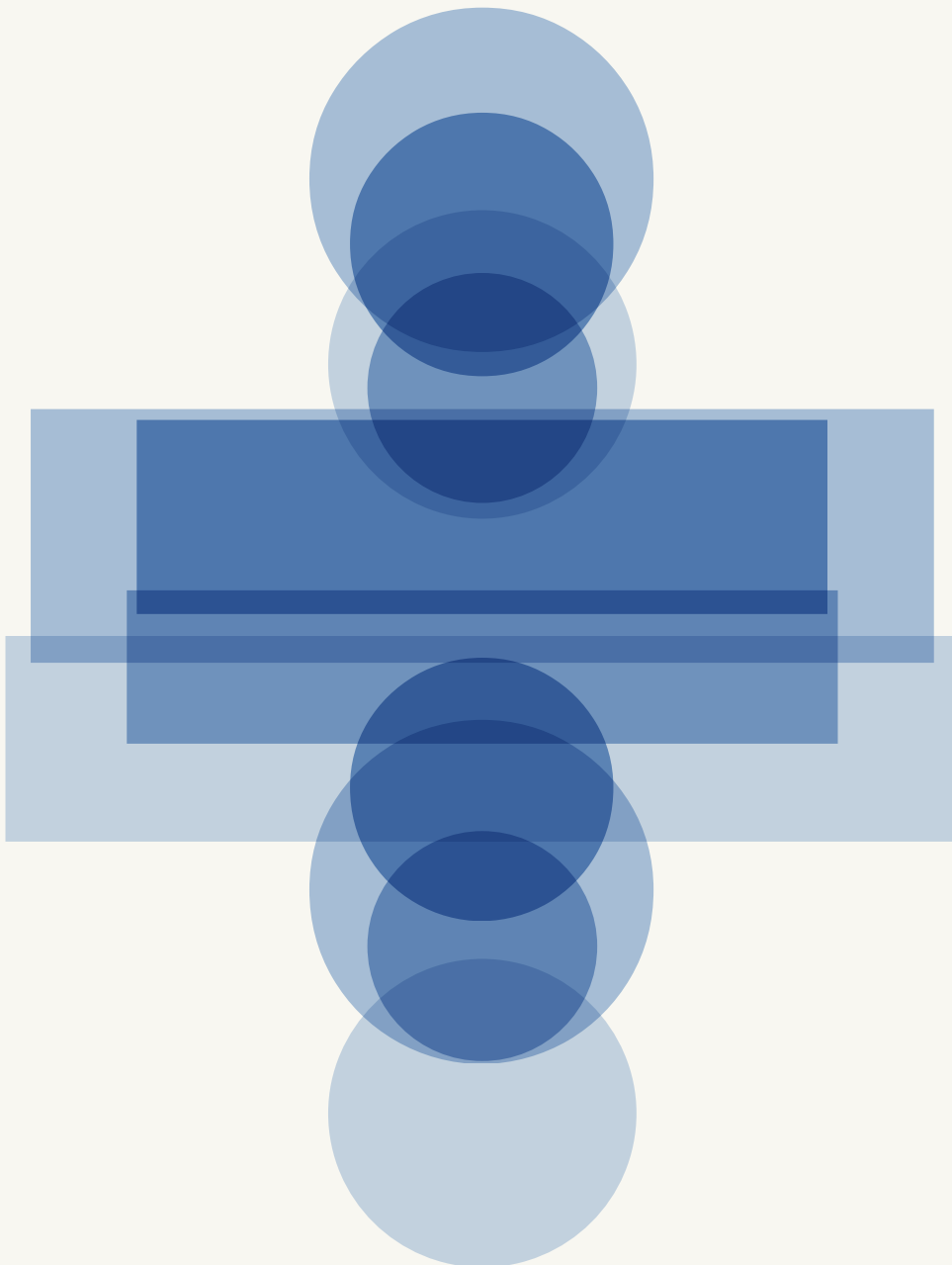


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stage **1**

co-founder equity
allocation

- 1.1 the 5-factor equity calculator
- 1.2 the reverse vesting agreement
- 1.3 good leaver vs bad leaver
- 1.4 script: the equity talk



DURATION

Week 1 to Month 1

GOAL

Determine a fair, defensible equity split between co-founders with formal legal protection.

PRODUCT STATE

Pre-MVP or early MVP.

● 1.1 · CO-FOUNDERS

1.1 The 5-Factor Equity Calculator

Do not guess your split. Use this weighted formula to calculate founder equity based on real contributions:

FACTOR	WEIGHT	QUESTIONS TO ASK
1. Original Idea & Domain Expertise	15%	Who identified the core problem? Who has 5+ years of deep industry access or technical IP?
2. Capital & Out-of-Pocket Cash	20%	Who paid for incorporation, domain, initial servers, legal fees, and early user research out of pocket?
3. Full-Time vs Part-Time Risk	30%	Who quit their corporate job on day one? Who is keeping a full-time salary while working on the startup at night?
4. Core Execution Role (CEO/CTO)	20%	Who is taking ultimate legal responsibility, customer acquisition, product delivery, and investor management?
5. Opportunity Cost & Salary Forgone	15%	What market salary is each founder giving up to build this startup full time?

HOW IT WORKS

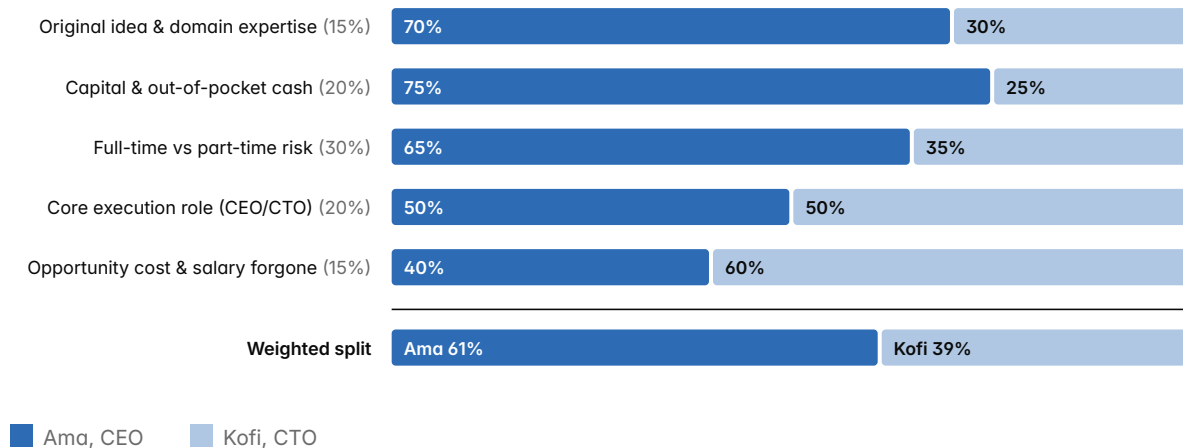
Founder's share = Σ (factor weight × founder's share of that factor)

Agree each founder's share of every factor first, then let the weights do the maths.

FIGURE 1.1

Running the 5-factor calculator

Osu Ledger's two co-founders: each factor's weight, split by who contributed it (illustrative)

**Note**

Weighted split = $\Sigma (\text{factor weight} \times \text{founder's share of that factor})$. Here: $15\% \times 70 + 20\% \times 75 + 30\% \times 65 + 20\% \times 50 + 15\% \times 40 = 61\%$ for Ama.

● 1.2 · CO-FOUNDERS

1.2 The Reverse Vesting Agreement

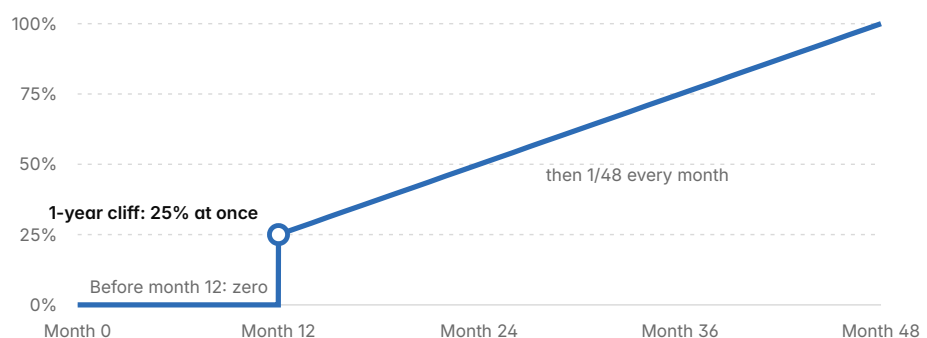
Co-founders do not “own” their shares outright on day one. They enter into a **Reverse Vesting Agreement**:

- **Total duration:** 4 years (48 months).
- **The 1-year cliff:** at 12 months, 25% of the shares vest. Before 12 months, zero shares vest.
- **Monthly vesting:** the remaining 75% vests in equal monthly increments (1/48th per month) from Month 13 to Month 48.

FIGURE 1.2

4 years, 1-year cliff

Share of a grant that has vested, by month



EXAMPLE

Kofi holds 3,900,000 shares and leaves at Month 20 as a good leaver. Vested: $20/48 = 41.7\%$ → **1,625,000 shares he keeps**. The other 2,275,000 go back to the company at nominal price.

● 1.3 · CO-FOUNDERS

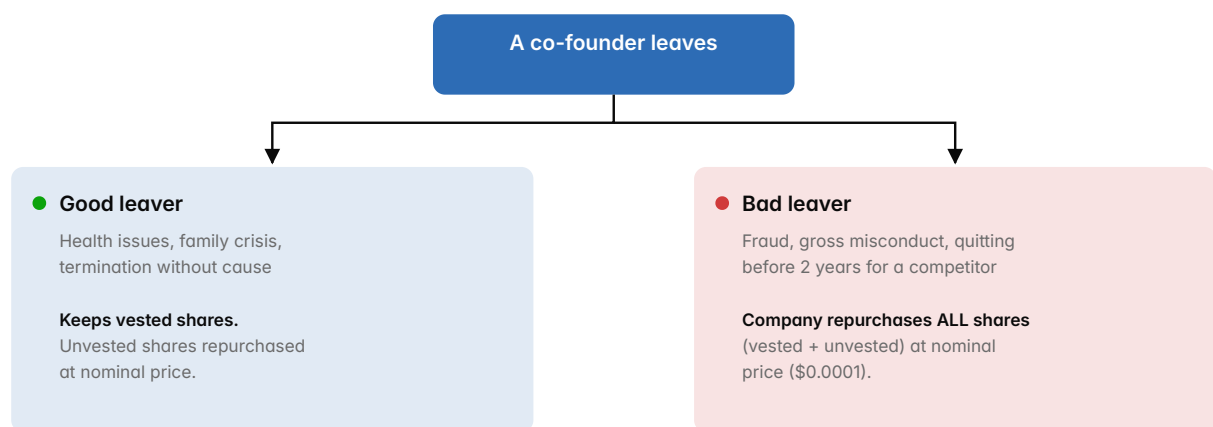
1.3 Good Leaver vs Bad Leaver Provisions

What happens if a co-founder leaves?

FIGURE 1.3

Good leaver vs bad leaver

What happens to a departing co-founder's shares

● **RED FLAG**

No leaver clause at all. A co-founder who walks away at Month 3 keeps everything, and your next investor will notice.

● 1.4 · CO-FOUNDERS

1.4 Script: How to Have the “Equity Talk”

● WHAT NOT TO SAY

“Hey bro, we’re 50/50 right?
Let’s just register the company
and split it down the middle.”

● WHAT TO SAY INSTEAD

“I’m super excited to build this with you. Before we incorporate, we need to set up a clean equity agreement that protects both of us and the business. Let’s run our contributions through a founder calculator, set up a standard 4-year vesting schedule with a 1-year cliff, and put good leaver/bad leaver clauses in place. This will ensure we are both aligned for the long haul and ready for investor diligence.”

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2

dual-entity corporate
setup

2.1 the standard dual-entity structure

2.2 the flip, step by step

2.3 choosing your topco jurisdiction

2.4 ip & local compliance



DURATION

Month 1 to Month 3

GOAL

Structure your holding entity and local operating subsidiary to accept foreign VC investment and handle cross-border equity.

● 2.1 · LEGAL SETUP

2.1 The Standard Dual-Entity Structure

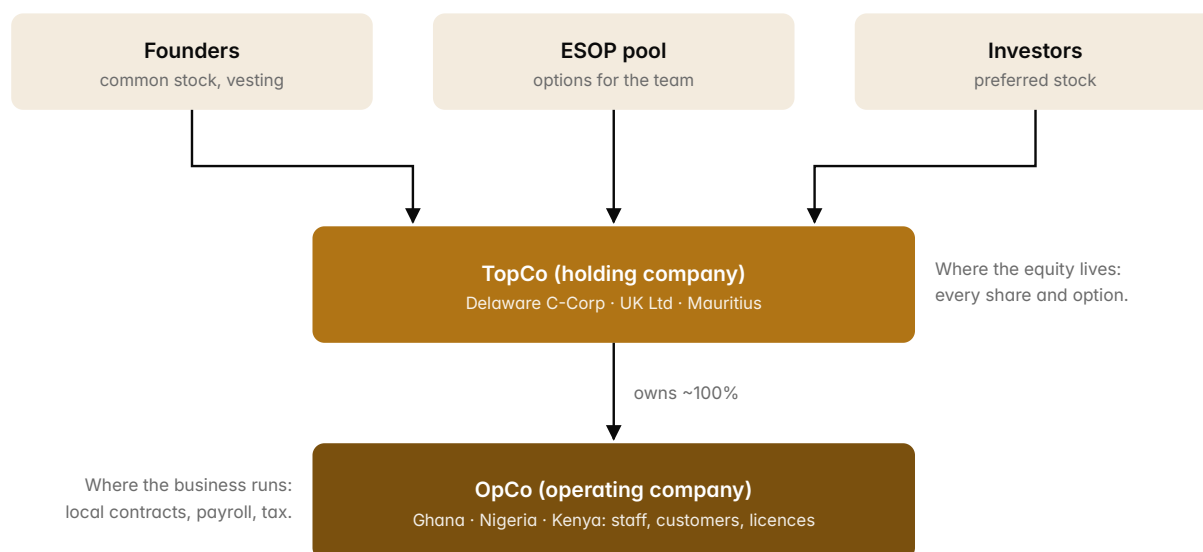
International VCs (US, UK, European funds) rarely invest directly into local operating companies in West or East Africa due to currency volatility, legal precedent concerns, and foreign exchange restrictions.

The standard solution is a **Dual-Entity Flip**: a holding company (the TopCo) in an investor-friendly jurisdiction owns your local operating company (the OpCo). Investors, founders and your option pool all hold shares in the TopCo. The OpCo keeps doing what it does today: employing your team, serving customers and holding local licences.

FIGURE 2.1

The standard dual-entity structure

Everyone holds equity in the TopCo. The TopCo owns the local operating company.



● 2.2 · LEGAL SETUP

2.2 The Flip, Step by Step

A flip moves ownership up a level without changing who owns what. If you already have a local company, the sequence usually looks like this:

- 01 **Incorporate the TopCo** in your chosen jurisdiction, with the same founders and the same split you agreed in Stage 1.
- 02 **Swap shares.** Founders transfer their OpCo shares to the TopCo in exchange for TopCo shares. The TopCo now owns the OpCo.
- 03 **Re-paper vesting.** Founder reverse-vesting agreements move to the TopCo shares, with vesting credit for time already served.
- 04 **Assign the IP.** Code, brand and domains are assigned or licensed to the TopCo, so investors are buying the asset that matters.
- 05 **Sign intercompany agreements.** A services or licensing agreement explains how money moves between TopCo and OpCo, and keeps both tax authorities comfortable.
- 06 **Notify local regulators** where required: company registry, central bank or investment promotion body, depending on the country.

● DO IT BEFORE THE MONEY ARRIVES

Flipping before your first priced round is cheap and quick. Flipping during diligence, with a term sheet on the table, is expensive and slow, and some investors will simply wait for you to finish.

● 2.3 · LEGAL SETUP

2.3 Choosing Your TopCo Jurisdiction

JURISDICTION	BEST WHEN	WATCH OUT FOR
Delaware C-Corp	You are raising from US funds or accelerators. Investors know the documents and the law.	US tax filings every year, and a formal valuation before granting options.
UK Ltd	Your lead investors are UK or European, or your team and customers sit in Anglophone markets.	UK-specific option schemes (such as EMI) may not cover staff employed outside the UK.
Mauritius	Your investors are Africa-focused funds and you want treaty access across the continent.	Substance requirements: you may need local directors and a real presence.

There is no universally right answer. The right TopCo is the one your **likely lead investor** already invests through. Ask them before you incorporate.

● 2.4 · LEGAL SETUP

2.4 IP & Local Compliance

- **Keep a local nominee share if the law needs it.** Some countries require a second local shareholder in the OpCo. A founder or nominee can hold a token share on trust for the TopCo.
- **Follow the money rules.** Investment that comes in through the TopCo and down into the OpCo may need to be registered with the central bank or investment authority so dividends and exit proceeds can leave later.
- **Separate the books.** TopCo and OpCo keep their own accounts, bank accounts and board minutes. Diligence teams check.

● RED FLAG

Your code, brand and domain still sit in a founder's personal name or in the OpCo, with no assignment to the TopCo.

● THE MOVE

Hire a lawyer who has done flips in your country before. Ask how many, and for which funds. This is not the place to save money.



DURATION	GOAL
Before your Seed round	Reserve a 10–15% pre-money pool for future hires, issued in the TopCo.

3.1 · ESOP POOL

3.1 Sizing the Pool

An Employee Stock Option Pool (ESOP) is a block of shares set aside for the people you have not hired yet. Size it from a hiring plan, not a gut feeling: list the roles you will hire in the next 18–24 months, attach a grant range to each (see Stage 4), and add the totals.

POOL SIZE	SIGNAL
10–15%	Standard at Seed. Covers the first 15–20 hires.
8–10%	Fine if you are a small team with a short hiring plan.
> 20%	Too big. You are giving away dilution you may never use.
0%	Investors will insist on one, and you'll pay for it at the worst moment.

Remember Rule 3: the pool is created in the **TopCo**. Never set up options in the local operating subsidiary.

3.2 · ESOP POOL

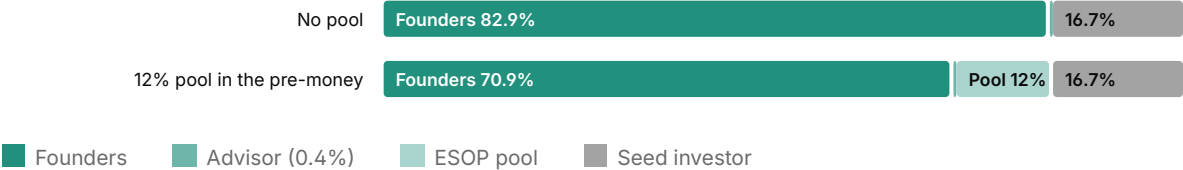
3.2 The Option Pool Shuffle

Investors will usually ask for the pool to be created **before** their money comes in, as part of the pre-money valuation. That means the dilution from the pool falls entirely on the existing shareholders, not on the new investor. This is called the option pool shuffle.

FIGURE 3.1

The option pool shuffle

Osu Ledger's ownership after a \$500K seed at a \$2.5M pre-money valuation (illustrative)



Note

The investor gets 16.7% either way. A pool counted in the pre-money comes entirely out of existing holders: founders fall from 82.9% to 70.9%.

THE MATHS

Founders' stake after the round = 100% – investor % – pool % – other holders %

Osu Ledger: 100% – 16.7% – 12% – 0.4% = 70.9%

● THE MOVE

- **Bring your hiring plan to the negotiation.** If your plan needs 9%, argue for 9%, not the 15% the term sheet asks for.
- **Treat the pool as part of the price.** A higher valuation with a bigger pre-money pool can be worth less to you than a lower one with a smaller pool.

● 3.3 · ESOP POOL

3.3 The Plan & the Paperwork

A pool is not a spreadsheet tab. It is a legal instrument. Before anyone receives an option, you need:

- 01 **An option plan** adopted by the TopCo's board and approved by shareholders, setting the size of the pool and the rules.
- 02 **A valuation** to set the strike price. A Delaware company needs an independent valuation before granting options; other jurisdictions have their own rules.
- 03 **A board resolution for every grant**, naming the person, the number of options, the strike price and the vesting schedule.
- 04 **A grant letter** signed by the employee, with the plan attached.
- 05 **A cap table** that is updated the same week, in a proper tool, not a founder's laptop.

● RED FLAG

Options "granted" in a WhatsApp message or an offer letter, with no plan, no board approval and no strike price.

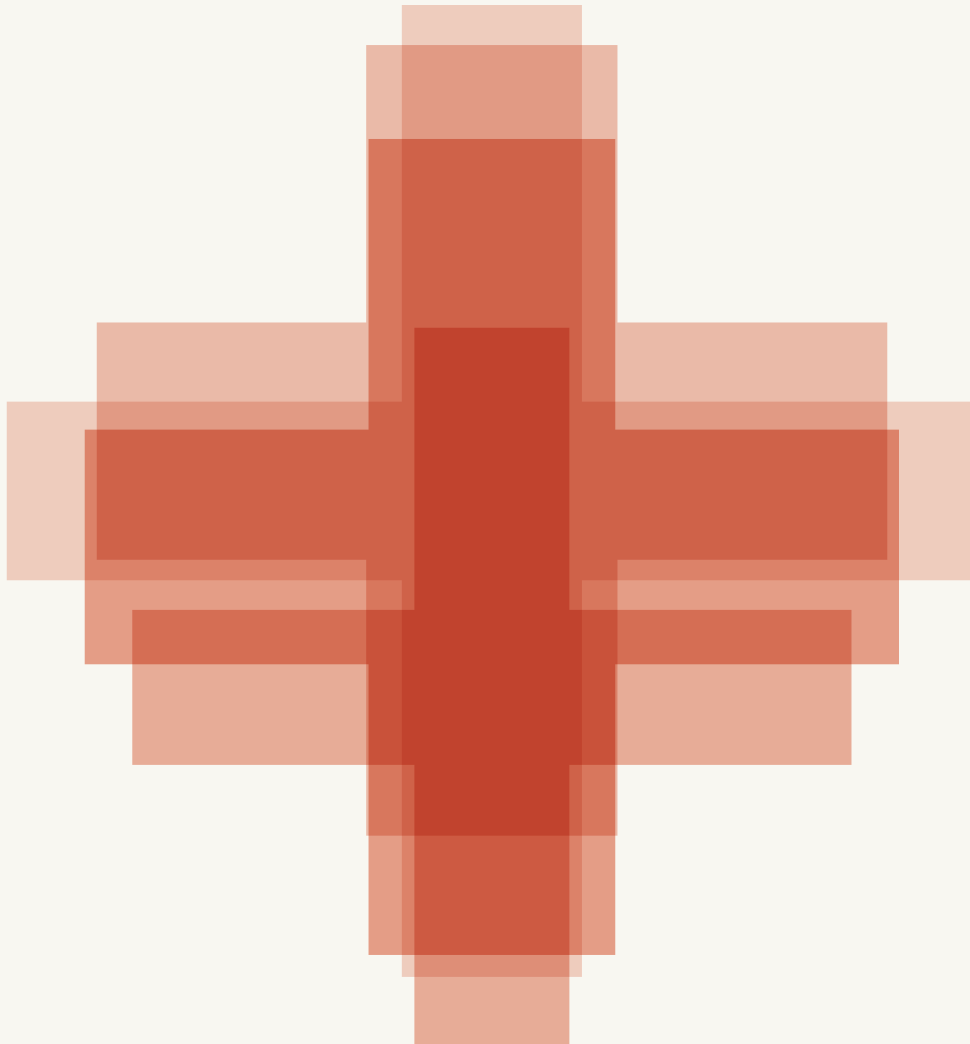
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4

early-hire & advisor
grants

4.1 role-by-role benchmarks
4.2 cash vs equity: tiers a, b and c
4.3 advisor grants
4.4 paper every grant



DURATION

Your first 20 hires

GOAL

Grant options from the pool using role-by-role benchmarks, with every grant formally approved.

● 4.1 · GRANTS

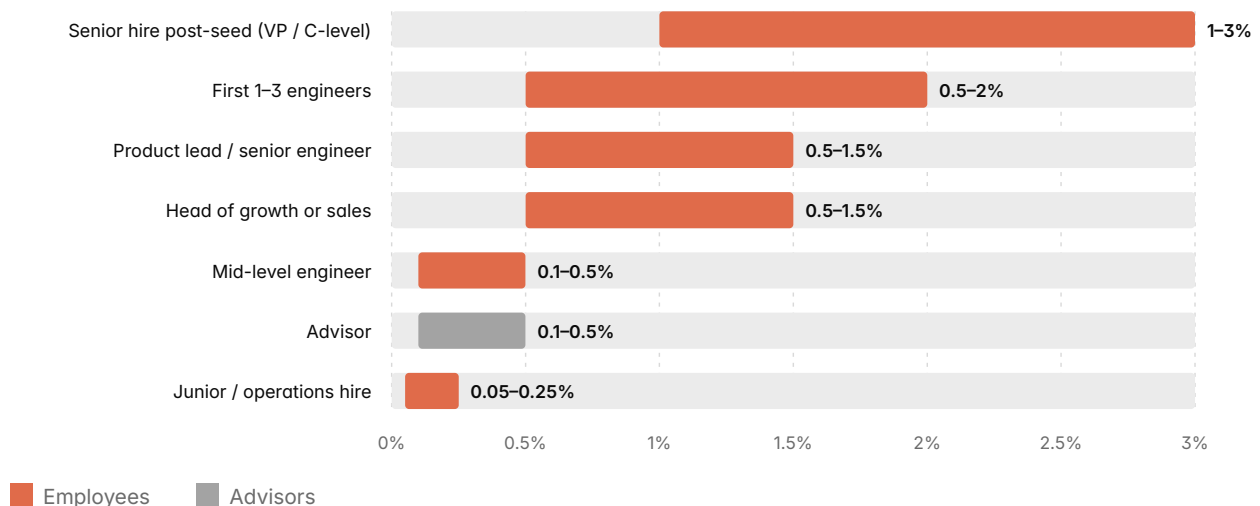
4.1 Role-by-Role Benchmarks

Early employees take real risk: lower pay, less security, a product that may not work. Their grants should reflect that risk and shrink as the company de-risks. These are starting ranges for pre-seed and seed:

FIGURE 4.1

Role-by-role grant ranges

Indicative option grants at pre-seed and seed, as % of fully diluted shares, vesting over 4 years



Note

Indicative ranges, not a market survey. Grants shrink as the company de-risks: the same role gets less after Series A. Benchmark against your round and your hiring market.

Everyone vests on the same terms as the founders: **4 years with a 1-year cliff**. No exceptions (Rule 1).

● 4.2 · GRANTS

4.2 Cash vs Equity: Tiers A, B and C

Equity is a long bet. Rent, school fees and family obligations are paid in cedis, naira and shillings this month, and inflation does not wait for your exit. Instead of forcing one package on everyone, let each hire choose their mix:

TIER	CASH SALARY	OPTION GRANT	BEST FOR
Tier A	100% of market rate	Base grant (1×)	People who need predictable income now
Tier B	About 85% of market	1.5× base grant	Most early hires: some upside, still stable
Tier C	About 70% of market	2× base grant	Believers with savings or a second income

● WHY OFFER A CHOICE?

It respects local realities, it shows you who truly believes in the company, and it saves cash when you need it most. Put the choice in writing, and let people move one tier at their annual review.

● 4.3 · ADVISORS

4.3 Advisor Grants: Work-Bound, Not Free Shares

Rule 4 in practice. Advisors get small slices that are earned, not given:

- **Size:** 0.1% to 0.5% maximum, depending on how much time and access they commit.
- **Vesting:** monthly over 2 years, with a **3-month trial cliff**. If nothing happens in the first 90 days, the agreement ends with zero equity earned.
- **Deliverables:** written into the agreement. "Five qualified introductions to bank partners by Month 6" is a deliverable. "Open doors" is not.
- **Template:** the FAST Agreement from the Founder Institute is a free, standard starting point.

● RED FLAG

An advisor holding 8% for "strategic guidance", with no vesting, no deliverables and no termination clause.

● 4.4 · GRANTS

4.4 Paper Every Grant

Every promise of equity must become a formal grant: board resolution, grant letter, cap table entry. Until then, it is a liability, not an incentive.



WhatsApp promises are legal traps. If it isn't approved by the board and signed by both sides, it isn't equity. It's a future dispute.

Maxwell Cofie, Sandbox Réseau

● THE MOVE

- **Audit your promises today.** Write down every percentage you have ever mentioned to anyone, in any channel.
 - **Paper them or retract them,** in writing, before you start any fundraising conversation.
-

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stage

5

growth & liquidity

5.1 leavers & exercise windows

5.2 secondaries & tender offers

5.3 exit distributions



DURATION Series A and beyond	GOAL Keep the cap table clean as people come and go, and turn vested equity into real money for the team.
---------------------------------	--

● 5.1 · LIQUIDITY

5.1 Leavers & Exercise Windows

When an employee leaves, unvested options return to the pool. Vested options must usually be **exercised**, bought at the strike price, within a set window, or they lapse.

EXERCISE WINDOW	WHAT IT MEANS
90 days	The traditional default. Harsh on employees who can't afford to exercise on short notice.
1–10 years	Increasingly common for good leavers. Fairer, and a strong recruiting signal.

Decide your policy before your first departure, write it into the option plan, and explain it to every hire on day one.

● 5.2 · LIQUIDITY

5.2 Secondaries & Tender Offers

Exits take years. A secondary sale lets early employees or founders sell some vested shares to a new or existing investor before the exit. A tender offer does the same for many holders at once, at one price.

- **Board approval and company consent** are almost always required. Check your shareholders' agreement for rights of first refusal.
- **Keep it modest.** Investors are comfortable with people taking some money off the table, not with key people cashing out entirely.

● 5.3 · LIQUIDITY

5.3 Exit Distributions

At an acquisition or listing, preferred shareholders are paid according to their liquidation preferences, then common shareholders and option holders share the rest. A clean cap table and a real ESOP mean your team actually participates.

FIGURE 5.1

What 1% means at exit

Osu Ledger's first engineer: 140,977 fully vested options, \$30M acquisition, no later dilution (illustrative)



Note

Price per share at exit = \$30,000,000 ÷ 14,097,744 shares = \$2.13. Strike = \$0.03. Later rounds would dilute this; tax depends on where the employee lives.

● THIS IS THE POINT OF ALL OF IT

A first engineer holding 1% of Osu Ledger walks away with about \$295,770 before tax at a \$30M exit. That is what turns an ESOP from paperwork into a reason to join.

Worked example

To see the whole lifecycle in one place, here is Osu Ledger, a fictional Accra startup, from incorporation to exit. Every figure is invented for illustration; the arithmetic is real.

WHEN	WHAT HAPPENS	RESULT	ON THE CAP TABLE
Incorporation	Ama (CEO) and Kofi (CTO) run the 5-factor calculator	Ama 61% · Kofi 39%	6,100,000 / 3,900,000 shares, 4-year reverse vesting
Month 2	Flip into a TopCo that owns the Ghana OpCo	Same split, one level up	IP assigned to the TopCo
Month 9	Advisor signs a FAST-style agreement	0.4%	56,391 shares over 2 years, 3-month trial cliff
Seed	\$500K at \$2.5M pre-money, 12% pool in the pre-money	Investor 16.7% · Pool 12%	Founders fall to 70.9% (43.3% / 27.7%)
Hires 1–5	Engineer 1%, designer 0.5%, growth 0.75%, two engineers 0.4%	3.05% granted	8.95% of the pool left for the next hires
Month 20	Kofi leaves as a good leaver	Keeps 1,625,000	2,275,000 unvested shares return at nominal price
Exit	\$30M acquisition, no later dilution	\$2.13 per share	First engineer nets about \$295,770 before tax

● WHAT THE NUMBERS SAY

Because Osu Ledger split fairly, vested everyone and created its pool before the Seed, Kofi's early exit cost the company nothing it hadn't earned, the investor's diligence was quick, and a 1% engineering grant became a life-changing \$296K. That is what a clean cap table buys you.

The founder's equity cheat sheet

Ten rules on one page. Print it. Pin it. Read it before every equity conversation.

01 Never split equity 50/50 without running a multi-factor contribution calculation.

STAGE 01

02 Unvested equity does not exist. 4 years vesting, 1-year cliff for EVERYONE (founders included). STAGE 01

03 Issue options in the TopCo (Delaware/Mauritius), never in the local operating subsidiary. STAGE 02

04 Create a 10–15% ESOP pool BEFORE your Seed round. STAGE 03

05 Offer cash vs equity salary choices (Tier A, B, C) to accommodate local inflation realities. STAGE 04

06 Advisors get 0.1% to 0.5% max, vesting over 2 years with a 3-month trial cliff. STAGE 04

07 Tie advisor equity to tangible deliverables, not vague promises of introductions. STAGE 04

08 Bad leavers forfeit unvested AND vested shares at nominal valuation (\$0.0001 per share). STAGE 01

09 Informal promises on WhatsApp are legal traps. Paper every grant with formal board approval. STAGE 04

10 Equity is permanent. Protect your cap table like your company's life depends on it. STAGE 05

HIGH-SIGNAL. NO FLUFF. NOW GO BUILD.

Further reading

If this playbook sparked something, go deeper:

"Slicing Pie" by Mike Moyer

The definitive guide to dynamic equity splits for early-stage co-founders. Read before Stage 1. · slicingpie.com

"Venture Deals" by Brad Feld & Jason Mendelson

How cap tables, option pools, and term sheets work in practice. Essential reading before fundraising. · venturedeals.com

The FAST Agreement (Founder Institute)

Free legal template for structuring advisor equity grants cleanly. · fi.co/fast

"The Early Startup Playbook", Sandbox Réseau

Our companion playbook on validating ideas and building your MVP before raising capital.

"Startup Metrics Cheat Sheet", Sandbox Réseau

Our operational guide on startup numbers, unit economics, and retention metrics.

The Reverb Podcast, Sandbox Réseau

Real African founders sharing how they structured co-founder splits, flipped to Delaware, and built ESOPs.

Final word

In the startup ecosystem, people love to talk about big fundraises, pitch competitions, and shiny launch events.

But the unglamorous truth is that many promising African tech companies die behind closed doors long before they hit the market. They die because a co-founder left with 40% of the cap table on day 90. They die because an advisor took 8% for doing nothing. They die because the cap table was such a legal mess that no foreign investor would touch it.

You don't have to let that happen to your business.

Treat equity with the respect it deserves. Set up clean vesting agreements. Build a real ESOP pool for your team. Protect your cap table from day one.

When the time comes to scale and raise capital, your investors will see a tight, professional, venture-ready company built to win.

Go build it.



Maxwell Cofie

Founder, Sandbox Réseau · Accra's Builder Community · maxwellcofie.com · The Reverb Podcast



Equity is permanent. Protect your cap table.

The Founder's Equity & ESOP Playbook · September 2026 · Accra, Ghana
Sandbox Réseau: high-signal, no fluff. Accra's builder community.
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